

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

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

June 30, 2019 and 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Community College of Philadelphia (the "College") as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Community College of Philadelphia as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 and the other required supplementary information on pages 59 through 71 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 27, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Philadelphia, Pennsylvania
September 27, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2019 and 2018

INTRODUCTION

This Management's Discussion and Analysis (MD&A) is based upon facts, decisions, and conditions known as of the date of the audit report. The results for 2019 are compared to those for the 2018 fiscal year. The MD&A should be read in conjunction with the financial statements and accompanying notes that follow this section.

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

Financial and Institutional Highlights

- The College and its three bargaining units reached agreements on April 3, 2019. The agreements are for the period from September 1, 2016 to August 31, 2022. The sizeable and growing post-retirement benefit (OPEB) and health benefits were amongst the many items successfully addressed in the agreements.
- The Hamilton, which is the College's public-private partnership project with the Radnor Property Group, accepted its first tenants in August 2018. This mixed-use development located at 15th and Hamilton Street includes student housing, market rate housing, and retail space. The College has started receiving ground lease payments from the developer.
- A number of deferred maintenance and critical security items including refurbishment of freight elevators, repairing the parapet on the West Building exterior, repairing or replacing all classroom doors and locks, replacement of the exterior grand stairs of the historic Mint Building, and the upgrading and expanding of the CCTV were completed during the fiscal year.
- The Library Learning Commons Project, which involves the reconfiguration of the library and learning labs areas within the Mint and Bonnell Buildings, has begun. The \$16 million project will realign the spaces to create an ideal learning environment including library instructional spaces, technology tools and support for students to access materials and prepare presentations, study group areas, quiet rooms, tutoring services, multi-media and other technology rooms, offices, and bound volume storage and retrieval.
- On May 1, 2019, the College successfully closed on a \$9.2 million Series A 2019 bond to begin the financing of the Career and Advanced Technology Center project. The new Career and Advanced Technology Center project will consist of (a) the development, construction, improvement, furnishing, equipping and outfitting of a new, approximately 75,000 square foot building. The Automotive Technology Center inclusive of advanced fuel systems of passenger vehicles; large-scale vehicles and equipment; stationary equipment, power equipment; and marine craft will serve as the anchor program. CNC welding, electro-mechanical and gas pipeline programs, licensed Certified Nurse Assistant and Dental Assistant programs will also be offered in the new building. Part of the debt service will be supported by the Pennsylvania Department of Education (PDE) and the City of Philadelphia. Additional funding will be from private gifts, Redevelopment Assistance Capital Program (RACP) grants and New Market Tax Credits.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2019 and 2018

- In Fall 2018, the College officially launched its record label, Spring Garden Records. Music students will have the opportunity to acquire hands-on business experience in the areas of entrepreneurship and sound recording and music technology. To-date, a student-created logo has been secured, student and staff artists have been signed, original music has been recorded, advisory council members have been identified, and a closed artist signing and listening party was hosted on campus.
- The College continues to expand its degree and certificate program offerings in an effort to meet the City's workforce needs. New degree programs include Business Leadership, Fashion Merchandising and Marketing, Tourism and Hospitality Management, and Black Studies. Certificates include Computer Programming I – Application, Web and Database Development; Computer Programming II – Algorithms and Computation; Web Development II – Cloud Computing; Advanced Automotive Repair Professional; Business Leadership; Corporate Social Responsibility; Digital Investigations; Fashion Retail Sales; Tourism and Hospitality Management; and American Sign Language/English Interpreting I and II Post-Baccalaureate.
- The College located a new CareerLink office operated by the local workforce board, at our Northeast Regional Center.
- The College enhanced the Career Connections department to include a heavier emphasis on employer services and engagement with students hiring an Employer Partnerships Manager, expanding job fair and experiential learning experiences across all academic programs.
- The College continued to enhance and expand its dual enrollment programs with the School district of Philadelphia, Mastery Charter Schools, MaST Community Charter School, and the John W. Hallahan Catholic High School for Girls.
- The College is working with the School District of Philadelphia, the City of Philadelphia, the State Department of Education, IBM and Comcast to open two P-Tech high schools in Philadelphia.
- The College experienced record enrollment numbers in summer ACE (Advanced College Experience) for high school students. ACE 2017 enrolled 335 high school students, ACE 2018 enrolled 365 high school students, and ACE 2019 enrolled 409 students which represents the highest enrollment to date since the program's inception in 1989.
- The College continues to expand its non-credit ESL program. During the year, additional courses were offered to students in need of conversational and workplace language skills.
- During the year, the College offered numerous new diversity programs open to the public, including two programs in conjunction with NewCore. NewCore is a multiracial, interfaith body striving to make an impact in the city through conversations on race and ethnicity.
- The College continued its focus on student persistence by expanding the use of Starfish Early Alert system for early intervention and communications. The College also invested in a new Assessment Management System (AEFIS) for the collection, analysis, planning, and continuous improvement of student learning outcomes and administrative outcomes. The AMS will provide reports that inform stakeholders on achievement of learning outcomes at the course, program and general education levels, assess program viability and provide needed data analysis for accrediting purposes.
- The College will be implementing a new Customer Relation Management (CRM) system, Ellucian CRM Recruit, which should result in improved processing and monitoring of the admission process that should lead to increased enrollment.

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

June 30, 2019 and 2018

- Total operating revenues declined 1.2% from \$34.8 million in 2017-2018 to \$34.4 million in 2018-2019 driven by total enrollment declining by 5.3%. The loss of revenues from the 5.3% drop in enrollment was offset by total credit hours declining by a lesser percentage of 4.7% and auxiliary revenues increasing by 5.0%.
- While total enrollment declined 5.3% from prior year, online enrollment continues to increase every semester. Online learning increased 8.0% in 2018-2019.
- Consistent with the College's commitment to quality, access and affordability, the Board of Trustees elected not to increase tuition and fees for both the 2018-2019 and the 2019-2020 academic years.
- Operating expenses decreased by \$18.7 million or 11.4% due to actuarial changes in computing the College's Net OPEB Liability, significant number of vacant positions during the year, fewer sections offered, and lower student aid expenses.
- Non-operating revenues increased marginally by 0.1%. The College experienced a higher return on its cash investments. The State increased its appropriations from \$30.9 million to \$31.8 million while the City increased its appropriations from \$23.3 million to \$25.5 million. These increases were offset by a decrease in Federal grants and contracts of \$2.9 million and State grants and contracts of \$2.0 million.

Overview of Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2019 and 2018

Net Position

At June 30, 2019, the College's net position was a negative \$98.8 million, with liabilities of \$293.1 million exceeding assets of \$251.2 million. Because of financial circumstances, which contributed to asset growth, net position increased by \$3.7 million in the 2019 fiscal year prior to recording the impact of the post-employment benefit liability. Unrestricted net position improved from a negative \$216.5 million to a negative \$208.0 million. Absent the cumulative impact of the post-employment benefit liability (GASB 75 and 68) reporting requirements, unrestricted net position would currently be at a level of negative \$27.7 million. The other factor significantly reducing the unrestricted net position value was unfunded depreciation expense for 2019 in the amount of \$7.9 million.

The negative unrestricted net asset position of \$208.0 million reflects the cumulative impact of the post-employment benefit expense accruals in the amount of \$180.3 million.

Summary of Net Position

June 30,

| | 2019 | 2018 | 2017 |
|---|---------------|------------|----------|
| | (In millions) | | |
| Assets: | | | |
| Current assets | \$ 48.4 | \$ 40.9 | \$ 38.2 |
| Noncurrent assets: | | | |
| Bond proceeds available for campus construction | 26.4 | 16.1 | 2.2 |
| Other long-term investments | 17.2 | 16.4 | 16.6 |
| Capital assets net of depreciation | 159.1 | 164.4 | 165.9 |
| Total assets | \$ 251.1 | \$ 237.8 | \$ 222.9 |
| Deferred outflows of resources | \$ 6.6 | \$ 7.3 | \$ 8.2 |
| Liabilities: | | | |
| Current liabilities | \$ 32.8 | \$ 26.4 | \$ 27.3 |
| Noncurrent liabilities | 260.3 | 261.0 | 151.6 |
| Total liabilities | \$ 293.1 | \$ 287.4 | \$ 178.9 |
| Deferred inflows of resources | \$ 63.5 | \$ 67.1 | \$ 0.3 |
| Net position: | | | |
| Net investment in capital assets | \$ 103.9 | \$ 102.0 | \$ 99.8 |
| Restricted: | | | |
| Expendable | 5.3 | 5.1 | 4.9 |
| Unrestricted | (208.0) | (216.5) | (52.7) |
| Total net position | \$ (98.8) | \$ (109.4) | \$ 52.0 |

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

June 30, 2019 and 2018

Assets

Current assets increased by \$7.5 million in fiscal year 2019. Accrued interest receivable, short-term investments, cash and cash equivalents, and other assets increased and receivable from government agencies increased while net accounts receivable decreased.

Noncurrent assets increased by \$5.9 million. Bond proceeds available for campus construction increased as the College closed on a \$9.2 million bond issue in May 2019 to fund the Center for Advanced Technology. The Biology labs renovation has been completed. The College's capital assets as of June 30, 2019 net of accumulated depreciation were \$159.1 million, a decrease of \$5.3 million over the amount reported for 2018 of \$164.4 million. The decrease in the net value of assets is related to the increase in accumulated depreciation, which exceeded the value of capital additions.

Liabilities

Total current liabilities increased by \$6.4 million in fiscal year 2019. Accounts payable and accrued liabilities increased by \$2.2 million primarily due to an increase in accounts payable of \$1.1 million, retirement incentives of \$0.7 million, and accrued salaries of \$0.2 million. The current portion of long-term debt increased by \$0.6 million for the year. Payables to government agencies increased by \$3.5 million primarily due to an increase in advanced funding from PHEAA for a state grant.

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

The College's outstanding long-term debt was at \$70.1 million as of June 30, 2019, an increase of \$1.9 million from June 2018. This increase is due to the loan agreement dated May 1, 2019 between the State Public School Building Authority and the College offset by principal payments made on other bond issues during the year. The post-employment benefits liability amount for fiscal year 2019 also includes \$4.7 million related to GASB 68, which requires the College to record its relative proportion of the net funded status of certain state cost sharing pension plans. The cumulative estimated value for the accrued post-employment benefit liability in fiscal years 2019, 2018 and 2017 was \$180.3 million, \$182.2 million and \$82.8 million, respectively. Absent this reporting requirement, the College's net assets as of June 30, 2019 would have been at a level of \$81.5 million.

Capital lease obligations include mainly technology associated with academic and administrative computing. The College paid off the obligations related to leases associated with computer equipment.

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

June 30, 2019 and 2018

Statements of Revenues, Expenses and Changes in Net Position

The change in net position for fiscal years 2019, 2018 and 2017 was a positive \$10.6 million, negative \$7.1 million, and negative \$9.1 million, respectively. The following table quantifies the changes:

Revenues, Expenses and Changes in Net Position
Year ended June 30,

| | 2019 | 2018 | 2017 |
|--|---------------|----------|----------|
| | (In millions) | | |
| Operating revenues: | | | |
| Net tuition and fees | \$ 32.8 | \$ 33.2 | \$ 33.0 |
| Auxiliary enterprises and other sources | 1.6 | 1.6 | 1.8 |
| Total | 34.4 | 34.8 | 34.8 |
| Operating expenses | 145.7 | 164.4 | 166.6 |
| Operating loss | (111.3) | (129.6) | (131.8) |
| Net nonoperating revenues | 110.1 | 110.0 | 111.6 |
| Change in net assets before other revenues | (1.2) | (19.6) | (20.2) |
| Capital appropriations | 11.8 | 12.5 | 11.1 |
| Total change in net position | \$ 10.6 | \$ (7.1) | \$ (9.1) |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2019 and 2018

Operating Revenues

The largest sources of operating revenue for the College are student tuition and fees and auxiliary enterprises revenues. In both 2019 and 2018, the tuition charge per credit was \$159 per credit. The Technology Fee, General College Fee, and Course Fees also remained unchanged from prior year. The College charges course fees for selected high-cost courses. Course fees range from \$85 to \$345. Average total tuition and fee revenue per credit for 2019 was \$203.

Tuition and fee revenue totaled \$71,822,381 in fiscal year 2019 and \$75,075,802 in fiscal year 2018, a decline of 4.3%. Total enrolled credit hours declined 4.7% for the same period.

Scholarship allowance amounts for 2019 and 2018 totaled \$39,069,284 and \$41,842,116, respectively. The scholarship allowance represents tuition and fee payments made using public and private grants and scholarships. The decline in scholarship allowance amounts between fiscal 2019 and fiscal 2018 are reflective of the decline in enrollment which was partially offset by the continuation of year round Pell and the small increase in the federal Pell financial aid award amounts for the 2019 fiscal year.

Gift revenue from the Community College of Philadelphia Foundation (the Foundation) in the amount of \$160,000 was received in 2019 and is reported in the Statements of Revenues, Expenses and Changes in Net Position. This value consists of \$100,000 for general College expansion and the balance of \$60,000 to partially pay the College's cost for its partnership with Single Stop USA. Single Stop USA is a nonprofit organization that delivers services to families nationwide by connecting students to state and federal financial resources and local community services. The aim is to help students overcome economic barriers, continue with their education and move toward economic mobility.

Nonoperating Revenues

Commonwealth appropriations in fiscal year 2019, excluding capital appropriations, totaled \$31,819,876, an increase of \$928,265 (3.0%) over the \$30,891,611 received in fiscal year 2018.

Total 2019 City funding was \$32,409,207, a \$2.0 million increase (6.6%) over the amount received in fiscal year 2018. Of the funding appropriation, \$25,549,440 was used for operating budget purposes in 2019, including \$711,337 for the continuation of PowerUp Your Business program. In fiscal year 2018, \$23,310,452 of the total appropriation was used for operating purposes. Net investment income was \$1,577,079 in fiscal year 2019 and \$36,359 in 2018. Included in net investment income for 2019 is an unrealized gain of \$714,894 and a realized loss of \$31,906 for all investment activity as of June 30, 2019.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2019 and 2018

Capital Appropriations

The Commonwealth provided capital funding for debt service and capital purchases in the amounts of \$4,937,072 and \$5,352,051 for fiscal years 2019 and 2018, respectively. The College used \$6,859,767 of the total City appropriation of \$32,409,207 in fiscal year 2019 for debt service and capital purchases. In fiscal year 2018, City appropriations used for debt service and capital purchases were \$7,098,755.

Expenses by Function

Year ended June 30,

| | 2019 | 2018 | 2018 |
|---------------------------|----------------|----------------|----------------|
| Instruction | \$ 56,714,890 | \$ 64,578,356 | \$ 65,509,173 |
| Public service | 97,457 | 144,542 | 124,136 |
| Academic support | 16,404,900 | 19,181,833 | 18,880,265 |
| Student services | 20,529,207 | 24,212,003 | 24,404,673 |
| Institutional support | 22,639,568 | 25,111,421 | 24,853,707 |
| Physical plant operations | 14,423,723 | 15,092,643 | 15,012,576 |
| Depreciation | 7,939,447 | 8,132,985 | 8,204,104 |
| Student aid | 6,250,428 | 7,213,061 | 8,770,096 |
| Auxiliary enterprises | 684,534 | 733,460 | 811,482 |
| Total operating expenses | \$ 145,684,154 | \$ 164,400,304 | \$ 166,570,212 |

Exclusive of student aid and depreciation expenses, the College's operating expenses totaled \$131,494,279 in fiscal 2019 and \$149,054,258 in fiscal 2018. The College's five-year Collective Bargaining Agreement with Faculty and Classified employee unions that was ratified in September 2013 expired August 2016. On April 3, 2019, the College and the members of Unions reached a tentative agreement and entered into certain Memorandum of Agreements to amend the terms and conditions of the respective Collective Bargaining Agreements. The Board of Trustees of the College and the membership of the Unions approved the Memorandum of Agreements on April 4, 2019 and April 11, 2019, respectively, which, among other things, extended the term of the Collective Bargaining Agreements to August 31, 2022.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2019 and 2018

In fiscal 2018, the College replaced GASB 45 with GASB 75. Under GASB 75, the Unfunded Actuarial Accrued Liability (UAAL), reported under GASB 45 was replaced by Net OPEB Liability (NOL) on the Statement of Net Position. Changes to the NOL are recognized either in the OPEB Expense and/or as deferred inflows/outflows. The value of the expense for fiscal years 2019, 2018 and 2017 was a negative \$5,802,354, \$11,924,333 and \$11,195,998, respectively.

Expenses by Natural Classifications

Year ended June 30,

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|-------------------|
| | (In thousands) | | |
| Expenses: | | | |
| Salaries | \$ 77,462 | \$ 76,986 | \$ 78,629 |
| Benefits | 34,979 | 36,258 | 36,417 |
| Contracted services | 8,045 | 7,859 | 6,512 |
| Supplies | 3,059 | 3,549 | 3,376 |
| Depreciation | 7,939 | 8,133 | 8,204 |
| Student aid | 6,250 | 7,213 | 8,770 |
| Other post-employment benefits accrual | (5,426) | 12,309 | 11,703 |
| Other | 13,376 | 12,093 | 12,959 |
| | <u>145,684</u> | <u>164,400</u> | <u>166,570</u> |
| Total operating expenses | | | |
| Interest on capital asset-related debt service | <u>3,602</u> | <u>3,413</u> | <u>3,263</u> |
| | | | |
| Total nonoperating expenses | <u>3,602</u> | <u>3,413</u> | <u>3,263</u> |
| | | | |
| Total expenses | <u>\$ 149,286</u> | <u>\$ 167,813</u> | <u>\$ 169,833</u> |

In fiscal year 2019, expenses associated with the College's operating budget increased by \$0.7 million or 0.5%. Total operating expenditures ended the year \$6.4 million less than budgeted. A significant number of vacant positions coupled with offering a lower number of sections, resulted in total salaries being \$2.3 million less than budget. The staff benefit budget was positively affected by a favorable year for the medical self-funded program as well as a change in the pharmacy benefit manager resulting in improved discounts and rebates. Final healthcare program costs were almost \$3.6 million below budget and \$1.4 million less than fiscal year 2018. Consistent with lower enrollment, expenses associated with restricted grants decreased by \$354,130 or 4.7% when compared to fiscal year 2018.

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

June 30, 2019 and 2018

Schedule of Fund Balances

The following chart shows fund balances in the four fund groups: Unrestricted, Restricted, Endowment and Plant. The 2019, 2018 and 2017 amounts reported for unrestricted operations funds were reduced by the impact of accrued expense liability for post-employment benefits. For fiscal 2018, the College replaced GASB 45 with GASB 75. The impact of GASB 75 reporting in 2019 was a negative \$5,802,354, while the impact of GASB 45 and 68 reporting in 2018 was \$11,924,333. The negative unrestricted plant fund balance reflects the cumulative impact of unfunded depreciation expense.

| | June 30, | | |
|--|------------------|------------------|-----------------|
| | 2019 | 2018 | 2017 |
| Total unrestricted fund | \$ (200,606,226) | \$ (209,777,781) | \$ (46,270,627) |
| Endowment fund: | | | |
| Quasi endowment (unrestricted) | 1,308,208 | 1,332,152 | 1,555,625 |
| Total endowment | 1,308,208 | 1,332,152 | 1,555,625 |
| Plant fund: | | | |
| Net investment in capital assets | 103,868,972 | 102,005,246 | 99,771,887 |
| Restricted expendable - capital projects | 5,285,060 | 5,101,208 | 4,939,214 |
| Unrestricted | (8,662,532) | (8,090,020) | (8,044,956) |
| Total plant fund | 100,491,500 | 99,016,434 | 96,666,145 |
| Total net position | \$ (98,806,518) | \$ (109,429,195) | \$ 51,951,143 |

Community College of Philadelphia Foundation

The Foundation was established in 1985. Total assets for 2019 and 2018 were \$14.4 million and \$13.9 million, respectively. Total unrestricted net position for both 2019 and 2018 for the Foundation was \$1.8 million. The remaining net position is restricted based upon donor intent.

Future Impacts

For fiscal year 2020, City funding to the College was increased by \$3.5 million over the amount received for fiscal year 2019. The Commonwealth appropriation was increased by \$633,639. The Board voted not to increase student tuition and fees for both fiscal year 2019 and 2020. Credit hour enrollments for the Fall 2019 semester are trending 2.7% below enrollments of Fall 2018. The total credit hours generated by the late summer session, a fiscal year 2020 term, were 5.8% lower than the previous year.

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

STATEMENTS OF NET POSITION

June 30,

| ASSETS | Business-type activities | | Component unit | |
|---|--|----------------|---|---------------|
| | The Community College of Philadelphia | | The Community College of Philadelphia Foundation | |
| | 2019 | 2018 | 2019 | 2018 |
| Current assets: | | | | |
| Cash and cash equivalents (Note B) | \$ 22,125,355 | \$ 16,807,834 | \$ 1,427,612 | \$ 908,126 |
| Short-term investments (Note B) | 17,776,324 | 15,510,384 | 855,989 | 1,439,953 |
| Accounts receivable, net (Note C) | 5,119,559 | 5,509,823 | 196,700 | 193,336 |
| Receivable from government agencies (Note G) | 1,791,386 | 1,733,694 | - | - |
| Accrued interest receivable | 72,235 | 50,082 | - | - |
| Other assets | 1,537,656 | 1,297,333 | - | - |
| Total current assets | 48,422,515 | 40,909,150 | 2,480,301 | 2,541,415 |
| Noncurrent assets: | | | | |
| Endowment investments (Note B) | - | - | 11,880,209 | 11,210,672 |
| Accounts receivable, net (Note C) | - | - | 87,104 | 132,211 |
| Bond proceeds available for campus construction | 26,446,855 | 16,099,212 | - | - |
| Other long-term investments (Note B) | 17,211,715 | 16,364,379 | - | - |
| Capital assets, net (Note D) | 159,125,610 | 164,371,572 | - | - |
| Total noncurrent assets | 202,784,180 | 196,835,163 | 11,967,313 | 11,342,883 |
| Total assets | \$ 251,206,696 | \$ 237,744,313 | \$ 14,447,614 | \$ 13,884,298 |
| Deferred outflows of resources: | | | | |
| Deferred outflows | \$ 6,629,314 | \$ 7,277,932 | \$ - | \$ - |

(Continued)

See accompanying notes to financial statements.

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

STATEMENTS OF NET POSITION - CONTINUED

June 30,

| LIABILITIES AND NET POSITION | Business-type activities | | Component unit | |
|--|--|------------------|---|---------------|
| | The Community College of Philadelphia | | The Community College of Philadelphia Foundation | |
| | 2019 | 2018 | 2019 | 2018 |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities (Note E) | \$ 17,553,995 | \$ 15,304,882 | \$ 477,336 | \$ 1,046,229 |
| Payable to government agencies (Note G) | 4,222,497 | 729,343 | - | - |
| Deposits | 349,168 | 278,671 | 1,931 | 3,199 |
| Unearned revenue | 2,218,964 | 2,305,077 | 573,677 | 570,525 |
| Current portion of capital lease obligation (Note F) | 473,448 | 451,189 | - | - |
| Current portion of long-term debt (Note F) | 7,240,817 | 6,664,480 | - | - |
| Unamortized bond premium | 728,918 | 677,692 | - | - |
| Total current liabilities | 32,787,807 | 26,411,334 | 1,052,944 | 1,619,953 |
| Noncurrent liabilities: | | | | |
| Accrued liabilities (Note E) | 1,399,630 | 2,098,437 | - | - |
| Annuity payable | - | - | 8,000 | 7,970 |
| Deposits | 250,000 | 250,000 | - | - |
| Capital lease obligation (Note F) | 918,264 | 1,113,022 | - | - |
| Long-term debt (Note F) | 70,057,284 | 68,143,101 | - | - |
| Unamortized bond premium | 7,440,661 | 7,145,064 | - | - |
| Other post-employment benefits liability (Note H) | 180,264,083 | 182,233,779 | - | - |
| Total noncurrent liabilities | 260,329,922 | 260,983,403 | 8,000 | 7,970 |
| Total liabilities | \$ 293,117,729 | \$ 287,394,737 | \$ 1,060,944 | \$ 1,627,923 |
| Deferred inflows of resources: | | | | |
| Deferred inflows | \$ 63,524,799 | \$ 67,056,703 | \$ - | \$ - |
| Net position: | | | | |
| Net investment in capital assets | 103,868,972 | 102,005,246 | - | - |
| Restricted: | | | | |
| Nonexpendable: | | | | |
| Scholarships, awards and faculty chair | - | - | 9,510,728 | 8,706,698 |
| Annuities | - | - | 7,637 | 7,507 |
| Expendable: | | | | |
| Scholarships, awards and faculty chair | - | - | 2,089,592 | 1,594,227 |
| Capital projects | 5,285,060 | 5,101,208 | 22,186 | 113,452 |
| Unrestricted | (207,960,550) | (216,535,649) | 1,756,527 | 1,834,491 |
| Total net position | \$ (98,806,518) | \$ (109,429,195) | \$ 13,386,670 | \$ 12,256,375 |

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

Year ended June 30,

| | Business-type activities | | Component unit | |
|------------------------------|--|-------------------------|---|-----------------------|
| | The Community College of Philadelphia | | The Community College of Philadelphia Foundation | |
| | 2019 | 2018 | 2019 | 2018 |
| Operating revenues: | | | | |
| Student tuition | \$ 54,867,461 | \$ 57,648,265 | \$ - | \$ - |
| Student fees | 16,954,920 | 17,427,537 | - | - |
| Less scholarship allowance | (39,069,284) | (41,842,116) | - | - |
| Net student tuition and fees | 32,753,097 | 33,233,686 | - | - |
| Auxiliary enterprises | 1,598,939 | 1,523,215 | - | - |
| Gifts | - | - | 1,569,588 | 1,415,531 |
| Other sources | 41,888 | 45,908 | - | - |
| Total operating revenues | <u>34,393,924</u> | <u>34,802,809</u> | <u>1,569,588</u> | <u>1,415,531</u> |
| Operating expenses (Note J): | | | | |
| Educational and general: | | | | |
| Instruction | 56,714,890 | 64,578,356 | 182,105 | 63,883 |
| Public service | 97,457 | 144,542 | - | - |
| Academic support | 16,404,900 | 19,181,833 | 1,135,611 | 819,086 |
| Student services | 20,529,207 | 24,212,003 | 165,107 | 59,493 |
| Institutional support | 22,639,568 | 25,111,421 | 789,263 | 1,027,450 |
| Physical plant operations | 14,423,723 | 15,092,643 | - | - |
| Depreciation | 7,939,447 | 8,132,985 | - | - |
| Student aid | 6,250,428 | 7,213,061 | 553,860 | 521,687 |
| Auxiliary enterprises | 684,534 | 733,460 | - | - |
| Total operating expenses | <u>145,684,154</u> | <u>164,400,304</u> | <u>2,825,946</u> | <u>2,491,599</u> |
| Operating loss | <u>\$ (111,290,230)</u> | <u>\$ (129,597,495)</u> | <u>\$ (1,256,358)</u> | <u>\$ (1,076,068)</u> |

(Continued)

See accompanying notes to financial statements.

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED

Year ended June 30,

| | Business-type activities | | Component unit | |
|---|--|-------------------------|---|----------------------|
| | The Community College of Philadelphia | | The Community College of Philadelphia Foundation | |
| | 2019 | 2018 | 2019 | 2018 |
| Nonoperating revenues (expenses): | | | | |
| State appropriations (Note K) | \$ 31,819,876 | \$ 30,891,611 | \$ - | \$ - |
| City appropriations (Note K) | 25,549,440 | 23,310,452 | - | - |
| Federal grants and contracts | 46,097,682 | 49,026,433 | - | - |
| Gifts from the Community College of Philadelphia Foundation | 160,000 | 242,470 | (160,000) | (242,470) |
| State grants and contracts | 5,988,998 | 7,952,834 | - | - |
| Nongovernmental grants and contracts | 2,114,989 | 1,582,042 | 1,871,117 | 1,577,385 |
| Net investment income | 1,577,079 | 36,359 | 675,536 | 842,995 |
| Interest on capital asset-related debt service | (3,601,996) | (3,413,080) | - | - |
| Other nonoperating revenues | 410,000 | 399,190 | - | - |
| Net nonoperating revenues | <u>110,116,068</u> | <u>110,028,311</u> | <u>2,386,653</u> | <u>2,177,910</u> |
| (Loss) gain before other revenues, expenses, gains or losses | (1,174,162) | (19,569,184) | 1,130,295 | 1,101,842 |
| Capital appropriations | <u>11,796,839</u> | <u>12,450,806</u> | <u>-</u> | <u>-</u> |
| Increase (decrease) in net position | <u>10,622,677</u> | <u>(7,118,378)</u> | <u>1,130,295</u> | <u>1,101,842</u> |
| Net position, beginning of the year | <u>(109,429,195)</u> | <u>(102,310,817)</u> | <u>12,256,375</u> | <u>11,154,533</u> |
| Net position, ending of the year | <u>\$ (98,806,518)</u> | <u>\$ (109,429,195)</u> | <u>\$ 13,386,670</u> | <u>\$ 12,256,375</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

Year ended June 30,

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Tuition and fees | \$ 32,630,642 | \$ 32,906,384 |
| Payments to suppliers | (24,093,551) | (23,750,112) |
| Payments to employees | (77,082,623) | (76,991,905) |
| Payments for employee benefits | (34,063,051) | (36,415,512) |
| Payments for student aid | (6,250,428) | (7,213,061) |
| Auxiliary enterprises | 1,597,284 | 1,511,048 |
| Other cash receipts | 41,887 | 45,908 |
| | <u>(107,219,840)</u> | <u>(109,907,250)</u> |
| Cash flows from noncapital financing activities: | | |
| State appropriations | 31,786,853 | 30,891,611 |
| City appropriations | 25,549,440 | 23,310,452 |
| Gifts and grants | 57,887,846 | 59,481,061 |
| Other nonoperating | 480,496 | 297,211 |
| | <u>115,704,635</u> | <u>113,980,335</u> |
| Cash flows from capital and related financing activities: | | |
| State capital appropriations | 4,937,072 | 5,352,051 |
| City capital appropriations | 6,859,767 | 7,098,755 |
| Proceeds from long-term debt | 9,155,000 | 24,155,000 |
| Increase in bond proceeds available for campus construction | (10,347,643) | (13,923,257) |
| Purchases of capital assets | (1,888,156) | (4,968,876) |
| Principal payments on long-term debt and amortization of capital leases | (7,642,307) | (17,720,871) |
| Interest payments on long-term debt and capital leases | (2,682,657) | (1,289,143) |
| | <u>(1,608,924)</u> | <u>(1,296,341)</u> |
| Cash flows from investing activities: | | |
| Proceeds from sales and maturities of investments | 42,376,198 | 50,584,645 |
| Purchases of investments | (45,489,474) | (52,329,976) |
| Interest on investments | 1,554,926 | 33,550 |
| | <u>(1,558,350)</u> | <u>(1,711,781)</u> |
| Increase in cash | 5,317,521 | 1,064,963 |
| Cash and cash equivalents, beginning | <u>16,807,834</u> | <u>15,742,871</u> |
| Cash and cash equivalents, ending | <u>\$ 22,125,355</u> | <u>\$ 16,807,834</u> |

(Continued)

See accompanying notes to financial statements.

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

(Business-Type Activities - College only)

STATEMENTS OF CASH FLOWS - CONTINUED

Year ended June 30,

| | 2019 | 2018 |
|---|------------------|------------------|
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (111,290,230) | \$ (129,597,495) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 7,939,447 | 8,132,985 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 305,116 | 395,186 |
| Prepaid and other assets | (240,324) | (31,154) |
| Loans to students and employees | 27,457 | 14,182 |
| Accounts payable and accrued liabilities | 1,561,685 | (1,015,762) |
| Deferred revenues | (96,900) | (114,601) |
| Other post-employment benefits | (5,426,091) | 12,309,409 |
| Net cash used in operating activities | \$ (107,219,840) | \$ (109,907,250) |
| Supplemental disclosure of noncash capital financing activity: | | |
| Capital assets acquired via capital lease | \$ 805,329 | \$ 1,653,712 |

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Component Unit

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

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

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

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

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

Government Appropriations

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Commonwealth of Pennsylvania

General Commonwealth legislation establishing community colleges provides for the reimbursement of certain college expenses from Commonwealth funds appropriated for this purpose. Act 46 enacted in July 2005 changed the original basis of allocating operating funds to Commonwealth community colleges from a formula approach based upon full-time equivalent (FTE) students taught in the current fiscal year to a Commonwealth-wide community college appropriation. Under Act 46, the Commonwealth-wide operating budget appropriation for community colleges is to be distributed among each of the 14 colleges in three parts: base funding, growth funding and high priority (economic development) program funding. The provisions of Act 46 are intended to ensure that base operating funding for each college will at least equal the amount of funds received in the prior year. Annually, 25% of any new dollars in the operating funding granted community colleges is to be distributed proportionally among the colleges experiencing growth in the prior year based upon their share of the FTE growth. Colleges whose enrollments are stable or decline do not receive any increase from the growth funding.

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

For 2019 and 2018, the provisions of Act 46 were not followed in allocating operational funds to Pennsylvania community colleges.

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

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

Net Position

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Cash and Cash Equivalents

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

Investments

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

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

- (i) as increases in restricted - nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- (ii) as increases in restricted - expendable net position if the terms of the gift or the College's interpretation of relevant Commonwealth law impose restrictions on the current use of the income or net gains; and
- (iii) as increases in unrestricted net position in all other cases.

The College policy permits investments in obligations of the U.S. Treasury; certificates of deposit; commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record; bankers' acceptances; repurchase agreements; and the Commonfund's Intermediate Term Fund and Multi-Strategy Bond Fund, and specifically approved fixed income securities. The investment practice of the Foundation includes the use of PFM Asset Management as its outsourced chief investment officer. The Foundation also uses Bryn Mawr Trust as its custodian of endowment funds.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. Interest costs on debt related to capital assets are capitalized during the construction period. There were no capitalized interest costs for the years ended June 30, 2019 or 2018.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

| <u>Asset category</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 10 to 50 |
| Equipment and furniture | 3 to 10 |
| Library books | 10 |
| Microforms | 5 |
| Software | 3 |
| System software | 10 |

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

Compensated Absences

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

Deposits and Unearned Revenue

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

Student Fees

Included in student fees are general college fees of \$1,302,496 and \$1,361,876 for the years ended June 30, 2019 and 2018, respectively, which have been designated for use by the various student organizations and activities.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Tax Status

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

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service (IRS) determined the Foundation is also classified as a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code to serve as an organization responsible for College fundraising activities. The Foundation follows the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or not recognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. The tax years ended June 30, 2016, 2017, 2018, and 2019 are still open to audit for both federal and state purposes. As of June 30, 2019, management has determined that the Foundation has no material uncertain tax positions that would require recognition or disclosure in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, useful lives of capital assets, assumptions related to self-insurance reserves, and assumptions related to pension and other post-employment benefit accruals. Actual results could differ from those estimates.

Scholarship Discounts and Allowances

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

Self-Insurance

The Community College of Philadelphia Board of Trustees approved the College's participation in a self-insurance medical plan through Independence Blue Cross, which became effective September 1, 2009. A reinsurance limit of \$250,000 is in place to limit institutional financial exposure for individuals with extraordinarily large claims in a policy year. The College has established a self-insurance accrued liability account for incurred claims, as well as an estimate of claims incurred but not reported. The College's self-insurance liability at June 30, 2019 and 2018 was \$1,558,698 and \$1,422,852, respectively, based upon an actuarial calculation based upon historical claim experience.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows/Inflows of Resources

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

During 2018, the College adopted GASB 75, which established new actuarial methods and discount rate standards for the measurement and recognition of the cost of post-employment benefits. The outcome of adopting GASB 75 on deferred inflow/outflow was the recording of an additional deferred inflow, which was \$63.0 million and \$66.6 million in 2019 and 2018, respectively.

Pensions

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

Adopted Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in Statement No. 83. The requirements of Statement No. 83 are effective for reporting periods beginning after June 15, 2018 and the College adopted this guidance during the year ended June 30, 2019. There was no impact on the College's financial statements from the adoption of GASB No. 83.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Statement No. 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt-agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018 and the College adopted this guidance during the year ended June 30, 2019. There was no impact on the College's financial statements from the adoption of GASB No. 88.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recently Issued Accounting Pronouncements

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred, and no longer be included in the historical cost of a capital asset reported in a business-type activity. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019 and can be applied prospectively. The College is still assessing the impact of Statement No. 89 on its financial statements.

NOTE B - DEPOSITS AND INVESTMENTS

The College invests its funds in accordance with the Board of Trustees' investment policy, which authorizes the College to invest in cash equivalents which consist of treasury bills, money market funds, commercial paper, bankers' acceptances, repurchase agreements and certificates of deposit; fixed income securities including U.S. government and agency securities, corporate notes and bonds, asset-backed bonds, floating rate securities and Yankee notes and bonds; and mutual funds including the Commonfund Multi-Strategy Bond Fund and Commonfund Intermediate Fund. Regardless of fund classifications, certain general tenets apply. Investments in all classifications seek to maintain significant liquidity and maximize annual income for the College while avoiding excessive risk. Specific objectives include maintaining sufficient liquidity to meet anticipated cash needs and the preservation of principal. The College recognizes that it may be necessary to forego opportunities for potential large gains to achieve a reasonable risk posture. Certain investments are prohibited, including equity securities, commodities and futures contracts, private placements, options, limited partnerships, venture capital, tangible personal property, direct real estate, short selling, margin transactions and certain derivative instruments. Diversification, insofar as it reduces portfolio risk, is required. At least annually, the Board of Trustees will review the investment policy and performance to determine any appropriate revisions.

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

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

June 30, 2019 and 2018

NOTE B - DEPOSITS AND INVESTMENTS - Continued

Deposits are comprised of demand deposit accounts with financial institutions. At both June 30, 2019 and 2018, cash on hand was \$4,000. At June 30, 2019 and 2018, the carrying amount of deposits was \$22,121,355 and \$16,803,834 and the bank balance was \$23,112,544 and \$17,709,244, respectively. The differences were caused primarily by items in transit. Deposits of \$500,000 were covered by federal depository insurance of \$250,000 for each of three bank accounts at both June 30, 2019 and 2018.

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

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

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

| | College | Component unit Foundation |
|---------------------------------------|----------------------|---------------------------------|
| Deposits: | | |
| Demand deposits | \$ 16,807,834 | \$ 908,126 |
| Investments: | | |
| U.S. Treasury obligations | 4,659,099 | 453,196 |
| U.S. government agency obligations | 946,634 | - |
| Corporate and foreign bonds | 4,778,064 | - |
| Intermediate fixed income mutual fund | 5,333,287 | 3,323,630 |
| Equity mutual fund | - | 7,248,583 |
| Multi-strategy bond mutual fund | 5,051,678 | - |
| Money market mutual funds | 11,106,001 | 1,439,953 |
| Private real estate fund | - | 185,263 |
| | <u>\$ 48,682,597</u> | <u>\$ 13,558,751</u> |

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

June 30, 2019 and 2018

NOTE B - DEPOSITS AND INVESTMENTS - Continued

In addition to the deposits and investments listed above, the College also has bond proceeds available for campus construction held by Sovereign Bank, the State Public School Building Authority, and the Bank of New York (the trustees), under the terms of various bond indentures. Bond proceeds available for campus construction are carried in the financial statements at fair value and consist of short-term investments and government securities. As of June 30, 2019 and 2018, bond proceeds available for campus construction include the following:

| | 2019 | 2018 |
|--------------------|----------------------|----------------------|
| Construction funds | <u>\$ 26,446,855</u> | <u>\$ 16,099,212</u> |

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, 2019 and 2018, the College's bank balance was exposed to custodial credit risk as follows:

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Uninsured and collateral held by pledging bank's trust department not in the College's name | <u>\$ 22,121,355</u> | <u>\$ 16,803,834</u> |

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

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

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

June 30, 2019 and 2018

NOTE B - DEPOSITS AND INVESTMENTS - Continued

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

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

| | June 30, 2018 | |
|-----------------|----------------|--------------|
| | Multi-Strategy | |
| | Bond | Intermediate |
| Government | 12% | 29% |
| Agency | 29 | 19 |
| AAA | 9 | 18 |
| AA | 4 | 4 |
| A | 10 | 22 |
| BBB | 17 | 7 |
| Below BBB | 13 | 1 |
| Non-rated/Other | 6 | - |
| Total | 100% | 100% |

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

June 30, 2019 and 2018

NOTE B - DEPOSITS AND INVESTMENTS - Continued

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

| | June 30, 2019 | June 30, 2018 |
|-------|-------------------------------|-------------------------------|
| | Fixed income securities | Fixed income securities |
| Aaa | 61% | 60% |
| Aa | 4 | 11 |
| A | 25 | 15 |
| Baa | 10 | 14 |
| Total | 100% | 100% |

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. The College's investment policy does not specifically address limitations in the maturities of investments. The weighted average maturities of the College's fixed income investments at June 30, 2019 and 2018 are as follows:

| | June 30, 2019 | June 30, 2018 |
|------------------------------------|--|--|
| | Weighted average maturity (years) | Weighted average maturity (years) |
| U.S. Treasury obligations | 3.60 | 4.50 |
| U.S. government agency obligations | 2.00 | 2.70 |
| Corporate and foreign bonds | 4.70 | 4.50 |

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

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

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

Corporate and foreign bonds of \$5,655,517 are valued using a matrix pricing model (Level 2 inputs), while the intermediate fixed income mutual fund and the multi-strategy bond mutual fund totaling \$10,607,807 are valued at the NAV per share (or its equivalent) of the investments (Level 2 inputs).

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

June 30, 2019 and 2018

NOTE B - DEPOSITS AND INVESTMENTS - Continued

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

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

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

The private real estate fund of \$45,793 is valued at the NAV per share (or its equivalent) of the investments (Level 3 inputs).

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

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

Corporate and foreign bonds of \$4,778,064 are valued using a matrix pricing model (Level 2 inputs), while the intermediate fixed income mutual fund and the multi-strategy bond mutual fund totaling \$10,384,965 are valued at the NAV per share (or its equivalent) of the investments (Level 2 inputs).

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

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

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

The private real estate fund of \$185,263 is valued at the NAV per share (or its equivalent) of the investments (Level 3 inputs).

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

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

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

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

June 30, 2019 and 2018

NOTE B - DEPOSITS AND INVESTMENTS - Continued

June 30, 2018

Investments Measured at NAV

(\$ in millions)

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

- (1) *Intermediate Fixed Income Mutual Fund.* The investment objective of the Multi-Strategy Bond Fund is to offer an actively managed, multi-manager investment program that will provide broad exposure to global debt markets. The fund seeks to add value above the return of the broad U.S. bond market as measured by the Barclays Capital U.S. Aggregate Bond Index, net of fees, and to provide competitive returns relative to the Russell U.S. Core Plus Fixed Income Universe. The fund's risk characteristics will vary from those of the index due to its diversified exposures to sectors outside of the index, including below investment grade debt and international bond and currency markets. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.
- (2) *Multi-Strategy Bond Mutual Fund.* The investment objective of the Intermediate Term Fund is to produce a total return in excess of its benchmark, the Bank of America Merrill Lynch 1-3 Year Treasury Index, but attaches greater emphasis to its goal of generating a higher current yield than short-term money market investments in a manner that mitigates the chances of a negative total return over any 12-month period. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.
- (3) *Private Real Estate Fund.* Equus Capital Partners' Fund X seeks to acquire value-add properties across all major real estate segments throughout the U.S. It is a sole-acquirer that takes equity positions and does not partner with regional owner-operators through joint ventures that can be dilutive to equity upside profits. The fund aims to be fully diversified across all major property types and across all U.S. property markets. Equus runs a vertically integrated platform, from deal sourcing, through acquisition to portfolio management, property management, renovation, repositioning and exit. The fund includes moderate leverage on its acquisitions, with no debt recourse to the fund level. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.

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

June 30, 2019 and 2018

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable include the following at June 30, 2019 and 2018:

| | 2019 | | 2018 | |
|--------------------------------------|--------------|---------------------------------|--------------|---------------------------------|
| | College | Component unit Foundation | College | Component unit Foundation |
| Tuition and fee receivables | \$ 7,153,747 | \$ - | \$ 6,800,824 | \$ - |
| Grants receivable | - | 136,131 | - | 39,799 |
| Other receivables | 1,568,328 | - | 1,393,516 | - |
| Pledges receivable | - | 160,595 | - | 310,752 |
| Receivable from Foundation | 423,344 | - | 964,715 | - |
| | 9,145,419 | 296,726 | 9,159,055 | 350,551 |
| Less allowance for doubtful accounts | (4,025,860) | (12,922) | (3,649,232) | (25,004) |
| Total | \$ 5,119,559 | \$ 283,804 | \$ 5,509,823 | \$ 325,547 |

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

Accounts receivable, tuition and fees and other are reported as net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts. The allowance was \$4,035,860 and \$3,649,232 at June 30, 2019 and 2018, respectively. \$147,676 of the Foundation's pledges receivable are expected to be collected subsequent to June 30, 2019, generally on a five-year payment schedule.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE D - CAPITAL ASSETS

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

| | Balance July 1, 2018 | Additions | Retirements and adjustments | Balance June 30, 2019 |
|-----------------------------------|----------------------------|---------------------|-----------------------------------|-----------------------------|
| Capital assets not depreciated: | | | | |
| Land and improvements | \$ 31,056,794 | \$ 38,182 | \$ - | \$ 31,094,976 |
| Construction in progress | 543,268 | 743,389 | (273,136) | 1,013,521 |
| Works of art | 787,708 | - | - | 787,708 |
| | <u>32,387,770</u> | <u>781,571</u> | <u>(273,136)</u> | <u>32,896,205</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 242,227,791 | 455,152 | - | 242,682,943 |
| Equipment and furniture | 41,739,047 | 1,595,319 | (95,435) | 43,238,931 |
| Library books | 5,525,888 | 135,014 | - | 5,660,902 |
| Microforms | 1,669,832 | - | - | 1,669,832 |
| Software | 4,039,594 | - | - | 4,039,594 |
| System software | 7,512,170 | - | - | 7,512,170 |
| Total before depreciation | <u>302,714,322</u> | <u>2,185,485</u> | <u>(95,435)</u> | <u>304,804,372</u> |
| | <u>\$ 335,102,092</u> | <u>\$ 2,967,056</u> | <u>\$ (368,571)</u> | <u>\$ 337,700,577</u> |

Accumulated depreciation by asset categories is summarized as follows:

| | Balance July 1, 2018 | Depreciation | Retirements | Balance June 30, 2019 |
|----------------------------|----------------------------|---------------------|--------------------|-----------------------------|
| Buildings and improvements | \$ 118,308,423 | \$ 5,966,226 | \$ - | \$ 124,274,649 |
| Equipment and furniture | 35,258,790 | 1,734,149 | (95,000) | 36,897,939 |
| Library books | 4,748,188 | 136,855 | - | 4,885,043 |
| Microforms | 1,669,832 | - | - | 1,669,832 |
| Software | 3,438,604 | - | - | 3,438,604 |
| System software | 7,306,683 | 102,217 | - | 7,408,900 |
| Total | <u>\$ 170,730,520</u> | <u>\$ 7,939,447</u> | <u>\$ (95,000)</u> | <u>178,574,967</u> |
| Net capital assets | | | | <u>\$ 159,125,610</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE D - CAPITAL ASSETS - Continued

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

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

Accumulated depreciation by asset categories is summarized as follows:

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE E - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE E - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES - Continued

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

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

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

| | Beginning balance July 1, 2017 | Additions | Deductions | Total ending balance June 30, 2018 | Current portion |
|--|--------------------------------------|----------------------|-----------------------|---|----------------------|
| Long-term liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 17,640,532 | \$ 119,974 | \$ (357,187) | \$ 17,403,319 | \$ 15,304,882 |
| Payable to government agencies | 52,006 | 677,337 | - | 729,343 | 729,343 |
| Capital lease obligation | 1,284,329 | 279,882 | - | 1,564,211 | 451,189 |
| Long-term debt | 66,999,622 | 11,362,700 | (3,554,741) | 74,807,581 | 6,664,480 |
| Unamortized bond premium | 6,304,203 | 1,518,553 | - | 7,822,756 | 677,692 |
| Other post-employment benefits | 82,801,420 | 99,555,742 | (123,383) | 182,233,779 | - |
| | <u>\$175,082,112</u> | <u>\$113,514,188</u> | <u>\$ (4,035,311)</u> | <u>\$ 284,560,989</u> | <u>\$ 23,827,586</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE F - DEBT

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

Debt consisted of the following at June 30, 2019:

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

Debt consisted of the following at June 30, 2018:

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE F - DEBT - Continued

Future annual principal and interest payments at June 30, 2019 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------|----------------------|----------------------|-----------------------|
| June 30: | | | |
| 2020 | \$ 7,240,817 | \$ 3,715,465 | \$ 10,956,282 |
| 2021 | 7,557,284 | 3,385,398 | 10,942,682 |
| 2022 | 7,600,000 | 3,020,381 | 10,620,381 |
| 2023 | 7,975,000 | 2,640,381 | 10,615,381 |
| 2024 | 6,240,000 | 2,241,631 | 8,481,631 |
| 2025 | 6,550,000 | 1,929,631 | 8,479,631 |
| 2026 | 6,000,000 | 1,602,131 | 7,602,131 |
| 2027 | 6,305,000 | 1,302,131 | 7,607,131 |
| 2028 | 6,615,000 | 986,881 | 7,601,881 |
| 2029 | 1,165,000 | 656,131 | 1,821,131 |
| 2030 | 1,225,000 | 597,881 | 1,822,881 |
| 2031 | 1,285,000 | 536,631 | 1,821,631 |
| 2032 | 1,350,000 | 472,381 | 1,822,381 |
| 2033 | 1,420,000 | 404,881 | 1,824,881 |
| 2034 | 1,490,000 | 333,881 | 1,823,881 |
| 2035 | 1,565,000 | 259,381 | 1,824,381 |
| 2036 | 1,630,000 | 192,831 | 1,822,831 |
| 2037 | 1,685,000 | 137,494 | 1,822,494 |
| 2038 | 1,745,000 | 80,288 | 1,825,288 |
| 2039 | 655,000 | 19,650 | 674,650 |
| | <u>\$ 77,298,101</u> | <u>\$ 24,515,460</u> | <u>\$ 101,813,561</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE F - DEBT - Continued

2019 Series

Under a loan agreement dated May 1, 2019 between the Authority and the College, the College borrowed \$9,155,000 College Revenue Bonds (Community College of Philadelphia Project), Series A of 2019. The 2019 Capital Projects consist of (a) the development, construction, improvement, furnishing, equipping and outfitting of a new, approximately 75,000 square foot building on land owned by the College in West Philadelphia, which facility will be used to house the College's Career and Advanced Technology Center, (b) the demolition of an existing building on such site, and (c) other miscellaneous capital improvements at such site, including parking, landscaping and related improvements. All of the foregoing components of the 2019 Capital Projects will be used in connection with the College's operation of its community college buildings in furtherance of its educational mission. The 2019 Series A Bonds are payable over 20 years at rates from 3.00% to 5.00%, with average debt service payments of \$675,589 from fiscal year 2020 through 2039.

Principal payments required by the loan agreement are as follows:

| | Principal |
|-----------|--------------|
| 2020 | \$ 280,000 |
| 2021 | 295,000 |
| 2022 | 310,000 |
| 2023 | 325,000 |
| 2024 | 340,000 |
| 2025 | 360,000 |
| 2026 | 375,000 |
| 2027 | 395,000 |
| 2028-2039 | 6,475,000 |
| | \$ 9,155,000 |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE F - DEBT - Continued

2018 Series

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

Principal payments required by the loan agreement are as follows:

| | Principal |
|-----------|---------------|
| 2020 | \$ 2,265,000 |
| 2021 | 2,345,000 |
| 2022 | 2,460,000 |
| 2023 | 2,580,000 |
| 2024 | 575,000 |
| 2025 | 600,000 |
| 2026 | 630,000 |
| 2027-2038 | 10,515,000 |
| | \$ 21,970,000 |

2017 Series

Under a loan agreement dated May 1, 2017 between the Authority and the College, the College borrowed \$11,922,300 of 2017 Series Community College Revenue Bonds to advance refund a portion of the Authority's Community College Revenue Bonds (Community College of Philadelphia Project), Series of 2007. The 2017 Capital Projects consist of the U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1998 Series Bonds and 2001 Series Bonds. All of the foregoing components of the 2017 Capital Projects were used in connection with the College's operation of its community college buildings in furtherance of its educational mission. The 2017 Series Bonds were payable over 6 years at rates from 2.36%, with an average debt service payment of \$2,153,074 and were paid off in full during 2018.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE F - DEBT - Continued

2008 Series and 2015 Series

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

Under a loan agreement dated September 10, 2015 between the Authority and the College, the College borrowed \$52,075,000 of 2015 Series Community College Revenue Bonds to advance refund a portion of the Authority's Community College Revenue Bonds (Community College of Philadelphia Project), Series of 2008 and additional 2015 Capital Projects. The 2015 Capital Projects consist of the following: (1) renovating the College's biology labs; (2) replacing certain escalators located in the College's West Building; and (3) various other renovations, repairs and capital improvements. All of the foregoing components of the 2015 Capital Projects will be used in connection with the College's operation of its community college buildings in furtherance of its educational mission. The 2015 Series Bonds are payable over 12½ years at rates from 2.00% to 5.00%, with an average debt service payment of \$4,166,000. The unrefunded Series of 2008 were payable over 3 years, with an average debt service payment of \$2,415,000.

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

| | Principal |
|-----------|---------------|
| 2020 | \$ 4,380,000 |
| 2021 | 4,595,000 |
| 2022 | 4,830,000 |
| 2023 | 5,070,000 |
| 2024 | 5,325,000 |
| 2025 | 5,590,000 |
| 2026 | 4,995,000 |
| 2027-2028 | 10,750,000 |
| | \$ 45,535,000 |

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

June 30, 2019 and 2018

NOTE F - DEBT - Continued

Revolving Loan Obligation

Under a loan agreement dated January 31, 2013 with the Authority, the College borrowed \$1,800,000 for the purpose of completing the renewal and update of four chemistry labs, an instrumentation lab and the associated prep room in the West Building on the College's Main Campus. The loan was scheduled to be repaid over a five-year period through September 15, 2017 at a fixed annual interest rate of 2.00%, with an average annual debt service payment of \$377,242. This loan was paid in full in 2018 at its due date.

Revolving Loan Obligation

Under a loan agreement dated April 1, 2013 with the Authority, the College borrowed \$2,400,000 for the purpose of renovations to several spaces in the West Building on the College's Main Campus to address critical programmatic needs. The loan is scheduled to be repaid over a five-year period through November 1, 2020 at a fixed annual interest rate of 2.03%, with an average annual debt service payment of \$325,551.

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

| | Principal |
|------|------------|
| 2020 | \$ 315,817 |
| 2021 | 322,284 |
| | \$ 638,101 |

Operating Leases

The College leases certain equipment and property under operating lease arrangements that expire through 2022. Rental expense for operating leases were \$503,652 and \$462,347 for the years ended June 30, 2019 and 2018, respectively.

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

| | |
|------|------------|
| 2020 | \$ 497,254 |
| 2021 | 277,176 |
| 2022 | 118,401 |
| 2023 | 17,895 |
| | \$ 910,726 |

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

June 30, 2019 and 2018

NOTE F - DEBT - Continued

Capital Leases

The College leases certain equipment under capital lease arrangements that expire through 2023. These leases are recorded at the lower of cost or present value and amounted to \$1,391,712 and \$1,564,211 at June 30, 2019 and 2018, respectively. Amortization charges of capital leases were \$1,190,253 and \$1,626,441 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments under capital leases are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------|---------------------|-------------------|---------------------|
| June 30: | | | |
| 2020 | \$ 473,448 | \$ 63,306 | \$ 536,754 |
| 2021 | 468,149 | 38,278 | 506,427 |
| 2022 | 378,632 | 14,031 | 392,663 |
| 2023 | <u>71,483</u> | <u>1,121</u> | <u>72,604</u> |
| | <u>\$ 1,391,712</u> | <u>\$ 116,736</u> | <u>\$ 1,508,448</u> |

NOTE G - (PAYABLE TO) RECEIVABLE FROM GOVERNMENT AGENCIES

(Payable to) receivable from government agencies includes the following at June 30, 2019 and 2018:

| | <u>2019</u> | | <u>2018</u> | |
|--|-----------------------|---------------------|---------------------|---------------------|
| | <u>(Payable)</u> | <u>Receivable</u> | <u>(Payable)</u> | <u>Receivable</u> |
| Commonwealth of Pennsylvania: | | | | |
| Provision for potential audit findings and reimbursement calculation | \$ (2,500) | \$ - | \$ (35,523) | \$ - |
| Grants and special projects | - | 1,086,492 | - | 1,025,331 |
| PHEAA for grants | <u>(4,219,997)</u> | <u>-</u> | <u>(693,820)</u> | <u>-</u> |
| | <u>(4,222,497)</u> | <u>1,086,492</u> | <u>(729,343)</u> | <u>1,025,331</u> |
| City of Philadelphia grants receivable | - | 314,571 | - | 7,395 |
| Federal: | | | | |
| Financial aid programs | - | 12,605 | - | 12,974 |
| Grants and special projects | <u>-</u> | <u>377,718</u> | <u>-</u> | <u>687,994</u> |
| | <u>-</u> | <u>704,894</u> | <u>-</u> | <u>708,363</u> |
| Total | <u>\$ (4,222,497)</u> | <u>\$ 1,791,386</u> | <u>\$ (729,343)</u> | <u>\$ 1,733,694</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE H - EMPLOYEE BENEFITS

Retirement benefits are provided for substantially all employees through payments to one of the board-authorized retirement programs. Although the College does not offer participation in the State Employees Retirement System (SERS) or the Pennsylvania Public School Employees Retirement System (PSERS), it has grandfathered continued participation for those employees currently enrolled. The College has 14 employees participating in the SERS and 23 employees in the PSERS.

Defined Benefit Plans

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

Benefits Provided

PSERS and SERS provide retirement, disability, and death benefits. For PSERS, retirement benefits are determined as 2.00% or 2.50% (depending on membership class), of the individual's final average salary multiplied by the number of years of credited service. After completion of five years of service, an individual's right to defined benefits is vested, and early retirement may be elected. Individuals are eligible for disability retirement benefits after completion of five years of credited service. Such disability benefits are generally equal to 2.00% to 2.50% (depending on membership class) of the member's final average salary multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service. Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

For SERS, retirement benefits are determined at 2.00% or 2.50% (depending on membership date) of the highest three-year average salary times the number of years of service. The vesting period is either 5 or 10 years (depending on membership date) of credited service.

Contributions

For PSERS, the contribution policy is set by Commonwealth statutes and requires contributions by active members, employers and the Commonwealth of Pennsylvania. Funding percentages are determined by the plan in accordance with actuarial calculations and are based on covered payroll. Currently, for full time faculty, administrators and other staff, the College contributes 16.72% of all earnings as long as contributions are adequate to accumulate assets to pay retirement benefits when due. Employee contributions are 6.50% of all earnings for members prior to July 22, 1983 and 7.50% of all earnings for members after July 22, 1983.

For SERS, the contribution policy is set by Commonwealth statutes and requires contributions by active members, employers and the Commonwealth of Pennsylvania. Funding percentages are determined by the plan in accordance with actuarial calculations and are based on covered payroll. Currently, for full-time faculty, administrators and other staff, the College contributes 23.94% & 34.63% of all earnings as long as contributions are adequate to accumulate assets to pay retirement benefits when due. Employee contributions are 6.25% of all earnings.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE H - EMPLOYEE BENEFITS - Continued

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

At June 30, 2019, the College reported a liability of \$1,632,000 and \$3,083,795 for its proportional share of the net pension liability for PSERS and SERS, respectively. The net pension liability was measured as of June 30, 2018 for PSERS and December 31, 2018 for SERS, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability is based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2019 and December 31, 2019, respectively, the College's proportion of PSERS and SERS was 0.00034% and 0.01480386%.

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

| <u>PSERS</u> | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 13,500 | \$ 25,500 |
| Changes in assumptions | 30,000 | - |
| Net difference between projected and actual earnings on pension plan investments | 8,000 | - |
| Changes in proportion and differences between College contributions and proportionate share of contributions | <u>108,500</u> | <u>27,500</u> |
| Total | <u>\$ 160,000</u> | <u>\$ 53,000</u> |

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE H - EMPLOYEE BENEFITS - Continued

At June 30, 2018, the College reported a liability of \$1,679,000 and \$2,758,923 for its proportional share of the net pension liability for PSERS and SERS, respectively. The net pension liability was measured as of June 30, 2017 for PSERS and December 31, 2017 for SERS, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability is based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2017 and December 31, 2017, respectively, the College's proportion of PSERS and SERS was 0.0034% and 0.01595518%.

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

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

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

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

June 30, 2019 and 2018

NOTE H - EMPLOYEE BENEFITS - Continued

Actuarial Assumptions

The following methods and assumptions were used in the actuarial valuations for the years ended June 30, 2019 and 2018. These methods and assumptions were applied to all periods included in the measurement:

PSERS

| | |
|---------------------------|--|
| Actuarial cost method | entry age normal-level % of pay |
| Investment rate of return | 7.25%, includes inflation at 2.75% |
| Salary increases | effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth of 2.25% and merit of seniority increases of 2.25% |
| Mortality rates | Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. |

SERS

| | |
|----------------------------|---|
| Actuarial cost method | entry age |
| Amortization method | straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits |
| Investment rate of return | 7.25% net of manager fees including inflation |
| Projected salary increases | average of 5.60% with range of 3.70% - 8.90% including inflation |
| Inflation | 2.60% |
| Mortality rate | projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement |
| Cost of living adjustments | none (ad hoc) |

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

June 30, 2019 and 2018

NOTE H - EMPLOYEE BENEFITS - Continued

PSERS

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

| <u>Asset class</u> | <u>Target allocation</u> | <u>June 30, 2019 Long-term expected rate of return</u> | <u>June 30, 2018 Long-term expected rate of return</u> |
|-------------------------|------------------------------|--|--|
| Global Public Equity | 20.00% | 5.20% | 5.10% |
| Fixed Income | 36.00% | 2.20% | 2.60% |
| Commodities | 8.00% | 3.20% | 3.00% |
| Absolute Return | 10.00% | 3.50% | 3.40% |
| Risk Parity | 10.00% | 3.90% | 3.80% |
| Infrastructure/MLPs | 8.00% | 5.20% | 4.80% |
| Real Estate | 10.00% | 4.20% | 3.60% |
| Alternative Investments | 15.00% | 6.70% | 6.20% |
| Cash | 3.00% | 0.40% | 0.60% |
| Financing (LIBOR) | -20.00% | 0.90% | 1.11% |
| Total | <u>100.00%</u> | | |

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

June 30, 2019 and 2018

NOTE H - EMPLOYEE BENEFITS - Continued

SERS

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

| <u>Asset class</u> | <u>Target allocation</u> June 30, 2019 | <u>Target allocation</u> June 30, 2018 | <u>Long-term expected rate of return</u> June 30, 2019 | <u>Long-term expected rate of return</u> June 30, 2018 |
|----------------------|---|---|---|---|
| Private Equity | 16.00% | 16.00% | 7.25% | 8.00% |
| Global Public Equity | 48.00% | 43.00% | 5.15% | 5.30% |
| Real Estate | 12.00% | 12.00% | 5.26% | 5.44% |
| Multi-Strategy | 10.00% | 12.00% | 4.44% | 5.10% |
| Fixed Income | 11.00% | 14.00% | 1.26% | 1.63% |
| Cash | 3.00% | 3.00% | 0.00% | -0.25% |
| Total | <u>100.00%</u> | <u>100.00%</u> | | |

For PSERS and SERS, the discount rate used to measure total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Position Liability

For PSERS, the College's net pension liability is \$1,632,000 using a 7.25% discount rate. The College's net pension liability would have been \$2,023,000 assuming a 1% point decrease (6.25%) in the discount rate and would have been \$1,302,000 assuming a 1% point increase (8.25%) in the discount rate.

For SERS, the College's net pension liability is \$3,083,795 using a 7.25% discount rate. The College's net pension liability would have been \$3,786,648 assuming a 1% point decrease (6.25%) in the discount rate and would have been \$2,481,488 assuming a 1% point increase (8.25%) in the discount rate.

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

June 30, 2019 and 2018

NOTE H - EMPLOYEE BENEFITS - Continued

Defined Contribution Plans

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

The College's contributions for each employee (and interest allocated to the employee's accounts) are fully vested. Death benefits for value of accumulation are provided to the beneficiary of a participant who dies prior to retirement. Various payment options are available. The College has 1,156 employees participating in this program.

The payroll for employees covered by the three plans was \$62,094,159 and \$62,194,258; and the College's total payroll is \$78,550,472 and \$77,953,315 at June 30, 2019 and 2018, respectively. Contributions made by the College for the years ended June 30, 2019 and 2018 totaled \$5,935,881 and \$5,943,256, respectively, representing 9.56% of covered payroll for both years. College employees contributed \$4,849,535 and \$4,839,552, respectively, for the years ended June 30, 2019 and 2018.

A summary of retirement benefits follows:

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

Post-Employment Benefits (OPEB)

Program Description

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

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

June 30, 2019 and 2018

NOTE H - EMPLOYEE BENEFITS - Continued

Eligibility

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

Funding Policy

Post-employment benefits other than pensions stems from the College's three collective bargaining agreements. For the fiscal years ended June 30, 2019 and 2018, the College paid \$0.8 million and \$0.9 million, respectively, on behalf of the retirees and spouses. The College pays 100% of the premium for coverage for retirees until the end of the contract year in which the retiree attains age 65. Thereafter, the retiree pays 50% of the total premium, less the Medicare Part B premium. Pre-65 and post-65 retirees pay 50% of active medical benefits for pre-65 spouses. Post-65 retirees pay 50% of the premium for the coverage of post-65 spouses, less their Medicare Part B premium. Pre-65 retirees pay 0% of the premium for the coverage of post-65 spouses (the College pays 100% of their premium). Surviving spouses must pay 100% of the premium for coverage without getting reimbursed for Medicare Part B premium if over 65. Retirees on Medicare disability are given the Medicare Part B reimbursement regardless of age. The College pays 100% of the premium for retired post-65 part-time teachers and their spouses.

| Employees/Retirees/Beneficiaries | Number of Participants as of July 1, 2018 | Number of Participants as of July 1, 2017 |
|---|---|---|
| Actives | 878 | 878 |
| In-actives currently receiving benefit payments | 515 | 515 |
| Total | <u>1,393</u> | <u>1,393</u> |

The following tables provide a summary of the changes in the College's total OPEB liability for fiscal years ended June 30, 2019 and 2018. The valuation dates were July 1, 2018 and 2017, and the measurement dates were June 30, 2018 and 2017.

| Change in Total OPEB Liability (TOL) | July 1, 2018 | July 1, 2017 |
|---|-----------------------|-----------------------|
| TOL, Beginning of Year | \$ 177,795,856 | \$ 232,502,029 |
| Service Cost | 6,425,503 | 10,624,414 |
| Interest | 5,696,499 | 6,233,949 |
| Difference Between Expected and Actual Experience | - | (47,379,552) |
| Employee Contributions | - | 942,650 |
| Benefits Paid | (4,449,107) | (5,876,680) |
| Changes in Assumptions | (9,920,463) | (19,250,954) |
| TOL, End of Year | <u>\$ 175,548,288</u> | <u>\$ 177,795,856</u> |

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE H - EMPLOYEE BENEFITS - Continued

The following summarizes the development of (Benefit) Expense for the years ended June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|-----------------------|----------------------|
| Service cost | \$ 6,425,503 | \$ 10,624,414 |
| Interest | 5,696,499 | 6,233,949 |
| Changes in assumptions | (2,480,116) | - |
| Amortization of: | | |
| Total OPEB Liability and Assumption Gain | (10,995,133) | - |
| Total (Benefit) Expense | \$ (1,353,247) | \$ 16,858,363 |
| | | |
| Weighted Average Assumptions to Determine Expense | | |
| Actual Benefit Payments | \$ 4,449,107 | \$ 4,934,030 |
| Discount Rate | 3.13% | 2.71% |
| Expected Return on Assets | N/A | N/A |
| Salary Scale | 3.00% | 3.00% |
| Current Rate | 4.50% | 6.85% |
| Ultimate Rate / Year Reached | 4.50%/2040 | 4.00%/2036 |

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

| Date Amortization Base Set | Net Amount at June 30, 2019 | Amortization Period Remaining at June 30, 2019 |
|----------------------------|-----------------------------|---|
| June 30, 2019 | \$ <u>63,075,720</u> | 4.00 |
| Total | \$ <u>63,075,720</u> | |

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

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE H - EMPLOYEE BENEFITS - Continued

Deferred Inflows Projection

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

| | |
|---------------------|---------------|
| Year ended June 30: | |
| 2020 | \$ 13,475,249 |
| 2021 | 13,475,249 |
| 2022 | 13,475,249 |
| 2023 | 10,995,133 |
| 2024 | 10,995,133 |
| Thereafter | 659,707 |

Actuarial Assumptions - 2019

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

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

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

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

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

Actuarial Assumptions - 2018

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

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

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE H - EMPLOYEE BENEFITS - Continued

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

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

Retirement Incentive Program

Effective September 1, 2014, the collective bargaining agreement provides for a retirement incentive for full-time employees at age 63, 64 or 65 with at least 20 years of service. The incentive payment is a percentage of final pay based on years of service. Twenty-three employees will receive the incentive payment during fiscal years 2019-2020 and 2020-21. The present value of these payments is \$1,603,861.

Additionally, the new Collective Bargaining Agreement ended the Pre-Retirement Workload Option for faculty. Faculty were given the option of continuing the option for one more year, through the 2019-2020 academic year, or receiving a one-time payment equal to 50% of their pre-retirement workload option salary. Ten faculty chose to receive the one-time payment option; the present value of these payments is \$182,709.

NOTE I - COMMITMENTS AND CONTINGENCIES

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

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

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE J - OPERATING EXPENSES

The College's and component unit Foundation's operating expenses, on a natural classification basis, were comprised of the following for the years ended June 30, 2019 and 2018:

| | 2019 | | 2018 | |
|--------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|
| | College | Component unit Foundation | College | Component unit Foundation |
| Salaries | \$ 77,461,641 | \$ 1,088,831 | \$ 76,986,020 | \$ 967,295 |
| Benefits | 34,979,486 | 457,331 | 36,258,572 | 281,722 |
| Contracted services | 8,045,022 | 82,787 | 7,859,052 | 133,689 |
| Supplies | 3,059,628 | 104,345 | 3,548,903 | 52,840 |
| Depreciation | 7,939,447 | - | 8,132,985 | - |
| Student aid | 6,250,428 | 559,084 | 7,213,061 | 519,607 |
| Other post-retirement benefits | (5,426,091) | - | 12,309,409 | - |
| Other | 13,374,593 | 533,568 | 12,092,302 | 536,446 |
| Total | \$ 145,684,154 | \$ 2,825,946 | \$ 164,400,304 | \$ 2,491,599 |

NOTE K - CITY AND COMMONWEALTH APPROPRIATIONS

Appropriations from the Commonwealth and the City for the year ended June 30, 2019 and 2018 are as follows:

| | 2019 | | 2018 | |
|------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Operations | Capital | Operations | Capital |
| Commonwealth of Pennsylvania | \$ 31,819,876 | \$ 4,937,072 | \$ 30,891,611 | \$ 5,352,051 |
| City of Philadelphia | 25,549,440 | 6,859,767 | 23,310,452 | 7,098,755 |
| Total appropriations | \$ 57,369,316 | \$ 11,796,839 | \$ 54,202,063 | \$ 12,450,806 |

NOTE L - PASS-THROUGH GRANTS

The College distributed \$24,578,079 in 2019 and \$29,607,438 in 2018 for student loans through the U.S. Department of Education Federal Direct Loan Program. These distributions and related funding sources are not included as expenses and revenues, nor as cash disbursements and cash receipts in the accompanying financial statements.

NOTE M - SUBSEQUENT EVENTS

The College has evaluated subsequent events through September 27, 2019, noting no items which would require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)

Year ended June 30, 2019

(Amounts are in thousands)

| | | |
|---|---|------------------------------|
| Total OPEB Liability | | |
| Service cost | | \$ 6,425 |
| Interest cost | | 5,696 |
| Changes in assumptions | | (9,920) |
| Benefit payments | | <u>(4,449)</u> |
| | Net change in total OPEB liability | (2,248) |
| | Total OPEB liability - beginning | 177,796 |
| | Total OPEB liability - ending (a) | <u><u>\$ 175,548</u></u> |
| | | |
| Plan Fiduciary Net Position | | |
| Contribution - employer | | \$ 4,449 |
| Benefit payments | | <u>(4,449)</u> |
| | Net change in plan fiduciary net position | - |
| | Plan fiduciary net position - beginning | - |
| | Plan fiduciary net position - ending (b) | <u><u>\$ -</u></u> |
| | Net OPEB liability - ending (a)-(b) | <u><u>\$ 175,548</u></u> |
| | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 0% |
| | Covered-employee payroll | 51,546 |
| Net OPEB liability as a percentage of covered-employee payroll | | 341% |

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

See accompanying report of independent certified public accountants.

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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)

Year ended June 30, 2018

(Amounts are in thousands)

| | | |
|---|---|--------------------------|
| Total OPEB Liability | | |
| Service cost | | \$ 10,624 |
| Interest cost | | 6,234 |
| Actual and expected experience difference | | (47,379) |
| Changes in assumptions | | (19,251) |
| Benefit payments | | <u>(4,934)</u> |
| | Net change in total OPEB liability | (54,706) |
| | Total OPEB liability - beginning | 232,502 |
| | Total OPEB liability - ending (a) | <u><u>\$ 177,796</u></u> |
| Plan Fiduciary Net Position | | |
| Contribution - employer | | \$ 4,934 |
| Benefit payments | | <u>(4,934)</u> |
| | Net change in plan fiduciary net position | - |
| | Plan fiduciary net position - beginning | - |
| | Plan fiduciary net position - ending (b) | <u><u>\$ -</u></u> |
| | Net OPEB liability - ending (a)-(b) | <u><u>\$ 177,796</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 0% |
| | Covered-employee payroll | 54,241 |
| Net OPEB liability as a percentage of covered-employee payroll | | 328% |

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

See accompanying report of independent certified public accountants.

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

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)

Years ended June 30,

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|--------------|
| PSERS | | | |
| College's proportion of the net pension liability | 0.0034% | 0.0034% | 0.0035% |
| College's proportionate share of the net pension liability | \$ 1,632,000 | \$ 1,679,000 | \$ 1,734,000 |
| College's covered employee payroll | \$ 456,911 | \$ 455,779 | \$ 454,763 |
| Plan fiduciary net position as a percentage of the total pension liability | 54.00% | 51.84% | 50.14% |
| SERS | | | |
| College's proportion of the net pension liability | 0.0148% | 0.0160% | 0.0147% |
| College's proportionate share of the net pension liability | \$ 3,083,795 | \$ 2,758,923 | \$ 2,827,306 |
| College's covered employee payroll | \$ 930,394 | \$ 979,992 | \$ 894,293 |
| Plan fiduciary net position as a percentage of the total pension liability | 56.40% | 63.00% | 57.80% |

See accompanying report of independent certified public accountants.

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

SCHEDULE OF CONTRIBUTIONS (UNAUDITED)

Years ended June 30,

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|----------------|----------------|----------------|
| PSERS | | | |
| Contractually required contribution | \$ 144,000 | \$ 130,000 | \$ 111,000 |
| Contribution in relation to the contractually required contribution | <u>144,000</u> | <u>130,000</u> | <u>111,000</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 456,911 | \$ 455,779 | \$ 454,763 |
| Contributions as a % of covered employee payroll | 31.5160% | 28.5226% | 24.4083% |
| SERS | | | |
| Contractually required contribution | \$ 323,944 | \$ 325,667 | \$ 301,735 |
| Contribution in relation to the contractually required contribution | <u>323,944</u> | <u>325,667</u> | <u>301,735</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 930,394 | \$ 979,992 | \$ 894,293 |
| Contributions as a % of covered employee payroll | 34.8179% | 33.2316% | 33.7401% |

See accompanying report of independent certified public accountants.

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

STATISTICAL SECTION - SCHEDULE OF REVENUES BY SOURCE (UNAUDITED)

Year ended June 30,

(Amounts expressed in thousands)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | | | | | | | |
| Student tuition and fees (net of scholarship allowances) | \$ 32,753 | \$ 33,234 | \$ 32,992 | \$ 31,643 | \$ 31,973 | \$ 35,338 | \$ 32,003 | \$ 30,181 | \$ 28,132 | \$ 29,608 |
| Sales of auxiliary enterprises | 1,599 | 1,523 | 1,737 | 1,740 | 1,786 | 1,671 | 1,776 | 1,827 | 1,734 | 1,650 |
| Other operating revenues | 42 | 46 | 62 | 87 | 196 | 166 | 158 | 168 | 180 | 194 |
| Total operating revenues | 34,394 | 34,803 | 34,791 | 33,470 | 33,955 | 37,175 | 33,937 | 32,176 | 30,046 | 31,452 |
| City appropriations | 25,549 | 23,310 | 24,189 | 23,272 | 21,271 | 18,346 | 18,064 | 17,652 | 18,092 | 18,946 |
| State appropriations | 31,820 | 30,892 | 30,868 | 30,128 | 28,632 | 28,179 | 28,240 | 28,229 | 29,275 | 28,750 |
| Federal grants and contracts | 46,098 | 49,026 | 48,888 | 53,551 | 57,871 | 58,796 | 58,715 | 56,839 | 58,890 | 51,131 |
| State grants and contracts | 5,989 | 7,953 | 8,126 | 8,278 | 7,343 | 6,591 | 7,191 | 6,495 | 5,967 | 5,585 |
| Gifts from the Community College of Philadelphia Foundation | 160 | 242 | 835 | 225 | 141 | 100 | 2,809 | - | - | - |
| Nongovernmental grants and contracts | 2,115 | 1,582 | 1,528 | 1,456 | 1,521 | 1,704 | 1,119 | 1,014 | 1,419 | 1,580 |
| Net investment income | 1,577 | 36 | 75 | 815 | 365 | 695 | 333 | 1,098 | 718 | 1,587 |
| Other nonoperating revenue | 410 | 399 | 378 | 2,579 | 1,087 | 324 | 379 | 540 | 333 | 353 |
| Total nonoperating revenues | 113,718 | 113,440 | 114,887 | 120,304 | 118,231 | 114,735 | 116,850 | 111,867 | 114,694 | 107,932 |
| Capital appropriations | 11,797 | 12,450 | 11,050 | 12,354 | 10,859 | 13,969 | 13,730 | 14,084 | 13,648 | 13,979 |
| Total revenues | \$ 159,909 | \$ 160,693 | \$ 160,728 | \$ 166,128 | \$ 163,045 | \$ 165,879 | \$ 164,517 | \$ 158,127 | \$ 158,388 | \$ 153,363 |

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

(Amounts expressed in percentages)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenues: | | | | | | | | | | |
| Student tuition and fees (net of scholarship allowances) | 20.48% | 20.68% | 20.53% | 19.05% | 19.61% | 21.30% | 19.45% | 19.09% | 17.76% | 19.31% |
| Sales of auxiliary enterprises | 1.00 | 0.95 | 1.08 | 1.05 | 1.10 | 1.01 | 1.08 | 1.16 | 1.09 | 1.08 |
| Other operating revenues | 0.03 | 0.03 | 0.04 | 0.05 | 0.12 | 0.10 | 0.10 | 0.11 | 0.11 | 0.13 |
| Total operating revenues | 21.51 | 21.66 | 21.65 | 20.15 | 20.83 | 22.41 | 20.63 | 20.36 | 18.96 | 20.52 |
| City appropriations | 15.98 | 14.51 | 15.04 | 14.01 | 13.05 | 11.06 | 10.98 | 11.16 | 11.42 | 12.35 |
| State appropriations | 19.90 | 19.22 | 19.21 | 18.14 | 17.56 | 16.99 | 17.17 | 17.85 | 18.48 | 18.75 |
| Federal grants and contracts | 28.83 | 30.51 | 30.42 | 32.23 | 35.49 | 35.45 | 35.69 | 35.95 | 37.18 | 33.34 |
| State grants and contracts | 3.75 | 4.95 | 5.06 | 4.98 | 4.50 | 3.97 | 4.37 | 4.11 | 3.77 | 3.64 |
| Gifts from the Community College of Philadelphia Foundation | 0.10 | 0.15 | 0.52 | 0.14 | 0.09 | 0.06 | 1.7 | - | - | - |
| Nongovernmental grants and contracts | 1.32 | 0.98 | 0.95 | 0.88 | 0.93 | 1.02 | 0.68 | 0.64 | 0.90 | 1.03 |
| Net investment income | 0.99 | 0.02 | 0.05 | 0.49 | 0.22 | 0.42 | 0.20 | 0.69 | 0.45 | 1.03 |
| Other nonoperating revenue | 0.25 | 0.25 | 0.24 | 1.55 | 0.67 | 0.20 | 0.23 | 0.33 | 0.22 | 0.23 |
| Total nonoperating revenues | 71.12 | 70.59 | 71.49 | 72.42 | 72.51 | 69.17 | 71.02 | 70.73 | 72.42 | 70.37 |
| Capital appropriations | 7.37 | 7.75 | 6.86 | 7.43 | 6.66 | 8.42 | 8.35 | 8.91 | 8.62 | 9.11 |
| Total revenues | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

See accompanying report of independent certified public accountants.

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

STATISTICAL SECTION - SCHEDULE OF EXPENSES BY USE (UNAUDITED)

Year ended June 30,

(Amounts expressed in thousands)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Expenses: | | | | | | | | | | |
| Salaries | \$ 77,462 | \$ 76,986 | \$ 78,629 | \$ 77,931 | \$ 77,161 | \$ 75,438 | \$ 76,015 | \$ 76,796 | \$ 78,168 | \$ 73,489 |
| Benefits | 34,979 | 36,259 | 36,417 | 36,978 | 36,140 | 35,885 | 34,247 | 32,062 | 32,500 | 30,231 |
| Contracted services | 8,045 | 7,859 | 6,512 | 6,458 | 8,331 | 9,697 | 11,373 | 6,057 | 5,376 | 4,881 |
| Supplies | 3,060 | 3,549 | 3,376 | 3,857 | 3,073 | 3,232 | 3,636 | 2,760 | 3,253 | 2,198 |
| Depreciation | 7,939 | 8,133 | 8,204 | 8,861 | 9,698 | 10,490 | 10,423 | 9,764 | 7,660 | 6,493 |
| Student aid | 6,250 | 7,213 | 8,770 | 8,739 | 8,211 | 10,459 | 8,328 | 10,015 | 7,376 | 7,935 |
| Other | 13,375 | 12,092 | 12,959 | 13,167 | 12,815 | 12,314 | 11,468 | 11,895 | 12,948 | 11,730 |
| GASB 75 (Other post-employment benefits) accrual | (5,426) | 12,309 | 11,703 | 11,686 | 8,016 | 8,641 | 8,530 | 7,611 | 6,039 | 6,199 |
| Total operating expenses | <u>145,684</u> | <u>164,400</u> | <u>166,570</u> | <u>167,677</u> | <u>163,445</u> | <u>166,156</u> | <u>164,020</u> | <u>156,960</u> | <u>153,320</u> | <u>143,156</u> |
| Interest on capital asset-related debt service | <u>3,602</u> | <u>3,413</u> | <u>3,263</u> | <u>3,315</u> | <u>4,225</u> | <u>4,258</u> | <u>4,689</u> | <u>3,927</u> | <u>3,542</u> | <u>1,841</u> |
| Total nonoperating expenses | <u>3,602</u> | <u>3,413</u> | <u>3,263</u> | <u>3,315</u> | <u>4,225</u> | <u>4,258</u> | <u>4,689</u> | <u>3,927</u> | <u>3,542</u> | <u>1,841</u> |
| Total expenses | <u>\$ 149,286</u> | <u>\$ 167,813</u> | <u>\$ 169,833</u> | <u>\$ 170,992</u> | <u>\$ 167,670</u> | <u>\$ 170,414</u> | <u>\$ 168,709</u> | <u>\$ 160,887</u> | <u>\$ 156,862</u> | <u>\$ 144,997</u> |

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

(Amounts expressed in percentages)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Expenses: | | | | | | | | | | |
| Salaries | 51.89% | 45.88% | 46.30% | 45.57% | 46.02% | 44.27% | 45.06% | 47.73% | 49.83% | 50.68% |
| Benefits | 23.43 | 21.61 | 21.44 | 21.63 | 21.55 | 21.04 | 20.28 | 19.93 | 20.72 | 20.85 |
| Contracted services | 5.39 | 4.68 | 3.83 | 3.78 | 4.97 | 5.69 | 6.74 | 3.77 | 3.43 | 3.37 |
| Supplies | 2.05 | 2.11 | 1.99 | 2.26 | 1.83 | 1.90 | 2.16 | 1.72 | 2.07 | 1.52 |
| Depreciation | 5.32 | 4.85 | 4.83 | 5.18 | 5.78 | 6.16 | 6.18 | 6.07 | 4.88 | 4.48 |
| Student aid | 4.19 | 4.30 | 5.16 | 5.11 | 4.90 | 6.14 | 4.94 | 6.22 | 4.70 | 5.47 |
| Other | 8.96 | 7.21 | 7.63 | 7.70 | 7.64 | 7.23 | 6.80 | 7.39 | 8.26 | 8.09 |
| GASB 75 (Other post-employment benefits) accrual | (3.63) | 7.33 | 6.89 | 6.83 | 4.78 | 5.07 | 5.06 | 4.73 | 3.85 | 4.27 |
| Total operating expenses | 97.60 | 97.97 | 98.07 | 98.06 | 97.47 | 97.50 | 97.22 | 97.56 | 97.74 | 98.73 |
| Interest on capital asset-related debt service | 2.40 | 2.03 | 1.93 | 1.94 | 2.53 | 2.50 | 2.78 | 2.44 | 2.26 | 1.27 |
| Total nonoperating expenses | 2.40 | 2.03 | 1.93 | 1.94 | 2.53 | 2.50 | 2.78 | 2.44 | 2.26 | 1.27 |
| Total expenses | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

See accompanying report of independent certified public accountants.

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

STATISTICAL SECTION - SCHEDULE OF EXPENSES BY FUNCTION (UNAUDITED)

Year ended June 30,

(Amounts expressed in thousands)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|------------------------------------|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Expenses by function: | | | | | | | | | | |
| Instruction | \$ 56,715,000 | \$ 64,578 | \$ 65,509 | \$ 66,018 | \$ 65,046 | \$ 66,210 | \$ 66,436 | \$ 62,162 | \$ 62,184 | \$ 57,714 |
| Public service | 97,000 | 145 | 124 | 183 | 86 | 109 | 156 | 63 | 92 | 46 |
| Academic support | 16,405,000 | 19,182 | 18,880 | 18,824 | 18,372 | 17,492 | 17,247 | 17,723 | 19,251 | 18,540 |
| Student services | 20,529,000 | 24,212 | 24,405 | 25,142 | 23,494 | 22,811 | 21,913 | 21,075 | 21,744 | 20,241 |
| Institutional support | 22,640,000 | 25,111 | 24,854 | 24,429 | 24,371 | 25,229 | 26,216 | 23,281 | 22,003 | 20,095 |
| Operation and maintenance of plant | 14,424,000 | 15,093 | 15,013 | 14,913 | 13,336 | 12,586 | 12,742 | 12,244 | 12,392 | 11,307 |
| Depreciation | 7,939,000 | 8,133 | 8,204 | 8,861 | 9,698 | 10,490 | 10,423 | 9,764 | 7,660 | 6,493 |
| Student aid | 6,250,000 | 7,213 | 8,770 | 8,739 | 8,211 | 10,459 | 8,328 | 10,015 | 7,377 | 7,935 |
| Auxiliary enterprises | 685,000 | 733 | 811 | 567 | 831 | 770 | 559 | 633 | 617 | 785 |
| Interest on capital debt | 3,602,000 | 3,413 | 3,263 | 3,315 | 4,225 | 4,258 | 4,689 | 3,927 | 3,542 | 1,841 |
| Total expenses by function | \$ 149,286,000 | \$ 167,813 | \$ 169,833 | \$ 170,991 | \$ 167,670 | \$ 170,414 | \$ 168,709 | \$ 160,887 | \$ 156,862 | \$ 144,997 |

(Amounts expressed in percentages)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Expenses by function: | | | | | | | | | | |
| Instruction | 37.99% | 38.48% | 38.57% | 38.61% | 38.79% | 38.85% | 39.38% | 38.64% | 39.64% | 39.80% |
| Public service | 0.06 | 0.09 | 0.07 | 0.11 | 0.05 | 0.06 | 0.09 | 0.04 | 0.06 | 0.03 |
| Academic support | 10.99 | 11.43 | 11.12 | 11.01 | 10.96 | 10.26 | 10.22 | 11.02 | 12.28 | 12.79 |
| Student services | 13.75 | 14.43 | 14.37 | 14.70 | 14.01 | 13.39 | 12.99 | 13.10 | 13.86 | 13.96 |
| Institutional support | 15.17 | 14.96 | 14.63 | 14.29 | 14.54 | 14.80 | 15.54 | 14.47 | 14.03 | 13.86 |
| Operation and maintenance of plant | 9.66 | 8.99 | 8.84 | 8.72 | 7.95 | 7.39 | 7.55 | 7.61 | 7.90 | 7.80 |
| Depreciation | 5.32 | 4.85 | 4.83 | 5.18 | 5.78 | 6.16 | 6.18 | 6.07 | 4.88 | 4.48 |
| Student aid | 4.19 | 4.30 | 5.16 | 5.11 | 4.90 | 6.14 | 4.94 | 6.22 | 4.70 | 5.47 |
| Auxiliary enterprises | 0.46 | 0.44 | 0.48 | 0.33 | 0.50 | 0.45 | 0.33 | 0.39 | 0.39 | 0.54 |
| Interest on capital debt | 2.41 | 2.03 | 1.93 | 1.94 | 2.52 | 2.50 | 2.78 | 2.44 | 2.26 | 1.27 |
| Total expenses by function | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

(Amounts expressed in thousands)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|---------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total revenues (from schedule of revenues by source less capital appropriations) | \$ 148,112 | \$ 148,423 | \$ 149,678 | \$ 153,776 | \$ 152,186 | \$ 151,910 | \$ 150,786 | \$ 144,042 | \$ 144,740 | \$ 139,384 |
| Total operating expenses (from schedule of expenses by use) | 149,286 | 167,813 | 169,833 | 170,992 | 167,670 | 170,414 | 168,709 | 160,887 | 156,862 | 144,997 |
| Total changes in net position | (1,174) | (19,390) | (20,155) | (17,216) | (15,484) | (18,504) | (17,923) | (16,845) | (12,122) | (5,613) |
| Net position, beginning | (109,429) | 51,951 | 61,057 | 65,919 | 72,538 | 77,072 | 81,265 | 85,903 | 84,377 | 76,011 |
| Net position, ending | <u>\$ (110,603)</u> | <u>\$ 32,561</u> | <u>\$ 40,902</u> | <u>\$ 48,703</u> | <u>\$ 57,054</u> | <u>\$ 58,568</u> | <u>\$ 63,342</u> | <u>\$ 69,058</u> | <u>\$ 72,255</u> | <u>\$ 70,398</u> |
| Net investment in capital assets | \$ 103,869 | \$ 102,005 | \$ 99,772 | \$ 98,776 | \$ 96,979 | \$ 93,771 | \$ 89,660 | \$ 86,331 | \$ 80,136 | \$ 69,278 |
| Restricted - expendable | 5,285 | 5,101 | 4,939 | 4,912 | 4,742 | 4,742 | 2,740 | 1,364 | 731 | 511 |
| Unrestricted | (207,960) | (216,535) | (52,760) | (42,631) | (35,802) | (25,975) | (15,328) | (4,553) | 5,036 | 14,588 |
| Total net position | <u>\$ (98,806)</u> | <u>\$ (109,429)</u> | <u>\$ 51,951</u> | <u>\$ 61,057</u> | <u>\$ 65,919</u> | <u>\$ 72,538</u> | <u>\$ 77,072</u> | <u>\$ 83,142</u> | <u>\$ 85,903</u> | <u>\$ 84,377</u> |

Source: Audited financial statements.

See accompanying report of independent certified public accountants.

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

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

Year ended June 30,

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Enrollments and student demographics: | | | | | | | | | | |
| Credit FTE | 12,740 | 13,596 | 13,659 | 14,481 | 14,851 | 15,051 | 15,116 | 15,769 | 16,091 | 15,808 |
| Unduplicated Credit Headcount | 23,139 | 24,443 | 25,571 | 26,837 | 27,942 | 28,096 | 28,264 | 29,094 | 29,032 | 28,783 |
| Percentage - Men | 36.3% | 36.3% | 37.1% | 37.8% | 37.7% | 37.7% | 36.9% | 35.5% | 35.5% | 34.5% |
| Percentage - Women | 63.7 | 63.7 | 62.9 | 62.2 | 62.3 | 62.3 | 63.1 | 64.5 | 64.5 | 65.5 |
| Percentage - Black | 43.1 | 48.1 | 48.8 | 49.4 | 50.7 | 50.2 | 49.7 | 49.9 | 49.2 | 48.9 |
| Percentage - White | 23.2 | 23.5 | 24.0 | 23.8 | 23.9 | 24.3 | 25.1 | 24.6 | 24.4 | 25.0 |
| Percentage - Asian | 11.4 | 9.8 | 9.4 | 8.9 | 8.4 | 8.2 | 7.7 | 7.3 | 7.2 | 7.1 |
| Percentage - Hispanic | 14.9 | 14.0 | 13.0 | 12.8 | 11.8 | 11.4 | 10.6 | 4.9 | 6.5 | 7.0 |
| Percentage - American Indian/other | 4.0 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.4 |
| Percentage - Unknown | 3.4 | 4.3 | 4.5 | 4.8 | 4.8 | 5.6 | 6.5 | 12.9 | 12.2 | 11.6 |
| Degrees awarded: | | | | | | | | | | |
| Associate | 1,770 | 1,731 | 1,794 | 1,880 | 1,916 | 1,857 | 1,712 | 1,828 | 1,702 | 1,667 |
| Certificate | 331 | 495 | 471 | 475 | 446 | 338 | 167 | 180 | 214 | 216 |

Source: Department of Institutional Research.

See accompanying report of independent certified public accountants.

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

STATISTICAL SECTION - FACULTY AND STAFF STATISTICS (UNAUDITED)

For Fall Term in Year

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Faculty: | | | | | | | | | | |
| Part-time | 567 | 543 | 548 | 676 | 635 | 643 | 734 | 757 | 771 | 737 |
| Full-time | 438 | 443 | 467 | 400 | 395 | 407 | 412 | 418 | 413 | 395 |
| Percentage tenured | 67.1% | 65.2% | 61.8% | 74.0% | 81.7% | 79.9% | 80.6% | 83.0% | 84.0% | 79.5% |
| Administrative and support staff: | | | | | | | | | | |
| Part-time | 76 | 40 | 38 | 18 | 11 | 12 | 20 | 22 | 19 | 19 |
| Full-time | 474 | 470 | 466 | 445 | 453 | 441 | 447 | 472 | 460 | 462 |
| Total employees: | | | | | | | | | | |
| Part-time | 643 | 583 | 586 | 694 | 646 | 655 | 754 | 779 | 790 | 756 |
| Full-time | 912 | 913 | 933 | 845 | 848 | 848 | 859 | 890 | 873 | 857 |
| Students per full-time staff: | | | | | | | | | | |
| Number credit students | 16,672 | 17,296 | 18,126 | 18,099 | 19,119 | 19,066 | 18,692 | 19,751 | 19,503 | 19,047 |
| Faculty | 38 | 39 | 39 | 45 | 47 | 47 | 46 | 47 | 47 | 48 |
| Administrative and support staff | 35 | 37 | 39 | 41 | 42 | 43 | 42 | 42 | 42 | 44 |
| Average annual faculty salary | \$ 75,020 | \$ 67,883 | \$ 69,196 | \$ 63,789 | \$ 65,212 | \$ 64,059 | \$ 66,137 | \$ 66,236 | \$ 67,266 | \$ 65,381 |

Source: Institutional Human Resource Records.

GROSS SQUARE FEET OF COLLEGE BUILDINGS

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Main Campus - Buildings | 911,051 | 911,051 | 911,051 | 911,051 | 911,051 | 911,051 | 900,613 | 900,613 | 852,445 | 852,445 |
| Main Campus - 17 Street Garage | 230,360 | 230,360 | 230,360 | 230,360 | 230,360 | 230,360 | 230,360 | 230,660 | 230,660 | 230,360 |
| Main Campus Recreation Deck | 62,600 | 62,600 | 62,600 | 62,600 | 62,600 | 62,600 | 62,600 | 62,600 | 62,600 | 62,600 |
| Main Campus - CBI Garage | 74,902 | 74,902 | 74,902 | 74,902 | 74,902 | 74,902 | 74,902 | 74,902 | 74,902 | 74,902 |
| Main Campus - 434 North 15th Street | 88,500 | 88,500 | 88,500 | 88,500 | 88,500 | 88,500 | 88,500 | 88,500 | - | - |
| Northeast Regional Center | 109,075 | 109,075 | 109,075 | 109,075 | 109,075 | 109,075 | 109,075 | 109,075 | 109,075 | 59,876 |
| West Regional Center | 39,394 | 39,394 | 39,394 | 39,394 | 39,394 | 39,394 | 39,394 | 32,090 | 32,090 | 32,090 |
| Northwest Regional Center | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 |
| Total gross square feet | 1,605,882 | 1,605,882 | 1,605,882 | 1,605,882 | 1,605,882 | 1,605,882 | 1,595,444 | 1,588,440 | 1,451,772 | 1,402,273 |

Source: Institutional Physical Plant Records.

See accompanying report of independent certified public accountants.

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

DEMOGRAPHIC STATISTICS (UNAUDITED)

City of Philadelphia Last Ten Calendar Years

| | Population as of June 30 | Average annual unemployment rate |
|-----------|-------------------------------------|---|
| Year: | | |
| 2009 - 10 | 1,547,297 | 9.8 |
| 2010 - 11 | 1,526,006 | 10.9 |
| 2011 - 12 | 1,536,471 | 10.8 |
| 2012 - 13 | 1,547,607 | 10.5 |
| 2013 - 14 | 1,553,165 | 7.8 |
| 2014 - 15 | 1,560,297 | 7.4 |
| 2015 - 16 | 1,567,442 | 6.9 |
| 2016 - 17 | 1,567,872 | 5.9 |
| 2017 - 18 | 1,580,863 | 5.7 |
| 2018 - 19 | 1,584,138 | 5.1 |

Sources: United States Census Bureau and Bureau of Labor Statistics

See accompanying report of independent certified public accountants.

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of the Community College of Philadelphia as of and for the year ended June 30, 2019, and our report thereon dated September 27, 2019 expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on these financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to September 27, 2019.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.



Philadelphia, Pennsylvania
March 26, 2020

(A Component Unit of the City of Philadelphia)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

| Federal Agency Grantor/Pass-through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Grantor Number | Federal Expenditures |
|---|---------------------------|-----------------------------------|-------------------------|
| U.S. Department of Education | | | |
| Student Financial Assistance Cluster | | | |
| Federal Supplemental Educational Opportunity Grants (FSEOG) | 84.007 | | \$ 955,269 |
| Federal Work-Study Program (FWS) | 84.033 | | 810,325 |
| Federal Pell Grant Program (PELL) | 84.063 | | 40,399,335 |
| Federal Direct Student Loans (Direct Loan) | 84.268 | | <u>24,578,079</u> |
| Total Student Financial Assistance Cluster | | | 66,743,008 |
| TRIO Cluster | | | |
| TRIO - Student Support Services | 84.042 | | 286,510 |
| TRIO - Upward Bound | 84.047 | | <u>334,172</u> |
| Total TRIO Cluster | | | 620,682 |
| U.S. Department of Education | | | |
| Passed-through Pennsylvania Department of Education | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | FA-381-19-0014 | 1,528,204 |
| Passed-through Drexel University | | | |
| Race to the Top - Early Learning Challenge | 84.412 | 860213 | 4,639 |
| Child Care Access Means Parents in School | 84.335 | | 50,406 |
| Strengthening Minority-Serving Institutions | 84.382 | | <u>638,371</u> |
| Total U.S. Department of Education | | | 69,585,310 |
| U.S. Department of Health and Human Services | | | |
| Passed-through the Philadelphia Hospital and Health Care District 1199C | | | |
| Community Programs to Improve Minority Health Grant Program | 93.137 | CPIMP151091-01-00 | 4,335 |
| Passed-through the Health Promotional Council | | | |
| Pregnancy Assistance Fund Program | 93.500 | 1060061908 | 19,383 |
| Passed-through the Commonwealth of Pennsylvania, Department of Human Services | | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 4100081210 | <u>191,187</u> |
| Total U.S. Department of Health and Human Services | | | 214,905 |
| U.S. Department of Labor | | | |
| Passed-through the Commonwealth of Pennsylvania, Department of Labor and Industry | | | |
| Workforce Innovation Fund | 17.283 | PW16-131 | 167,965 |
| H-1B Job Training Grants | 17.268 | | <u>20,098</u> |
| Total U.S. Department of Labor | | | 188,063 |
| Research and Development Cluster | | | |
| National Science Foundation | | | |
| Passed-through Drexel University | | | |
| Education and Human Resources | 47.076 | HRD-1408052 | 24,273 |
| Passed-through The Saint Joseph's University | | | |
| Noyce Scholars Program | 47.076 | 2018-11-CCP-01 | 4,747 |
| ATE Biomedical Equipment Tech | 47.076 | DUE-1400433 | 5,601 |
| Passed-through the Trustees of the University of Pennsylvania | | | |
| Engineering Grants | 47.041 | ECCS-1542153 | <u>44,551</u> |
| Total Research and Development Cluster | | | 79,172 |

(Continued)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended June 30, 2019

| Federal Agency Grantor/Pass-through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Grantor Number | Federal Expenditures |
|---|---------------------------|-----------------------------------|-------------------------|
| U.S. Department of Agriculture - Food and Nutrition Service Passed-through DHS - Bureau of Program Support Supplemental Nutrition and Assistance Program (SNAP) | 10.561 | 4100081210 | 159,972 |
| U.S. Department of Justice Passed-through Pennsylvania Commission on Crime and Delinquency Edward Byrne Memorial Justice Assistance Grant Program (Reentry Support Project) | 16.738 | 27032-2 | 44,940 |
| Total expenditures of federal awards | | | \$ 70,272,362 |

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2019

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) summarizes the expenditures of the Community College of Philadelphia (the College) under programs of the federal government for the year ended June 30, 2019. The Schedule of Expenditures of Federal awards presents only a selected portion of the operations of the College; it is not intended to, and does not, present the financial position, changes in net position, and cash flows of the College.

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

NOTE B - BASIS OF ACCOUNTING

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

NOTE C - FEDERAL STUDENT LOAN PROGRAM

Federally guaranteed loans issued to students of the College during the year ended June 30, 2019 totaled \$24,578,079. This amount has been included in the schedule. The College is responsible only for the performance of certain administrative duties with respect to federally guaranteed student loan programs, and accordingly, these loans are not included in its financial statements.

NOTE D - ADMINISTRATIVE COSTS

The College's expenditures include administrative expenses of \$59,710 for Federal Pell Grants, \$40,516 in Federal Work Study, and \$47,763 for Federal Supplemental Educational Opportunity Grants.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of the Community College of Philadelphia (the "College") as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 27, 2019.

Internal control over financial reporting

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

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

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

Compliance and other matters

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

Intended purpose

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



Philadelphia, Pennsylvania
September 27, 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on compliance for each major federal program

We have audited the compliance of the Community College of Philadelphia (the “College”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. The Entity’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the College’s federal programs.

Auditor’s responsibility

Our responsibility is to express an opinion on compliance for each of the College’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each major federal program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on internal control over compliance

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

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

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

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



Philadelphia, Pennsylvania
March 26, 2020

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

| <i>CFDA Number</i> | <i>Name of Federal Program or Cluster</i> |
|--------------------|---|
| 84.048 | Career and Technical Education – Basic Grants to States |
| 84.033 | Student Financial Assistance Cluster: Federal Work-Study Program (FWS) Federal Supplemental Educational Opportunity Grants (FSEOG) Federal Pell Grant Program (PELL) Federal Direct Student Loans (Direct Loan) |
| 84.007 | |
| 84.063 | |
| 84.268 | |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

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

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

June 30, 2019

No matters to report.

GRANT THORNTON LLP

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**AGREED-UPON PROCEDURES REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

Board of Trustees
Community College of Philadelphia
(A Component Unit of the City of Philadelphia) and
Pennsylvania Department of Human Services

We have performed the procedures enumerated below, which were agreed to by management of the Community College of Philadelphia (the College) and the Pennsylvania Department of Human Services (DHS), related to the College's compliance with the requirements listed in Audit Clause A of the Pennsylvania KEYS agreement between the College and DHS (the "specified requirements") during the period July 1, 2018 to June 30, 2019 (the "Subject Matter"). The College's management is responsible for its compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows.

1. Verified by comparison the amounts and classifications that the supplemental financial Schedule of Revenues and Expenditures which summarizes amounts reported to DHS for the year ended June 30, 2019, have been accurately compiled and reflect the audited books and records of the College.

No exceptions noted.

2. Verified by comparison to the example schedules included in the specified requirements that these schedules are presented, at a minimum, at the level of detail that directly mirrors the budget page (Rider 3) of the subject matter. The Schedule of Revenues and Expenditures should mirror the line items on the budget pages of the contract and include a budget and an actual expenditure column pertaining to this period.

No exceptions noted.

3. Inquired of management regarding adjustments to reported revenues or expenditures, which were not reflected on the reports submitted to DHS for the period in question.

No such adjustments noted.

4. Disclose any adjustments and/or findings and identify which have not been reflected in the corresponding schedules.

No such adjustments or findings noted.

5. The supplemental schedule to be included in the College's single audit reporting package for the year ended June 30, 2019, is a reconciliation of the expenditures listed on the Schedule of Expenditures of Federal Awards ("SEFA") to the Federal award income received from DHS ("reconciliation schedule") as required by DHS and noted in the revenue audit confirmation received from the Commonwealth of Pennsylvania. The procedures performed on the reconciliation schedule were as follows:

- a. Agreed the expenditure amounts listed on the reconciliation schedule under the "Federal Expenditures per the SEFA" column to the audited SEFA.
- b. Agreed the receipt amounts listed on the reconciliation schedule under the "Federal Awards Received per the audit confirmation reply from Pennsylvania" column to the sub-recipient Federal amounts that are reflected in the audit confirmation reply from the Commonwealth of Pennsylvania.
- c. Recalculated the amounts listed under the "Difference" column.
- d. Agreed the amounts listed under the "Difference" column to the audited books and records of the College.
- e. Agree the "Detailed Explanation of the Differences" to the audited books and records of the College.
- f. Based on the procedures detailed above, disclosed any adjustments and/or findings which have not been reflected on the corresponding schedules.

No exceptions noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this agreed-upon procedures report is solely to report our findings based on the specific procedures performed on the Subject Matter for the purpose of

assisting the Board of Trustees of the College and DHS in evaluating compliance with the specified requirements. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Philadelphia, Pennsylvania
March 26, 2020

Community College of Philadelphia
Year Ended June 30, 2019

Federal Awards Passed through the Pennsylvania Department of Human Services
Expenditures per the SEFA to Revenue Received per the Pennsylvania Audit Confirmation Reply

| <u>CFDA Name</u> | <u>CFDA Number</u> | <u>Federal Expenditures per the SEFA</u> | <u>Federal Award Received per the Audit Confirmation Reply from Pennsylvania Department of Human Services</u> | <u>Difference</u> | <u>Detailed Expanantion of the Differences</u> |
|--|--------------------|--|---|-------------------|--|
| Temporary Assistance for Needy Families (TANF) Program | 93.558 | 191,187 | 191,187 | — | N/A |
| Supplemental Nutrition and Assistance Program (SNAP) | 10.561 | 159,972 | 159,972 | — | N/A |

AGENCY: Community College of Philadelphia

AGENCY ADDRESS: 1700 Spring Garden Street, Philadelphia, PA 19130-3991

PHONE#: 215-751-8133

Contract Number 4100081210

SAP VENDOR #: 000139658

EXPENDITURES

| | BUDGETED AMOUNT | CUMULATIVE ACTUAL EXPENSES | BALANCE OF BUDGETED AMOUNT |
|--|--------------------|----------------------------------|----------------------------------|
| ADMINISTRATION COSTS | | | |
| A. PERSONNEL | | | |
| Staff Salaries | - | - | - |
| Staff Fringe Benefits | - | - | - |
| Total Salaries/Fringe Benefits | - | - | - |
| B. EQUIPMENT AND SUPPLIES | 1,200 | 333 | 867 |
| C. OPERATING EXPENSES | 8,034 | 7,000 | 1,034 |
| TOTAL ADMINISTRATION COSTS | 9,234 | 7,333 | 1,901 |
| PROGRAM COSTS (Direct Training) | | | |
| A. PERSONNEL | | | |
| Staff Salaries | 397,072 | 330,470 | 66,602 |
| Staff Fringe Benefits | 109,417 | 93,744 | 15,673 |
| Total Personnel | 506,489 | 424,214 | 82,275 |
| B. EQUIPMENT AND SUPPLIES | 49,508 | 27,295 | 22,213 |
| C. OPERATING EXPENSES | 28,988 | 12,147 | 16,841 |
| D. OTHER PROGRAM EXPENSES | 156,272 | 40,142 | 116,130 |
| TOTAL PROGRAM COSTS | 741,257 | 503,798 | 237,459 |
| TOTAL CONTRACT AMOUNT | 750,491 | 511,131 | 239,360 |

DETAILED PAGE - ADMINISTRATION EXPENSES

| | BUDGETED AMOUNT | CUMULATIVE ACTUAL EXPENSES | BALANCE OF BUDGETED AMOUNT |
|---|--------------------|----------------------------------|----------------------------------|
| Category | | | |
| PERSONNEL (Please include the % of time spent on grant) | | | |
| | - | - | - |
| TOTAL ADMINISTRATIVE SALARIES | - | - | - |
| FRINGE BENEFITS | | | |
| FICA/TAXES | - | - | - |
| HEALTH INSURANCE | - | - | - |
| Life & Disability Insurance | - | - | - |
| UNEMPLOYMENT COMPENSATION | - | - | - |
| WORKER'S COMPENSATION | - | - | - |
| PENSION | - | - | - |
| TOTAL FRINGE BENEFITS CHARGED TO ADMINISTRATIVE SALARIES | - | - | - |
| TOTAL ADMINISTRATIVE SALARIES & FRINGE BENEFITS | - | - | - |
| EQUIPMENT AND SUPPLIES | | | |
| CONSUMABLE SUPPLIES | - | - | - |
| EQUIPMENT RENTAL | 1,200 | 333 | 867 |
| EQUIPMENT PURCHASES | - | - | - |
| TOTAL EQUIPMENT AND SUPPLIES | 1,200 | 333 | 867 |
| OPERATING EXPENSES | | | |
| ADVERTISING | - | - | - |
| AUDIT | 2,000 | 2,000 | - |
| CONSULTANT SERVICES | 6,034 | 5,000 | 1,034 |
| DUES AND SUBSCRIPTIONS | - | - | - |
| INSURANCE | - | - | - |
| POSTAGE | - | - | - |
| PRINTING | - | - | - |
| TELEPHONE | - | - | - |
| MAINTENANCE | - | - | - |
| RENT | - | - | - |
| UTILITIES | - | - | - |
| TRAVEL | - | - | - |
| TOTAL OPERATING EXPENSES | 8,034 | 7,000 | 1,034 |

DETAILED PAGE - DIRECT TRAINING COSTS (PROGRAM)

| | BUDGETED AMOUNT | CUMULATIVE YTD ACTUAL EXPENSES | BALANCE OF BUDGETED AMOUNT |
|--|--------------------|--------------------------------------|----------------------------------|
| Category | | | |
| PERSONNEL (Please include % of time spent on grant) | | | |
| Projector Director KEYS Program | 56,924 | 49,778 | 7,146 |
| Job Developer | 43,202 | 43,268 | (66) |
| Compliance and Data Manager | 48,719 | 21,107 | 27,612 |
| Student Facilitator 1 - KEYS | 47,820 | 40,774 | 7,046 |
| Student Facilitator 2 - KEYS | 43,203 | 41,424 | 1,779 |
| Student Facilitator 3 - KEYS | 43,203 | 43,268 | (65) |
| Student Facilitator 4 - KEYS | 43,203 | 33,556 | 9,647 |
| Administrative Associate | 35,798 | 36,587 | (789) |
| Academic Mentor | 15,000 | 7,463 | 7,537 |
| Academic Mentor 2 | 15,000 | 13,245 | 1,755 |

| | | | |
|--|------------------------|-----------------------------------|-----------------------------------|
| Student Worker(s) Part time | 5,000 | - | 5,000 |
| TOTAL PROGRAM SALARIES | 397,072 | 330,470 | 66,602 |
| FRINGE BENEFITS | | | |
| FICA/TAXES | 13,867 | 12,657 | 1,210 |
| HEALTH INSURANCE | 57,026 | 47,176 | 9,850 |
| LIFE & DISABILITY INSURANCE | - | - | - |
| UNEMPLOYMENT COMPENSATION | 905 | 1,322 | (417) |
| WORKER'S COMPENSATION | 1,412 | 1,652 | (240) |
| PENSION | 36,207 | 30,937 | 5,270 |
| TOTAL FRINGE BENEFITS CHARGED TO PROGRAM SALARIES | 109,417 | 93,744 | 15,673 |
| TOTAL PROGRAM SALARIES & FRINGE BENEFITS | 506,489 | 424,214 | 82,275 |
| EQUIPMENT AND SUPPLIES | | | |
| CONSUMABLE SUPPLIES | 27,511 | 18,655 | 8,856 |
| EQUIPMENT software ROSETTA | 4,511 | - | 4,511 |
| EQUIPMENT PURCHASES(laptops for study lab) | 17,486 | 8,640 | 8,846 |
| TOTAL EQUIPMENT AND SUPPLIES | 49,508 | 27,295 | 22,213 |
| OPERATING EXPENSES | | | |
| DUES AND SUBSCRIPTIONS | 2,000 | - | 2,000 |
| INSURANCE | - | - | - |
| POSTAGE | 2,000 | 104 | 1,896 |
| PRINTING | 2,000 | 141 | 1,859 |
| TELEPHONE | - | - | - |
| MAINTENANCE | 15,740 | 11,883 | 3,857 |
| RENT | - | - | - |
| UTILITIES | - | - | - |
| TRAVEL | 7,248 | 19 | 7,229 |
| OTHER: | | | |
| Hospitality | - | - | - |
| Graduation (hospitality, materials) | - | - | - |
| HIPAA Training | - | - | - |
| TOTAL OPERATING EXPENSES | 28,988 | 12,147 | 16,841 |
| OTHER DIRECT TRAINING EXPENSES | | | |
| INCENTIVES | 29,351 | 15,929 | 13,422 |
| Participant Reimbursement | 20,650 | - | 20,650 |
| VWE (Paid Work)A21000 | 14,991 | - | 14,991 |
| Educational enrichment/Prof. Development | 18,895 | 10,474 | 8,421 |
| Pre-enrollment/educational enrichment | 19,390 | - | 19,390 |
| Career Conferences/Job Fairs | 17,495 | 3,023 | 14,472 |
| Background clearances | 5,500 | - | 5,500 |
| Hospitality | 20,000 | 9,288 | 10,712 |
| Graduation (hospitality, materials) | 10,000 | 1,428 | 8,572 |
| TOTAL OTHER DIRECT TRAINING EXPENSES | 156,272 | 40,142 | 116,130 |
| DETAILED PAGE - DIRECT TRAINING COSTS (PROGRAM) | | | |
| | BUDGETED AMOUNT | CUMULATIVE ACTUAL EXPENSES | BALANCE OF BUDGETED AMOUNT |
| GRAND TOTAL PROGRAM EXPENSES | 741,257 | 503,798 | 237,459 |
| TOTAL CONTRACT AMOUNT | 750,491 | 511,131 | 239,360 |
| Revenue | | 511,131 | |
| Excess of Revenue over Expenses | | - | |