



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

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

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statements of Net Assets	12
Statements of Revenues, Expenses, and Changes in Net Assets	14
Statements of Cash Flows	16
Notes to Financial Statements	18
Supplementary Information	
Schedule of Funding Progress	46
Statistical Section	47
Supplemental Schedules:	
1. Component Unit Schedule of Net Assets	53
2. Component Unit Schedule of Activities	54
3. Component Unit Capital Asset Format	55
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	56



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

Board of Trustees
Community College of Philadelphia:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Community College of Philadelphia (the College), a component unit of the City of Philadelphia, Pennsylvania, as of and for the years ended June 30, 2011 and 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2011, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 and the schedule of funding progress on page 46 are not a required part of the basic financial statements but are supplemental information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The statistical section and supplemental schedules on pages 47 to 55 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we express no opinion on it.

KPMG LLP

September 29, 2011

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

Management's Discussion and Analysis

June 30, 2011 and 2010

(Unaudited)

The Community College of Philadelphia (the College)'s financial statements are prepared using Governmental Accounting Standards Board (GASB) Statements 34 and 35 standards. The financial results of the Community College of Philadelphia Foundation (the Foundation) are reported as a component unit. These statements include the statistical reporting section as required under GASB Statement 44.

This Management's Discussion and Analysis (MD&A) is based upon facts, decisions, and conditions known as of the date of the audit report. The results for 2011 are compared to those for the 2010 fiscal year.

Overview of Financial Statements

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

- The *Statement of Net Assets* presents information on the College's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets serve as one indicator of how the financial position of the College is changing.
- The *Statement of Revenues, Expenses, and Changes in Net Assets* 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 *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations, financing, and investing receipts and disbursements.

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

Financial Highlights

Campus Development

During fiscal 2011, construction continued on two major projects that began in fiscal 2009. These projects include the erection of a new building and renovation of significant portions of three existing buildings at the Main Campus; and expansion and redesign of the Northeast Regional Center. Principal financing for these projects was completed in October 2008 utilizing twenty-year tax exempt bonds. Total borrowing was \$74,770,000 at the interest rate of 3.0% to 6.25%. Because of the disruptions occurring in the bond insurance industry, the College elected to issue the bonds on an uninsured basis. A Moody's bond rating of A2 was received at the time the bonds were issued; as of June 30, 2011 the College has a rating of A1. The Northeast project was completed and occupied as of December 2010. The new construction phase of the Main Campus project, the Pavilion Building, was completed in Summer 2011 and will be placed into use for the Fall 2011 term.

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

Management's Discussion and Analysis

June 30, 2011 and 2010

(Unaudited)

The remainder of the Main Campus project is being completed in phases with full completion, including renovations of portions of the Bonnell, Mint and West Buildings scheduled for full occupancy in fall 2012.

A smaller capital project was initiated at the West Regional Center in Fall 2010. This project entails lease of 7,291 square feet of space immediately adjacent to the current center as well as redesign and upgrades to portions of the Center's main 23,000 square feet classroom building.

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

The Main Campus projects include: the construction of a new 45,000 square feet building, a 7,800 square feet addition to the Bonnell Building, and renovation of 100,000 square feet of existing space in the Bonnell, Mint, and West Buildings. The Northeast Regional Center expansion project includes: the addition of 54,000 square feet to the existing building; redesign of significant portions of the existing 60,000 square feet building; and development of previously unused land into additional parking. The expansion of the Northeast Center completes the Master Plan for the property established when the site was initially acquired by the College in 1994.

Both projects are employing sustainable design principles. Both the Northeast Project and the Main Campus Pavilion Building are expected to achieve a gold-level LEED certified designation.

Construction bid results for the Northeast Project were received in January 2009 and were approximate \$1.6 million less than originally budgeted. The lower than budgeted bid results reflected both value engineering that was undertaken during the final design phase to control costs, and the competitive conditions that existed in the construction industry at the time the projects were bid. Based upon the favorable bid results, subsequent scope changes were made to the Northeast Project which included a more complete renovation of the existing building than was originally anticipated. Full renovations were made to the top two floors of the original building which initially were not scheduled to receive major changes. Final costs for the Northeast project including renovations of the existing building are projected to be \$31 million.

Bids were received for phase one of the Main Campus project, the new Pavilion Building, in June 2009. Again successful value engineering and construction industry conditions resulted in bids that were \$2.8 million less than originally budgeted for the project. However, subsequent site conditions discoveries and other essential project changes added an additional \$1.6 million to the cost of The Pavilion Building. The second phase of the Main Campus projects was bid out in December 2009. Based upon favorable bid results, current estimates are that the project will cost approximately \$1.0 million less than originally budgeted. Projected total costs for the Pavilion are \$31 million and total costs for the Mint, Bonnell and West Building renovations are currently projected to be \$21 million.

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

Management's Discussion and Analysis

June 30, 2011 and 2010

(Unaudited)

The current estimates for the combined cost of the two projects are approximately \$83.0 million. Of this amount, approximately \$75 million will be provided from the bond proceeds including interest earnings, and the remaining funds will come from the current capital campaign, grants and other College resources.

On July 15, 2011 the College executed a \$1 million five year loan through the Pennsylvania State Public School Building Authority's revolving loan program at a fixed rate of 3%. The proceeds from this loan are being used to pay for the leasehold improvements and outfitting for the additional leased space at the West Philadelphia Regional Center.

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

Enrollments

Credit enrollments for the 2011 year were at the highest level in the College's history. Credit FTE (full-time equivalent) enrollments in fiscal year 2011 were 16,091. This represented a 283 FTE or a 1.8% increase over the prior year's credit enrollments of 15,808. Fiscal 2010 credit FTE enrollments were 1,600 or 11.3% higher than the 2009 credit enrollments of 14,208.

Revenues

In July 2005, Act 46 was enacted. This law fundamentally changed the basis upon which Commonwealth of Pennsylvania (the State) community colleges were intended to be funded effective for the 2005-06 year and thereafter. Funding based upon current year enrollments was eliminated and a foundation funding level was established for each community college. This foundation funding provides a base of funding not tied to enrollments which was intended to be adjusted upward annually on a percentage basis via the State budget process. Under the provisions of Act 46, foundation funding may not be reduced. To this amount is added annually a small growth increment based upon enrollment increase changes in the last two audited years. Under Act 46, there is to be no reduction in revenues for enrollment declines. The other significant operating budget change as a result of Act 46 was the establishment of Economic Development (high priority) Program funding. The State is to provide supplemental funding for FTEs taught in programs identified to be high priority by State officials. The amount of funding received is to be based upon a lump sum statewide dollar allocation and each college's reported FTE enrollments for the prior year in priority program areas. Funding allocations are proportionate to FTEs taught.

In the passage of the 2010 and 2011 State Budget, the provisions of Act 46 were not followed in funding Pennsylvania community colleges. Instead, 2010 operating funding for each college was set to equal the amount received for 2008-09 reduced 0.21%. Of the amount allocated to the community colleges by the State in fiscal 2010 for operating purposes, \$2,844,299 million or 9.1% was allocated from federal economic stimulus funds provided by the Federal Government to the State. State funding for 2011 was similar. The total 2011 State operating allocation was \$31,152,104. Of this amount \$2,844,299 or 9.1% was again funded from federal economic stimulus funds.

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

Management's Discussion and Analysis

June 30, 2011 and 2010

(Unaudited)

Act 46 also modified state capital funding for the Pennsylvania community colleges. A revolving capital pool was created which provides the potential for increased funding for major capital projects and improved predictability for when major capital project funding will become available. Capital funding from the State was \$6,456,821 in the 2010 fiscal year and \$6,330,656 in the 2011 fiscal year.

Total state funding in the 2010 fiscal year was \$38,051,217, an increase of \$206,532 or .5% over the \$37,844,685 received in 2009. This value includes the \$2,844,299 allocated to the College by the State from federal stimulus funds. Total state funding in the 2011 fiscal year was \$38,449,827, a change of \$398,610 or 1.0% over the state funds received in 2010. This value again includes the \$2,844,299 allocated to the College by the State out of federal stimulus funds. State funding for 2011 also included \$775,994 based upon the State's forgiveness of prior audit claims in the amount of \$640,724 and \$135,220 for the fiscal years 2004 and 2005.

Total 2011 City funding was \$25,409,207 which represented a decrease of \$1,000,000 from the level of funding received in 2010. Of this funding, \$7,317,356 was used for capital purchases and debt service payments. The remaining funds, \$18,091,851 were used for operating purposes.

In 2011 tuition charge per credit was \$128, an increase of \$6 over the 2010 per credit tuition charge of \$122. The 2011 technology fee was unchanged at \$28 per credit. The College charges course fees which range from \$66 to \$264 in selected high-cost courses. Average total tuition and fee revenue per credit for 2011 was \$166.31, an increase of \$5.92 or 3.7% over the average per credit charge in fiscal 2010 of \$160.39.

Tuition and fee revenue totaled \$72,048,633 in 2011, \$67,625,346 in 2010 and \$59,201,290 in 2009. The 'scholarship allowance' amounts for 2011, 2010 and 2009, respectively were \$43,917,028, \$38,017,913 and \$27,484,158. The scholarship allowance represents tuition and fee payments made using public and private grants and scholarships. The \$5.9 million increase in the scholarship allowance amount for fiscal 2011 over the amount received in fiscal 2010 reflects the enrollment growth experienced by the College, the increase in tuition, the increase in the maximum federal Pell financial aid award that was put in place for the 2011 fiscal year, and the weak economy which resulted in more students being dependent upon aid to attend the college.

Net investment income was \$717,865 in 2011 or \$869,280 less than the amount earned in 2010, \$1,587,145. The investment income in 2010 included the impact of unrealized asset appreciation in the amount of \$729,546 for College investments in the Common Fund Intermediate and Multi-Strategy Bond Funds which occurred as a result of improving economic conditions in the financial markets. During the 2011 fiscal year unit values in the College's fixed income investments remained relatively stable and the 2010 unrealized gains were not repeated. In response to historically low rates of return on short-term fixed income investments in April 2011, the College moved \$10 million of core operating cash into longer-term fixed income investments. (See footnote 2.)

The growth in Federal Grants and contracts from \$51,131,086 in 2010 to \$58,889,668 in 2011 primarily reflects the growth in Federal Pell financial aid dollars received by students at the College.

Expenses

Exclusive of Student Aid and Depreciation expenses, the College's operating expenses totaled \$138,283,458 in fiscal 2011 and \$128,727,928 in fiscal 2010. Effective September 1, 2006, five-year labor contracts were entered into with the College's faculty and classified employee unions. These contracts, which cover the time period

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

Management's Discussion and Analysis

June 30, 2011 and 2010

(Unaudited)

from September 1, 2006 to August 31, 2011, provide for an average employee salary increase of 3.62% in each year of the five year contract. The College's Board of Trustees and the Federation are Currently in negotiations as of June 30, 2011. The terms of the agreed upon contract will be retroactive to September 1, 2011.

In fiscal 2008 the College implemented the GASB 45 accounting standard. This standard requires that the present value of projected post-retirement benefits other than pensions, paid to retired employees be recorded as an expense in public institutions' financial statements. Using the services of an actuarial firm, the initial estimate of the post-retirement liability was prepared in May 2008. As required by GASB 45, the bi-annual reassessment of the liability was prepared in April 2010 for reporting as of June 30, 2010 and June 30, 2011. The College elected to phase in the reporting of the post-employment benefit liability over a 30 year period and to continue to fund the costs of the benefit out of the College's annual budget revenues. A separate trust has not been established to fund any portion of this liability. The cumulative estimated value for the accrued post-employment benefit liability in fiscal 2011, 2010 and 2009 was \$22,614,325, \$16,575,690 and \$10,376,219 respectively. Absent this reporting requirement, the college's net assets as of June 30, 2011 would have been at a level of \$108.3 million.

Effective September 1, 2009, the College placed its employee medical plan, offered through Independence Blue Cross, on a self-insurance basis. A reinsurance limit of \$175,000 was in place for the 2011 fiscal year to limit institutional financial exposure for individuals with extraordinarily large claims in a policy year. As another component of the self-insurance approach, the College has established a self-insurance accrued liability account for possible large claim levels in the future. The value of this accrued liability as of June 30, 2011 was \$821,919 and \$1,000,000 in 2010, and is reported under 'Current Liabilities: Accounts Payable and Accrued Liabilities.'

Net Asset Change

Net assets as of June 30, 2011 were \$85,903,139. As a result of several positive financial circumstances which contributed to an operating budget surplus, net assets increased by \$7.6 million in the 2011 fiscal year prior to recording the impact of GASB 45. The change in net assets after recording the GASB 45 accrual was \$1.5 million. 'Unrestricted net assets' fell from \$14.6 million to \$5.0 million. The additional GASB 45 post-retirement expense accrual decreased 'unrestricted net assets' by \$6.0 million and the cash purchase of 434-40 North 15th Street resulted in the use of \$5.8 million of 'unrestricted net assets' that resulted in a corresponding increase of 'invested in capital assets, net of related debt.'

Assets

As of June 30, 2011 the College's cash, long-term and short-term investments totaled \$37.9 million, a decrease of \$7.4 million over the \$45.3 amount for June 30, 2010. This reduction in cash and fixed income investments from the prior year reflects the commitment of \$5.8 million in cash to the purchase of 434-40 North 15th Street and the timing of the last pay of the fiscal year which typically has a July pay date. 'Accounts Receivable Net' remained essentially unchanged: \$4.5 million in 2011 and \$4.4 million in 2010. These values reflect student, employee, vendor, legal and Foundation receivables. The College's investment in capital assets as of June 30, 2011 net of accumulated depreciation was \$167 million. The value of assets acquired for the year was \$73.0 million and depreciation expenses were \$7.7 million. The growth in the value of assets reflects the substantial completion of the Northeast Regional Center expansion project during the 2011 fiscal year.

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

Management's Discussion and Analysis

June 30, 2011 and 2010

(Unaudited)

Liabilities

The College's outstanding long-term debt (including the current year portion and excluding capital lease obligations) decreased from \$110.1 million in 2009 to \$104.6 million in 2010 and decreased from \$104.6 million in 2010 to \$97.1 million in 2011. The current level of debt reflects the borrowing for the two new capital projects that were financed during the 2008 fiscal year. Additionally, the College has accrued compensated absences and retirement incentive payments in the amounts of \$3.2 million, and \$0.6 million, respectively. The accrual for compensated absences consists of unused vacation pay for employees on the College's payroll.

Accounts payable and accrued liabilities decreased from \$19.9 million in 2010 to \$16.1 million in 2011. The major factor contributing to this decrease was a reduction in accounts payable vendor payments and the reduction in the normal salary accrual due to a June 30th pay date. Dollars payable to governmental agencies decreased from \$3.5 million in 2009, to \$2.7 million in 2010, and to \$1.1 million in 2011. These dollars reflect pre-2006 State audit liabilities, and unused State and Federal financial aid dollars. The capital lease obligation includes a \$5.3 million performance contract with Johnson Controls, Inc. Under the terms of the performance contract, the College is utilizing a fifteen year capital lease to amortize the costs of ten separate capital projects which both addressed critical infrastructure renewal needs at the College's main campus facilities and are reducing operating costs through energy and other facility operating cost savings. The performance contract terms guarantee that the operational costs savings from the ten projects will pay a substantial portion of the capital lease expense. Capital leases also include technology expenses associated with academic and administrative computing.

Net Assets

At June 30, 2011, the College's assets of \$231.2 million exceeded its liabilities of \$145.3 million by \$85.9 million. Net assets at 2011, 2010 and 2009 are summarized into the following categories:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Invested in capital assets, net of related debt	\$ 80,136,789	69,277,871	60,946,658
Restricted, expendable	730,624	510,809	510,873
Unrestricted	<u>5,035,726</u>	<u>14,588,450</u>	<u>14,553,315</u>
Total net assets	<u>\$ 85,903,139</u>	<u>84,377,130</u>	<u>76,010,846</u>

The largest portion of the College's net assets (93.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less accumulated depreciation and outstanding debt incurred to acquire those assets. The College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Management's Discussion and Analysis

June 30, 2011 and 2010

(Unaudited)

Summary of College Financial Position

The following tables summarize the College's financial status as of the end of the 2011, 2010 and 2009 fiscal years.

Summary of Net Assets

The tables provide a condensed version of the College's net assets as of the end of June 30, 2011, 2010 and 2009 and a condensed version of revenues, expenses, and changes in net assets for fiscal years 2011, 2010 and 2009. The College's current asset to current liability ratio of 1.11 as of June 30, 2011, 1.50 as of June 30, 2010, and 1.54 as of June 30, 2009 indicates the College has adequate liquidity to meet its short-term obligations. The reduction in current assets reflects the decision made to move \$10,000,000 of the College's short-term investments to longer-term fixed-income investments during the fiscal year. While not classified as current assets these 'long-term' investments are liquid and available immediately if required for cash needs. The reduction in unrestricted net assets reflects the decision to use college resources for the purchase of 430-440 North 15th Street and the impact of GASB 45.

Net Assets

June 30, 2011, 2010 and 2009

	2011	2010	2009
		(In millions)	
Assets:			
Current assets	\$ 30.6	48.5	42.2
Noncurrent assets:			
Capital assets net of depreciation	167.0	134.1	108.0
Bond proceeds available for campus construction	15.1	47.7	67.6
Other	18.5	6.8	6.7
Total assets	\$ 231.2	237.1	224.5
Liabilities:			
Current liabilities	\$ 27.5	32.3	27.4
Noncurrent liabilities	117.8	120.4	121.1
Total liabilities	\$ 145.3	152.7	148.5
Net assets:			
Invested in capital assets, net of related debt	\$ 80.2	69.3	60.9
Unrestricted	5.0	14.6	14.6
Restricted:			
Expendable	0.7	0.5	0.5
Total net assets	\$ 85.9	84.4	76.0

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

Management's Discussion and Analysis

June 30, 2011 and 2010

(Unaudited)

Schedule of Changes in Net Assets

The change in net assets for fiscal year 2011, 2010 and 2009 was a positive \$1.5 million, \$8.4 million and \$4.7 million, respectively. The following table quantifies the changes:

Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011, 2010 and 2009

	2011	2010	2009
		(In millions)	
Operating revenues:			
Net tuition and fees	\$ 28.1	29.6	31.6
Auxiliary enterprises and other sources	1.9	1.8	1.5
Total	30.0	31.4	33.1
Operating expenses	153.3	143.2	132.6
Operating loss	(123.3)	(111.8)	(99.5)
Net nonoperating revenues	111.2	106.1	90.5
Change in net assets before other revenues	(12.1)	(5.7)	(9.0)
Net capital revenue and changes to endowments	13.6	14.0	13.7
Total change in net assets	\$ 1.5	8.3	4.7

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

Management's Discussion and Analysis

June 30, 2011 and 2010

(Unaudited)

Schedule of Fund Balances

The following chart shows fund balances in the four fund groups: Unrestricted, Restricted, Endowment and Plant. The 2009, 2010 and 2011 amounts reported for unrestricted operations funds were reduced by the impact of GASB 45 reporting of an accrued expense liability for post-retirement employee benefits. The impact of GASB 45 reporting in 2009 was \$5,181,546, in 2010 was \$6,199,471 and in 2011 was \$6,038,635. The negative unrestricted plant fund balance reflects the use of college resources for the purchase of the 430-440 North 15th Street property.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total unrestricted fund	\$ 7,609,166	12,212,485	12,143,324
Endowment fund:			
True and term endowment	—	—	—
Quasi endowment (unrestricted)	<u>1,743,728</u>	<u>2,089,754</u>	<u>2,067,757</u>
Total endowment	<u>1,743,728</u>	<u>2,089,754</u>	<u>2,067,757</u>
Plant fund:			
Net invested in capital assets	80,136,789	69,277,871	60,946,658
Restricted expendable – capital	730,624	510,809	510,873
Unrestricted	<u>(4,317,168)</u>	<u>286,211</u>	<u>342,234</u>
Total plant fund	<u>76,550,245</u>	<u>70,074,891</u>	<u>61,799,765</u>
Total net assets	<u>\$ 85,903,139</u>	<u>84,377,130</u>	<u>76,010,846</u>

Community College of Philadelphia Foundation

The College Foundation was established in 1985. Total assets for 2011, 2010 and 2009 were \$9.3 million, \$7.7 million and \$6.1 million, respectively. Total unrestricted net assets for 2011, 2010 and 2009 for the Foundation were \$1.4 million, \$1.1 million and \$1.0 million, respectively. The remaining net assets are restricted based upon donor intent. To support funding for the College's current campus development efforts and develop more scholarship opportunities for students, the College's first Capital Campaign was initiated in 2009. A goal of \$10 million was established. As of August 2011, the goal had been achieved.

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

Statements of Net Assets

June 30, 2011 and 2010

Assets	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2011	2010	2011	2010
Current assets:				
Cash and cash equivalents (note 2)	\$ 13,671,678	11,405,293	187,913	5,543
Short-term investments (note 2)	9,116,339	28,931,902	1,743,486	2,262,490
Accounts receivable, net (note 3)	4,487,786	4,385,562	393,170	50,181
Student loans receivable (note 4)	2,663	7,021	—	—
Receivable from government agencies (note 8)	2,031,391	2,326,499	—	—
Accrued interest receivable	50,749	52,567	—	—
Unamortized bond issuance costs	176,314	176,314	—	—
Other assets	1,076,850	1,241,976	—	—
Total current assets	30,613,770	48,527,134	2,324,569	2,318,214
Noncurrent assets:				
Endowment investments (note 2)	—	—	6,196,576	3,987,856
Accounts receivable, net (note 3)	—	—	689,832	1,373,155
Student loans receivable (note 4)	5,605	26,389	—	—
Bond proceeds available for campus construction	16,908,811	47,744,161	—	—
Other long term investments (note 2)	15,080,777	4,947,043	—	—
Unamortized bond issuance costs	1,598,692	1,775,006	—	—
Capital assets, net (note 5)	166,988,454	134,080,245	—	—
Total noncurrent assets	200,582,339	188,572,844	6,886,408	5,361,011
Total assets	\$ 231,196,109	237,099,978	9,210,977	7,679,225

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

Statements of Net Assets

June 30, 2011 and 2010

Liabilities and Net Assets	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2011	2010	2011	2010
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	\$ 14,678,401	18,315,014	168,392	122,359
Payable to government agencies (note 8)	814,779	2,357,041	—	—
Deposits	114,418	100,651	—	—
Deferred revenue	2,303,388	2,503,334	250,000	—
Current portion of capital lease obligation (note 7)	1,795,791	1,614,116	—	—
Current portion of long-term debt (note 7)	7,744,495	7,451,221	—	—
Unamortized bond premium	49,637	49,637	—	—
Total current liabilities	27,500,909	32,391,014	418,392	122,359
Noncurrent liabilities:				
Accrued liabilities (note 6)	1,419,742	1,606,636	—	—
Payable to government agencies (note 8)	296,750	341,335	—	—
Annuity payable	—	—	15,144	15,737
Capital lease obligation (note 7)	3,833,486	4,360,524	—	—
Long-term debt (note 7)	89,328,525	97,098,779	—	—
Unamortized bond premium	299,233	348,870	—	—
Other post-employment benefits liability (note 11)	22,614,325	16,575,690	—	—
Total noncurrent liabilities	117,792,061	120,331,834	15,144	15,737
Total liabilities	145,292,970	152,722,848	433,536	138,096
Net assets:				
Invested in capital assets, net of related debt	80,136,789	69,277,871	—	—
Restricted (note 9):				
Nonexpendable:				
Scholarships, awards and faculty chair	—	—	4,778,174	3,986,341
Annuities	—	—	7,761	5,148
Expendable:				
Scholarships, awards and faculty chair	—	—	725,463	682,477
Capital projects	730,624	510,809	1,902,578	1,743,845
Unrestricted (note 10)	5,035,726	14,588,450	1,363,465	1,123,318
Total net assets	\$ 85,903,139	84,377,130	8,777,441	7,541,129

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 Assets

Years ended June 30, 2011 and 2010

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2011	2010	2011	2010
Operating revenues:				
Student tuition	\$ 54,811,177	50,645,827	—	—
Student fees	17,237,456	16,979,519	—	—
Less scholarship allowance	(43,917,028)	(38,017,913)	—	—
Net student fees	28,131,605	29,607,433	—	—
Auxiliary enterprises	1,734,227	1,650,417	—	—
Gifts	—	—	815,349	1,891,213
Other sources	180,380	194,246	9,776	13,341
Total operating revenues	30,046,212	31,452,096	825,125	1,904,554
Operating expenses (note 13):				
Educational and general:				
Instruction	62,184,084	57,714,147	—	—
Public service	92,076	46,336	—	—
Academic support	19,251,126	18,540,482	14,691	16,009
Student services	21,743,595	20,240,824	—	—
Institutional support	22,003,441	20,094,558	333,260	412,217
Physical plant operations	12,392,109	11,306,644	—	—
Depreciation	7,659,904	6,492,642	—	—
Student aid	7,376,466	7,935,012	280,352	223,601
Auxiliary enterprises	617,027	784,937	—	—
Total operating expenses	153,319,828	143,155,582	628,303	651,827
Operating (loss) surplus	(123,273,616)	(111,703,486)	196,822	1,252,727

COMMUNITY COLLEGE OF PHILADELPHIA

(A Component Unit of the City of Philadelphia)

Statements of Revenues, Expenses and Changes in Net Assets

Years ended June 30, 2011 and 2010

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2011	2010	2011	2010
Nonoperating revenues (expenses):				
State appropriations (note 14)	\$ 29,274,872	28,750,097	—	—
City appropriations (note 14)	18,091,851	18,945,515	—	—
Federal grants and contracts	58,889,668	51,131,086	—	—
State grants and contracts	5,967,689	5,584,931	—	—
Nongovernmental grants and contracts	1,418,653	1,579,639	—	—
Net investment income	717,865	1,587,145	1,039,490	621,758
Interest on capital asset-related debt service (note 5)	(3,542,128)	(1,840,901)	—	—
Other nonoperating revenues	333,143	353,028	—	—
Net nonoperating revenues	<u>111,151,613</u>	<u>106,090,540</u>	<u>1,039,490</u>	<u>621,758</u>
Loss before other revenues, expenses, gains or losses	<u>(12,122,003)</u>	<u>(5,612,946)</u>	<u>1,236,312</u>	<u>1,874,485</u>
Capital appropriations	13,648,012	13,979,230	—	—
Increase in net assets	1,526,009	8,366,284	1,236,312	1,874,485
Net assets, beginning	<u>84,377,130</u>	<u>76,010,846</u>	<u>7,541,129</u>	<u>5,666,644</u>
Net assets, ending	\$ <u><u>85,903,139</u></u>	<u><u>84,377,130</u></u>	<u><u>8,777,441</u></u>	<u><u>7,541,129</u></u>

See accompanying notes to financial statements.

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

(Business-Type Activities – College only)

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Tuition and fees	\$ 27,450,262	29,540,724
Payments to suppliers	(22,947,465)	(15,385,800)
Payments to employees	(79,990,789)	(73,512,540)
Payments for employee benefits	(32,850,358)	(29,941,475)
Payments for student aid	(7,376,466)	(7,935,012)
Auxiliary enterprises	1,734,227	1,650,417
Other cash receipts	176,893	(1,021,155)
	(113,803,696)	(96,604,841)
Cash flows from noncapital financing activities:		
State appropriations	28,094,792	27,985,348
City appropriations	17,896,483	18,988,258
Gifts and grants	66,693,527	58,275,369
Other nonoperating	346,910	354,896
	113,031,712	105,603,871
Cash flows from capital and related financing activities:		
State capital appropriations	6,330,656	6,333,071
City capital appropriations	7,317,356	7,522,409
Decrease in bond proceeds available for campus construction	30,835,350	19,868,097
Proceeds from capital debt	—	1,350,000
Purchases of capital assets	(37,149,410)	(28,117,755)
Principal on capital debt	(9,418,560)	(8,723,913)
Interest on capital debt	(5,278,535)	(4,626,651)
	(7,363,143)	(6,394,742)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	71,863,856	49,108,155
Purchases of investments	(62,182,027)	(52,025,193)
Interest on investments	719,683	1,641,921
	10,401,512	(1,275,117)
Increase in cash	2,266,385	1,329,171
Cash, beginning	11,405,293	10,076,122
Cash, ending	\$ 13,671,678	11,405,293

COMMUNITY COLLEGE OF PHILADELPHIA

(A Component Unit of the City of Philadelphia)

(Business-Type Activities – College only)

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	\$ (123,273,616)	(111,703,486)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	7,659,904	6,492,642
Changes in assets and liabilities:		
Accounts receivable	188,408	(1,686,325)
Prepaid and other assets	165,126	(507,905)
Loans to students and employees	989	(293,890)
Accounts payable and accrued liabilities	(3,810,951)	5,047,030
Deferred revenues	(171,904)	(152,378)
Other post employment benefits	6,038,635	6,199,471
Net cash used in operating activities	<u>\$ (113,203,409)</u>	<u>(96,604,841)</u>
Supplemental disclosure of noncash capital financing activity:		
Capital assets acquired via capital lease	\$ 1,596,216	1,543,029

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2011 and 2010

(1) Summary of Significant Accounting Policies

(a) Organization

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

Component Unit

The Community College of Philadelphia Foundation (the Foundation), was established as a corporation operating under Section 501(c)(3) of the Internal Revenue Code. On July 15, 2007, the IRS determined the Foundation is also classified as a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the *Internal Revenue Code* to serve as an organization responsible for College fund-raising activities.

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

(b) Measurement Focus, Basis of Accounting, and Basis of Presentation

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

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

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

The College has elected not to adopt the pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

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

Notes to Financial Statements

June 30, 2011 and 2010

(c) ***Government Appropriations***

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

Commonwealth of Pennsylvania

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

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

Beginning with 2009-10 year state budget development process and continuing for the 2010-11 year, the provisions of Act 46 were not followed in allocating operational funds to Pennsylvania community colleges. The 2009-10 State operating allocation, including high priority program funding, for each college was computed using the amount each college received for 2008-09 and reducing it by 0.21%. The fiscal 2010-11 operating allocation was unchanged from the amount provided in fiscal 2009-10. Of the amount allocated to the community colleges by the State in fiscal years 2010 and 2011, \$2,844,299 or 9.1% in each year was allocated from federal economic stimulus funds provided by the Federal Government to the Commonwealth of Pennsylvania. Revenues allocated from the State that were funded from federal stimulus funds are reported under Federal Grants and Contracts.

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 requests not previously approved for annual funding are subject to a competitive application process with the allocation of available funds made by the Pennsylvania Department of Education using state-wide criteria.

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

Notes to Financial Statements

June 30, 2011 and 2010

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

(d) Net Assets

The College classifies its net assets into the following four net asset categories:

Invested in capital assets, net of related debt: 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 assets subject to externally imposed conditions that the College must maintain them in perpetuity.

Restricted – expendable: Net assets 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 assets. Unrestricted net assets may be designated by actions of the College’s board of trustees.

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

(e) Cash and Cash Equivalents

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

(f) Investments

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

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

- (i) as increases in restricted – nonexpendable net assets 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 assets if the terms of the gift or the College’s interpretation of relevant state law impose restrictions on the current use of the income or net gains; and
- (iii) as increases in unrestricted net assets in all other cases.

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

Notes to Financial Statements

June 30, 2011 and 2010

The College policy permits investments in obligations of the U.S. Treasury; certificates of deposit; commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record; bankers' acceptances; repurchase agreements; the Common Fund's Short-term Investment Fund, Intermediate Term Fund, Multi-Strategy Bond Fund, and Equity Fund (for endowment funds only) and specifically approved fixed income securities. The investment practice of the Foundation includes the use of the Common Fund Short-term, Intermediate, Multi-Strategy and International Equity Funds, Multi-Strategy and Global Bond Funds, Real Estate funds, and specifically approved fixed income securities.

(g) Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. Interest costs on debt related to capital assets are capitalized during the construction period.

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

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

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

(h) Compensated Absences

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

(i) Students' Deposits and Unearned Revenue

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

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

Notes to Financial Statements

June 30, 2011 and 2010

(j) Student Fees

Included in student fees are general college fees of \$1,605,308 and \$1,574,528 for the years ended June 30, 2011 and 2010, respectively, which have been designated for use by the various student organizations and activities.

(k) Tax Status

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

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

On July 15, 2007, the IRS determined the Foundation is also classified as a public charity under Sections 509(a)(1) and 170 (b)(1)(A)(vi) of the *Internal Revenue Code* to serve as an organization responsible for College fund-raising activities.

(l) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) Scholarship Discounts and Allowances

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

(n) Self Insurance

The Community College of Philadelphia Board of Trustees approved the College's participation in a self-insurance medical plan through Independence Blue Cross, which became effective September 1, 2009. A reinsurance limit of \$175,000 was put in place to limit institutional financial exposure for individuals with extraordinarily large claims in a policy year. As another component of the self-insurance approach, the College has established a self-insurance accrued liability account for possible large claim levels in the future.

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

Notes to Financial Statements

June 30, 2011 and 2010

(2) Deposits and Investments

The College invests its funds in accordance with the Board of Trustees' investment policy, which authorizes the College to invest in cash equivalents which consist of treasury bills, money market funds, commercial paper, banker's acceptances, repurchase agreement, and certificates of deposit; and fixed income securities including the Common Fund, multi-strategy bond fund, and fixed income securities which consist of U.S. government and agency securities, corporate notes and bonds, asset-backed bonds, floating rate securities, Yankee notes and bonds, Common Fund intermediate fund, and the TIAA-CREF Institutional 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 to maintain 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; this includes investing in 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 securities that are of U.S. dollar denomination and may be invested only in corporate bonds rated at minimum A- by Standard and Poor's or A3 by Moody's Investors Service, Inc. (Moody's). Investments in asset-backed and mortgage-backed bonds are limited to those rated AAA/Aaa. Investments in commercial paper must be rated A1/P1 or better. The maximum percentage of investments in any one sector is limited to 100% for U.S. government and agency, 25% for asset-backed bonds, 40% for corporate notes and bonds, and 25% for mortgage-backed bonds.

Deposits are comprised of demand deposit accounts with financial institutions. At both June 30, 2011 and 2010 cash on hand was \$4,000 and \$5,350, respectively. At June 30, 2011 and 2010, the carrying amount of deposits was a balance of \$13,667,678 and \$11,399,943, respectively, and the bank balance was \$16,507,059 and \$12,623,328, respectively. The differences were caused primarily by items in transit. Deposits of \$1,000,000 and \$1,000,000 were covered by federal depository insurance of \$250,000 for each bank account at June 30, 2011, and 2010.

Demand deposits include \$9,709 and \$20,833 in restricted cash at June 30, 2011 and 2010, respectively, which represents unused proceeds of the 2006 Series Community College Revenue Bonds, held in a separate account to be used for specific state-approved capital projects and included in cash and cash equivalents in the accompanying statements of net assets.

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

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 Investors Service, Inc. (Moody's).

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

Notes to Financial Statements

June 30, 2011 and 2010

The Commonfund investments are mutual funds. The credit quality of the investments that comprise the Commonfund funds in which the College invests are as follows:

		June 30, 2011	
		Multi-Strategy Bond	Intermediate
Government		19%	21%
Agency		24	13
AAA		9	29
AA		3	8
A		12	20
BBB		10	3
Below BBB		9	6
Non-Rated/Other		14	—
Total		100%	100%

		June 30, 2010	
		Multi-Strategy Bond	Intermediate
Government		20%	21%
Agency		23	24
AAA		12	27
AA		3	4
A		11	15
BBB		7	3
Below BBB		8	6
Nonrated/other		16	—
Total		100%	100%

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

Notes to Financial Statements

June 30, 2011 and 2010

The credit quality of the investments that comprise the TIAA-CREF funds in which the College invests are as follows:

	June 30, 2011
	Fixed
	Income Fund
Government	31%
Agency	15
Aaa	24
Aa	7
A	12
Below BBB	5
Nonrated/other	6
Total	100%

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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, 2011 and 2010, the College's bank balance was exposed to custodial credit risk as follows:

	2011	2010
Uninsured and collateral held by pledging bank's trust department not in the College's name	\$ 15,507,059	11,623,328

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

Notes to Financial Statements

June 30, 2011 and 2010

The following is the carrying value (fair value) of deposits and investments at June 30, 2011:

	College	Foundation
Deposits:		
Demand deposits	\$ 13,667,678	187,913
Investments:		
Certificate of deposit	5,078,075	—
Fixed income mutual funds	12,399,413	1,736,068
Equity/balanced mutual funds	5,085,955	4,460,508
Money market mutual funds	1,633,673	1,743,486
Total deposits and investments	\$ 37,864,794	8,127,975

The following is the carrying value (fair value) of deposits and investments at June 30, 2010:

	College	Foundation
Deposits:		
Demand deposits	\$ 11,399,943	5,543
Investments:		
Certificate of deposit	9,053,114	—
Fixed income mutual funds	10,269,480	1,481,618
Equity/balanced mutual funds	—	3,379,028
Money market mutual funds	14,556,351	1,389,700
Total deposits and investments	\$ 45,278,888	6,255,889

All investments listed above are unrated.

Bond proceeds available for campus construction represent restricted funds held by Sovereign Bank, 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, 2011 and 2010, bond proceeds available for campus construction include the following:

	2011	2010
Construction funds	\$ 16,908,811	47,744,161

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

Notes to Financial Statements

June 30, 2011 and 2010

(3) Accounts Receivable

Accounts receivable include the following at June 30:

	<u>2011</u>		<u>2010</u>	
	<u>College</u>	<u>Component unit foundation</u>	<u>College</u>	<u>Component unit foundation</u>
Tuition and fee receivables	\$ 4,314,942	—	3,415,391	—
Grants receivable	135,275	—	468,496	—
Other receivables	1,705,870	—	1,803,209	—
Pledges receivable	—	1,170,481	—	1,441,987
Receivable from foundation	157,978	—	114,393	—
	<u>6,314,065</u>	<u>1,170,481</u>	<u>5,801,489</u>	<u>1,441,987</u>
Less allowance for doubtful accounts	<u>(1,826,279)</u>	<u>(87,479)</u>	<u>(1,415,927)</u>	<u>(18,651)</u>
Total	<u>\$ 4,487,786</u>	<u>1,083,002</u>	<u>4,385,562</u>	<u>1,423,336</u>

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

Accounts receivable, tuition and fees and other are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts. The allowance was \$1,826,279 and \$1,415,927 for the years ended June 30, 2011 and 2010, respectively. \$1,170,481 of the Foundation's pledges receivable are expected to be collected subsequent to June 30, 2011. Of that amount, noncurrent pledges of \$417,311 are expected to be collected during the five year period ending June 30, 2015. The remaining \$300,000 are expected to be collected prior to June 30, 2019.

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

Notes to Financial Statements

June 30, 2011 and 2010

(4) Loans Receivable

The following is a summary of loan activity for the years ended June 30, 2011 and 2010, for student notes receivable:

	<u>Perkins</u>	<u>Nursing</u>	<u>Total</u>
Balance, June 30, 2009	\$ 110,472	25,063	135,535
Loan repayments	(7,022)	286	(6,736)
Loan cancellations	(69,994)	—	(69,994)
Loan acceptances by federal government	(46)	(25,349)	(25,395)
Balance, June 30, 2010	33,410	—	33,410
Loan repayments	(2,663)	—	(2,663)
Loan acceptances by federal government	(22,475)	—	(22,475)
Loan adjustments	(4)	—	(4)
Balance, June 30, 2011	<u>\$ 8,268</u>	<u>—</u>	<u>8,268</u>

The following is a summary of the repayment status of the student loans receivable at June 30, 2011:

	<u>Perkins</u>	<u>Nursing</u>	<u>Total</u>
Loans in repayment status:			
Current	\$ —	—	—
Delinquent	—	—	—
	—	—	—
Loans not in repayment status	8,268	—	8,268
	<u>\$ 8,268</u>	<u>—</u>	<u>8,268</u>

The following is a summary of the repayment status of the student loans receivable at June 30, 2010:

	<u>Perkins</u>	<u>Nursing</u>	<u>Total</u>
Loans in repayment status:			
Current	\$ 885	—	885
Delinquent	31,756	—	31,756
	32,641	—	32,641
Loans not in repayment status	769	—	769
	<u>\$ 33,410</u>	<u>—</u>	<u>33,410</u>

Loans not in repayment status are those loans to students who are still attending school or otherwise qualify for deferral under the program regulations.

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

Notes to Financial Statements

June 30, 2011 and 2010

(5) Capital Assets

Capital assets consist of the following at June 30, 2011:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements and adjustments</u>	<u>Balance June 30, 2011</u>
Capital assets not depreciated:				
Land and improvements	\$ 21,942,648	3,285,855	—	25,228,503
Construction in progress	37,504,052	31,261,630	(32,459,354)	36,306,328
Works of art	705,208	—	—	705,208
	<u>60,151,908</u>	<u>34,547,485</u>	<u>(32,459,354)</u>	<u>62,240,039</u>
Capital assets being depreciated:				
Buildings and improvements	137,323,474	34,760,104	—	172,083,578
Equipment and furniture	30,157,401	2,625,551	—	32,782,952
Library books	4,313,331	167,651	—	4,480,982
Microforms	1,651,209	10,177	(1,952)	1,659,434
Software	3,391,260	643,484	—	4,034,744
System software	6,720,122	274,967	—	6,995,089
Total before depreciation	<u>183,556,797</u>	<u>38,481,934</u>	<u>(1,952)</u>	<u>222,036,779</u>
	<u>\$ 243,708,705</u>	<u>73,029,419</u>	<u>(32,461,306)</u>	<u>284,276,818</u>

Accumulated depreciation by asset categories is summarized as follows:

	<u>Balance July 1, 2010</u>	<u>Depreciation</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
Buildings and improvements	\$ 74,323,238	4,162,448	—	78,485,686
Equipment and furniture	22,662,336	2,399,725	—	25,062,061
Library books	3,549,608	153,220	—	3,702,828
Microforms	1,596,231	24,772	—	1,621,003
Software	3,388,944	137,040	—	3,525,984
System software	4,108,103	782,699	—	4,890,802
Total	<u>\$ 109,628,460</u>	<u>7,659,904</u>	<u>—</u>	<u>117,288,364</u>
Net capital assets				<u>\$ 166,988,454</u>

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

Notes to Financial Statements

June 30, 2011 and 2010

Capital assets consist of the following at June 30, 2010:

	Balance July 1, 2009	Additions	Retirements and adjustments	Balance June 30, 2010
Capital assets not depreciated:				
Land and improvements	\$ 21,942,648	—	—	21,942,648
Construction in progress	9,392,381	28,111,671	—	37,504,052
Works of art	705,208	—	—	705,208
	<u>32,040,237</u>	<u>28,111,671</u>	<u>—</u>	<u>60,151,908</u>
Capital assets being depreciated:				
Buildings and improvements	135,658,679	1,664,795	—	137,323,474
Equipment and furniture	28,023,505	2,133,896	—	30,157,401
Library books	4,132,009	181,322	—	4,313,331
Microforms	1,627,615	23,594	—	1,651,209
Software	3,387,784	3,476	—	3,391,260
System software	6,276,422	443,700	—	6,720,122
Total before depreciation	<u>179,106,014</u>	<u>4,450,783</u>	<u>—</u>	<u>183,556,797</u>
	<u>\$ 211,146,251</u>	<u>32,562,454</u>	<u>—</u>	<u>243,708,705</u>

Accumulated depreciation by asset categories is summarized as follows:

	Balance July 1, 2009	Depreciation	Retirements	Balance June 30, 2010
Buildings and improvements	\$ 71,165,686	3,157,552	—	74,323,238
Equipment and furniture	20,289,163	2,373,173	—	22,662,336
Library books	3,383,265	166,343	—	3,549,608
Microforms	1,564,077	32,154	—	1,596,231
Software	3,375,884	13,060	—	3,388,944
System software	3,357,743	750,360	—	4,108,103
Total	<u>\$ 103,135,818</u>	<u>6,492,642</u>	<u>—</u>	<u>109,628,460</u>
Net capital assets				<u>\$ 134,080,245</u>

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

Notes to Financial Statements

June 30, 2011 and 2010

(6) Accounts Payable and Accrued Liabilities

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

	<u>2011</u>		<u>2010</u>	
	<u>College</u>	<u>Component unit foundation</u>	<u>College</u>	<u>Component unit foundation</u>
Category:				
Vendors and others	\$ 6,809,869	10,414	8,580,011	7,966
Accrued salaries	3,044,490	—	4,871,973	—
Accrued benefits	1,950,202	—	1,830,662	—
Compensated absences	3,245,381	—	3,142,391	—
Retirement incentive payments	643,994	—	1,194,248	—
Payroll withholding taxes	—	—	(142,440)	—
Accrued Interest	404,207	—	444,805	—
Payable to college	—	157,978	—	114,393
Total	<u>\$ 16,098,143</u>	<u>168,392</u>	<u>19,921,650</u>	<u>122,359</u>

Retirement incentive payments are described in note 11.

Long-term liability activity for the year ended June 30, 2011 was as follows:

<u>2011</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total ending balance</u>	<u>Current portion</u>
Long-term liabilities:					
Accrued liabilities	\$ 19,921,650	5,898,414	(9,721,921)	16,098,143	14,678,401
Payable to government agencies	2,698,376	20,667	(1,607,514)	1,111,529	814,779
Capital lease obligation	5,974,640	1,596,217	(1,941,580)	5,629,277	1,795,791
Long-term debt	104,550,000	—	(7,476,980)	97,073,020	7,744,495
Unamortized bond premium	398,507	—	(49,637)	348,870	49,637
Other post-employment benefits	16,575,690	6,038,635	—	22,614,325	—
	<u>\$ 150,118,863</u>	<u>13,553,933</u>	<u>(20,797,632)</u>	<u>142,875,164</u>	<u>25,083,103</u>

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

Notes to Financial Statements

June 30, 2011 and 2010

Long-term liability activity for the year ended June 30, 2010 was as follows:

<u>2010</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Total ending balance</u>	<u>Current portion</u>
Long-term liabilities:					
Accrued liabilities	\$ 14,829,292	5,444,540	(352,182)	19,921,650	18,315,014
Payable to government agencies	3,528,738	493,142	(1,323,504)	2,698,376	2,357,041
Capital lease obligation	6,210,524	1,543,029	(1,778,913)	5,974,640	1,614,116
Long-term debt	110,145,000	1,350,000	(6,945,000)	104,550,000	7,451,221
Unamortized bond premium	448,144	—	(49,637)	398,507	49,637
Other post-employment benefits	10,376,219	6,199,471	—	16,575,690	—
	<u>\$ 145,537,917</u>	<u>15,030,182</u>	<u>(10,449,236)</u>	<u>150,118,863</u>	<u>29,787,029</u>

(7) 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, 2011:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Balance June 30, 2011</u>	<u>Current portion</u>
1999 Series (a)	\$ 4,835,000	—	(1,130,000)	3,705,000	1,180,000
2003 Series (b)	2,310,000	—	(740,000)	1,570,000	770,000
2006 Series (c)	2,100,000	—	(285,000)	1,815,000	295,000
2007 Series (d)	25,710,000	—	(1,730,000)	23,980,000	1,795,000
2008 Series (e)	68,245,000	—	(3,314,998)	64,930,002	3,440,000
SPSBA Loan (f)	1,350,000	—	(276,982)	1,073,018	264,495
	<u>\$ 104,550,000</u>	<u>—</u>	<u>(7,476,980)</u>	<u>97,073,020</u>	<u>7,744,495</u>

Debt consisted of the following at June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Balance June 30, 2010</u>	<u>Current portion</u>
1999 Series (a)	\$ 5,910,000	—	(1,075,000)	4,835,000	1,130,000
2003 Series (b)	3,025,000	—	(715,000)	2,310,000	740,000
2006 Series (c)	2,370,000	—	(270,000)	2,100,000	285,000
2007 Series (d)	27,380,000	—	(1,670,000)	25,710,000	1,730,000
2008 Series (e)	71,460,000	—	(3,215,000)	68,245,000	3,315,000
SPSBA Loan (f)	—	1,350,000	—	1,350,000	251,221
	<u>\$ 110,145,000</u>	<u>1,350,000</u>	<u>(6,945,000)</u>	<u>104,550,000</u>	<u>7,451,221</u>

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

Notes to Financial Statements

June 30, 2011 and 2010

Future annual principal and interest payments at June 30, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2012	\$ 7,718,734	5,050,811	12,769,545
2013	8,066,215	4,735,314	12,801,529
2014	7,633,038	4,334,799	11,967,837
2015	5,355,033	3,984,151	9,339,184
2016	5,310,000	3,737,569	9,047,569
2017	5,385,000	3,479,209	8,864,209
2018	5,495,000	3,178,421	8,673,421
2019	5,020,000	2,900,561	7,920,561
2020	5,265,000	2,654,798	7,919,798
2021	5,520,000	2,390,801	7,910,801
2022	5,815,000	2,105,850	7,920,850
2023	6,130,000	1,792,410	7,922,410
2024	4,320,000	1,461,600	5,781,600
2025	4,580,000	1,202,400	5,782,400
2026	4,855,000	927,600	5,782,600
2027	5,150,000	636,300	5,786,300
2028	5,455,000	327,300	5,782,300
	<u>\$ 97,073,020</u>	<u>44,899,894</u>	<u>141,972,914</u>

(a) **1999 Series**

Under a loan agreement, dated May 18, 1999, with the Hospitals and Higher Education Facilities Authority the College borrowed \$9,555,000 of 1999 Community College Revenue Bonds. Of the total obligation, \$9,060,419 (net of bond discount and issuance cost of \$233,817) was used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1994 Series A Bonds. As a result, that portion of the 1994 Series A Bonds is considered to be defeased and the related liability \$(8,380,000) has been removed from the statement of net assets. The 1999 Series Bonds are payable over 15 years at rates from 4.20% to 4.85% with an average annual debt service payment of \$1,356,513.

Principal payments required by the loan agreement are as follows:

2012	\$ 1,180,000
2013	1,235,000
2014	<u>1,290,000</u>
	<u>\$ 3,705,000</u>

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

Notes to Financial Statements

June 30, 2011 and 2010

(b) 2003 Series

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

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

	2012	\$	770,000
	2013		800,000
			1,570,000
		\$	1,570,000

(c) 2006 Series

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

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

	2012	\$	295,000
	2013		315,000
	2014		325,000
	2015		340,000
	2016		355,000
	2017		185,000
			1,815,000
		\$	1,815,000

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

Notes to Financial Statements

June 30, 2011 and 2010

(d) 2007 Series

Under a loan agreement dated February 21, 2007 with the State Public School Building Authority, the College borrowed \$30,525,000 of 2007 Community College Refunding Revenue Bonds. Of the total obligation, \$30,525,000 (including bond premium net of bond discount and issuance cost of \$449,782) was used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1998 Series Bonds and 2001 Series Bonds. As a result, that portion of the 1998 Series Bond and 2001 Series Bonds is considered to be defeased, and the related liability (\$6,730,000 and \$23,970,000, respectively) has been removed from the statement of net assets. The outstanding principal of the defeased bonds is \$4,380,000 and \$18,780,000 at June 30, 2011 for the 1998 and 2001 Series Bonds respectively. The market value of the amount held in escrow with the trustee of the defeased bonds is \$18,885,482.91 at June 30, 2011 for the 1998 and 2001 Series Bonds. The 2007 Series Bonds are payable over 16 ½ years at rates from 4.00% to 5.00% with an average annual debt service payment of \$2,602,675.

Principal payments required by the loan agreement are as follows:

2012	\$	1,795,000
2013		1,870,000
2014		1,965,000
2015		2,055,000
2016		2,160,000
2017 – 2021		10,110,000
2022 – 2023		4,025,000
		23,980,000
	\$	23,980,000

(e) 2008 Series

Under a loan agreement dated October 9, 2008 with the State Public School Building Authority, the College borrowed \$74,770,000 of 2008 Series Community College Revenue Bonds. The bonds are being issued for the benefit of the College to finance a project consisting of: (a) the construction, equipping and furnishing of an approximately 45,000 square foot building for instructional facilities and student meeting spaces on the main campus of the college, and other capital projects related thereto; (b) the renovation and expansion of administrative buildings for the provision of student services on the main campus of the College; (c) the expansion of the campus facilities comprising the Northeast Regional Center of the College in Northeast Philadelphia; and (d) the payment of costs and expenses incident to the issuance of the bonds. The College also received \$50,000 from the State Public School Building Authority that was applied to issuance cost. The bonds are scheduled to be repaid over a 20-year period through June 15, 2028 at the interest rate of 3.0% to 6.25%, with an average annual debt service payment of \$6,064,257. \$1,803,745 of interest was capitalized during the year ending June 30, 2011 related to the campus construction.

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

Notes to Financial Statements

June 30, 2011 and 2010

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

2012	\$	3,440,000
2013		3,575,000
2014		3,775,000
2015		2,675,000
2016		2,795,000
2017 – 2021		16,390,000
2022 – 2026		21,675,000
2027 – 2028		10,605,000
		10,605,000
	\$	64,930,000

(f) *Revolving Loan Obligation*

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

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

		<u>Principal</u>
2012	\$	264,495
2013		271,215
2014		278,038
2015		259,272
		259,272
	\$	1,073,020

(g) *Operating Leases*

The College leases certain equipment and property under operating lease arrangements that expire in 2015. Rental expense for operating leases was \$216,916 and \$208,468 for the years ended June 30, 2011 and 2010, respectively.

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

Notes to Financial Statements

June 30, 2011 and 2010

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

2012	\$	208,212
2013		213,678
2014		218,647
2015		218,640
		218,640
	\$	859,177

(h) Capital Leases

The College leases certain equipment under capital lease arrangements that expire in 2023. These leases are recorded at the lower of cost or present value and amounted to \$5,629,277 and \$5,974,640 at June 30, 2011 and 2010, respectively. Amortization charges of capital leases were \$1,941,580 and \$1,778,913 for the years ending June 30, 2011 and 2010, respectively.

Future minimum lease payments under capital leases are as follows:

	Principal	Interest	Total
June 30:			
2012	\$ 1,408,458	347,431	1,755,889
2013	1,223,561	213,405	1,436,966
2014	1,100,676	180,008	1,280,684
2015	829,555	142,021	971,576
2016	525,584	116,511	642,095
2017 – 2021	2,348,621	340,585	2,689,206
2022 – 2023	730,225	17,765	747,990
	\$ 8,166,680	1,357,726	9,524,406
Total			

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

Notes to Financial Statements

June 30, 2011 and 2010

(8) (Payable to) Receivable from Government Agencies

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

	2011		2010	
	Payable	Receivable	Payable	Receivable
Commonwealth of Pennsylvania:				
Provision for potential audit findings and reimbursement calculation	\$ 80,891	—	1,260,971	—
Grants and special projects PHEAA for grants and Stafford loans	—	348,232	12,775	458,554
PHEAA for Perkins and nursing loans	731,722	1,441	727,185	1,261
	<u>29,675</u>	<u>—</u>	<u>32,856</u>	<u>—</u>
	<u>842,288</u>	<u>349,673</u>	<u>2,033,787</u>	<u>459,815</u>
City of Philadelphia – Parking garage proceeds and grants receivable	—	678,295	195,368	—
Federal:				
Perkins and nursing loans refundable	267,075	—	295,704	—
Financial aid programs	2,166	33,491	173,517	426,292
Grants and special projects	—	969,932	—	1,440,392
	<u>269,241</u>	<u>1,681,718</u>	<u>664,589</u>	<u>1,866,684</u>
Total	<u>\$ 1,111,529</u>	<u>2,031,391</u>	<u>2,698,376</u>	<u>2,326,499</u>

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

Notes to Financial Statements

June 30, 2011 and 2010

(9) Restricted Net Assets

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

	<u>2011</u>		<u>2010</u>	
	<u>College</u>	<u>Component unit foundation</u>	<u>College</u>	<u>Component unit foundation</u>
Restricted – nonexpendable:				
Endowment funds	\$ —	4,778,174	—	3,986,341
Gift annuity	—	7,761	—	5,148
	<u>—</u>	<u>4,785,935</u>	<u>—</u>	<u>3,991,489</u>
Restricted – expendable:				
Scholarships and awards	—	725,463	—	682,477
Capital program	730,624	1,902,578	510,809	1,743,845
	<u>730,624</u>	<u>2,628,041</u>	<u>510,809</u>	<u>2,426,322</u>
Total	<u>\$ 730,624</u>	<u>7,413,976</u>	<u>510,809</u>	<u>6,417,811</u>

(10) Unrestricted Net Assets

The College's board of trustees has designated certain unrestricted net assets for the following purposes at June 30, 2011 and 2010, respectively:

	<u>2011</u>	<u>2010</u>
Undesignated	\$ 5,035,726	14,588,450

(11) Employee Benefits

(a) Defined Benefit Plans

Retirement benefits are provided for substantially all employees through payments to one of the board-authorized retirement programs. The authorized pension plans at June 30, 2011 and 2010 are the Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. Although the College no longer offers participation in the State Employees Retirement System (SERS) or the Pennsylvania Public School Employees Retirement System (PSERS), it has grandfathered continued participation for those employees currently enrolled. The College has 6 employees participating in the SERS and 22 employees in the PSERS. The collective bargaining agreements with the full-time faculty and classified employees made a provision for early retirement for those 55 to 59 years old whose age and years of service add up to 70 or more. This option expires on August 31, 2011 and notice to use the option has been provided by eligible employees.

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

Notes to Financial Statements

June 30, 2011 and 2010

The PSERS and SERS are defined benefit plans and are administered by the Commonwealth as established under legislative authority. Contributions are made by employees, the College, and the Commonwealth according to the schedule below. Death benefits are available to employee beneficiaries according to various options at time of death. The financial statements for PSERS and SERS can be obtained from the following: Commonwealth of Pennsylvania, Public School Employees' Retirement System, 5 North Fifth Street, P.O. Box 125, Harrisburg, PA 17108-0125; and Commonwealth of Pennsylvania, State Employees' Retirement System, 30 North Third Street, P.O. Box 1147, Harrisburg, PA 17108-1147.

Additionally, a retirement incentive option is available to employees 62 or older, who have completed at least 15 years of full-time service, and whose combined age and years of service equal at least 80. At June 30, 2011, there were 13 people who accepted the early retirement and incentive options, the present value of future payments of \$643,994 and \$1,194,249 has been accrued at June 30, 2011 and 2010, respectively. Future payments in the next two fiscal years are expected to be \$120,306, and \$151,199, respectively.

(b) *Defined Contribution Plans*

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

The College's contributions for each employee (and interest allocated to the employee's accounts) are fully vested. Death benefits in the amount of the full present value of accumulation are provided to the beneficiary of a participant who dies prior to retirement. Various payment options are available. The College has 1,207 employees participating in this program.

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

Notes to Financial Statements

June 30, 2011 and 2010

The payroll for employees covered by the four plans was \$66,717,461 and \$60,366,621; the College's total payroll is \$78,167,782 and \$73,489,322 at June 30, 2011 and 2010, respectively. Contributions made by the College during fiscal 2010 and 2011 totaled \$5,146,949 and \$5,674,189, respectively, representing 8.53% and 8.50%, respectively, of covered payroll. College employees contributed \$4,431,583 and \$4,986,204, respectively. A summary of retirement benefits follows:

<u>Type of employee</u>	<u>Defined contribution plans</u>	<u>PSERS</u>	<u>SERS</u>
College contribution:			
Full-time faculty	10% of base contract	2.82% of all earnings	4.11% of all earnings
Visiting lecturers	5% of base contract	N/A	N/A
Part-time faculty	5% of all earnings	N/A	N/A
Administrators and other staff	10% of base contract	2.82% of all earnings	4.11% of all earnings
Others	10% of annual salary	2.82% of all earnings	4.11% of all earnings
Employee contribution	5% of base salary	Members prior to July 22, 1983: 6.5% of all earnings Members after July 22, 1983: 7.5% of all earnings	6.25% of all earnings

Post-Retirement Benefits Other than Pensions

(c) ***Plan Description***

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

(d) ***Funding Policy***

The contribution requirements of plan members and the College are established and may be amended by the College's Board of Trustees. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid to fund the health care benefits provided to current retirees. The College paid premiums of \$1,589,866 and \$1,512,990 for the fiscal years ending June 30, 2011 and 2010, respectively. Total retiree contributions made by plan members were \$521,847 and \$443,715 for the fiscal years ending June 30, 2011 and 2010, respectively.

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

Notes to Financial Statements

June 30, 2011 and 2010

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

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 8,872,232	8,590,625	7,463,367
Annual OPEB cost (expense)	8,872,232	8,590,625	7,463,367
Contributions made	<u>(2,833,597)</u>	<u>(2,391,154)</u>	<u>(2,281,821)</u>
Increase in net OPEB obligation	6,038,635	6,199,471	5,181,546
Net OPEB obligation at July 1	<u>16,575,690</u>	<u>10,376,219</u>	<u>5,194,673</u>
Net OPEB obligation at June 30	<u>\$ 22,614,325</u>	<u>16,575,690</u>	<u>10,376,219</u>

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

	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
Fiscal year ended:			
June 30, 2011	\$ 8,872,232	31.93%	\$ 22,614,325
June 30, 2010	8,590,625	27.80	16,575,690
June 30, 2009	7,463,367	30.60	10,376,219

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

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

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

Notes to Financial Statements

June 30, 2011 and 2010

(g) Actuarial Methods and Assumptions

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

(12) Commitments and Contingencies

Based upon the provisions of Act 46 enacted in 2005 and effective with the June 2007 fiscal year, the Commonwealth no longer audits the funding received. In lieu of the state audit, an enrollment verification and capital expenditure audit is completed by the College's independent auditor. The College has accrued for audit findings through 2006, the last year Commonwealth audits were performed.

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

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

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

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

Notes to Financial Statements

June 30, 2011 and 2010

(13) Operating Expenses

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

	<u>2011</u>		<u>2010</u>	
	<u>College</u>	<u>Component unit foundation</u>	<u>College</u>	<u>Component unit foundation</u>
Salaries	\$ 78,167,782	114,641	73,489,322	99,102
Benefits	32,499,671	29,945	30,231,277	31,630
Contracted services	5,375,948	2,186	4,881,112	1,959
Supplies	3,253,535	63,084	2,197,298	33,320
Depreciation	7,659,904	—	6,492,642	—
Student aid	7,376,466	280,352	7,935,012	223,601
Other post retirement benefits	6,038,635	—	6,199,471	—
Other	12,947,887	138,095	11,729,448	262,215
Total	<u>\$ 153,319,828</u>	<u>628,303</u>	<u>143,155,582</u>	<u>651,827</u>

(14) City and State Appropriations

Appropriations from the Commonwealth and the City for the years ended June 30, 2011 and 2010 are as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Operations</u>	<u>Capital</u>	<u>Operations</u>	<u>Capital</u>
Commonwealth of Pennsylvania	\$ 29,274,872	6,330,656	28,750,097	6,456,821
City of Philadelphia	18,091,851	7,317,356	18,945,515	7,522,409
Total appropriations	<u>\$ 47,366,723</u>	<u>13,648,012</u>	<u>47,695,612</u>	<u>13,979,230</u>

(15) Pass-Through Grants

The College distributed \$36,717,869 in 2011 and \$31,998,088 in 2010 for student loans through the U.S. Department of Education Federal Direct Loan Program & Family Education 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.

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

Notes to Financial Statements

June 30, 2011 and 2010

(16) Subsequent Event

On July 15, 2011, the Community College of Philadelphia entered into a loan agreement through the State Public School Building Authority's Revolving Loan Program in the amount of \$1,000,000.00 at a fixed rate of 3.00% for a term of 5 years. The proceeds of this loan will be used to finance the build out of 7,291 square feet of space to be leased adjacent to the College's current West Regional Center.

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

Schedule of Funding Progress

Year Ended June 30, 2011

Postemployment benefits

Year ended June 30, 2011

Schedule of funding progress

Valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL (OAAL) percentage of covered payroll [(a-b)/c]
July 1, 2007	\$ —	72,351,392	72,351,392	—	64,747,493	111.74%
July 1, 2009	—	81,337,622	81,337,622	—	73,489,322	110.68

Schedule of contributions from the College

Fiscal year	Annual required contribution	Contribution	Percentage contributed
June 30, 2009	\$ 7,463,367	2,281,821	30.60%
June 30, 2010	8,590,625	2,391,154	27.80
June 30, 2011	8,872,232	2,833,597	31.93

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

Actuarial cost method	Projected Unit Credit
Asset valuation method	N/A
Remaining amortization period	28
Actuarial assumptions:	
Investment rate of return	5%
Ultimate rate of medical inflation	5

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

Statistical Section

Years ended June 30, 2004 through June 30, 2011

Table of Contents

	Page
Schedule of Revenues by Source	47
Schedule of Expenses by Use	48
Schedule of Expenses by Function	49
Schedule of Net Assets and Changes in Net Assets	50
Fiscal Year Enrollment and Degree Statistics	50
Undergraduate Average Annual Tuition and Fees	51
Faculty and Staff Statistics	51
Gross Square Feet of College Buildings	52
Demographic Statistics	52

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

Statistical Section

Years ended June 30, 2004 through June 30, 2011

Schedule of Revenue by Source

Year ended June 30
(Amounts expressed in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:								
Student tuition and fees (net of scholarship allowances)	\$ 28,132	29,608	31,618	29,723	27,146	26,258	26,604	24,638
State grants and contracts	—	—	—	—	—	—	81	65
Nongovernmental grants and contracts	—	—	—	—	75	50	69	127
Sales of auxiliary enterprises	1,734	1,650	1,371	1,274	1,132	1,075	1,113	1,058
Other operating revenues	<u>180</u>	<u>194</u>	<u>95</u>	<u>76</u>	<u>73</u>	<u>65</u>	<u>91</u>	<u>124</u>
Total operating revenues	<u>30,046</u>	<u>31,452</u>	<u>33,084</u>	<u>31,073</u>	<u>28,426</u>	<u>27,448</u>	<u>27,958</u>	<u>26,012</u>
City appropriations	18,092	18,946	19,245	20,243	19,644	18,958	18,947	18,536
State appropriations	29,275	28,750	31,496	31,554	30,855	29,564	26,924	28,555
Federal grants and contracts	58,890	51,131	32,552	30,668	27,391	28,823	32,173	29,501
State grants and contracts	5,967	5,585	5,831	7,818	8,570	8,662	6,151	5,512
Nongovernmental grants and contracts	1,419	1,580	2,688	1,632	1,332	785	1,245	475
Private gifts	—	—	—	—	—	1	20	13
Net investment income	718	1,587	249	1,084	1,780	1,148	709	343
Other nonoperating revenue	<u>333</u>	<u>353</u>	<u>354</u>	<u>1,237</u>	<u>321</u>	<u>151</u>	<u>412</u>	<u>208</u>
Total nonoperating revenues	<u>114,694</u>	<u>107,932</u>	<u>92,415</u>	<u>94,236</u>	<u>89,893</u>	<u>88,092</u>	<u>86,581</u>	<u>83,143</u>
Total revenues	<u>\$ 144,740</u>	<u>139,384</u>	<u>125,499</u>	<u>125,309</u>	<u>118,319</u>	<u>115,540</u>	<u>114,539</u>	<u>109,155</u>

Schedule of Revenue by Source

Year ended June 30
(Amounts expressed in percentages)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:								
Student tuition and fees (net of scholarship allowances)	19.43%	21.25%	25.19%	23.72%	22.94%	22.73%	23.23%	22.57%
State grants and contracts	—	—	—	—	—	—	0.07	0.06
Nongovernmental grants and contracts	—	—	—	—	0.06	0.04	0.06	0.12
Sales of auxiliary enterprises	1.20	1.18	1.09	1.02	0.96	0.93	0.97	0.97
Other operating revenues	<u>0.12</u>	<u>0.14</u>	<u>0.08</u>	<u>0.06</u>	<u>0.06</u>	<u>0.06</u>	<u>0.08</u>	<u>0.11</u>
Total operating revenues	<u>20.75%</u>	<u>22.57%</u>	<u>26.36%</u>	<u>24.80%</u>	<u>24.02%</u>	<u>23.76%</u>	<u>24.41%</u>	<u>23.83%</u>
City appropriations	12.50%	13.59%	15.33%	16.15%	16.60%	16.41%	16.54%	16.98%
State appropriations	20.23	20.63	25.10	25.18	26.08	25.59	23.51	26.16
Federal grants and contracts	40.69	36.68	25.94	24.47	23.15	24.95	28.09	27.03
State grants and contracts	4.12	4.01	4.65	6.24	7.24	7.50	5.37	5.05
Nongovernmental grants and contracts	0.98	1.13	2.14	1.30	1.13	0.68	1.09	0.44
Private gifts	—	—	—	—	—	—	0.02	0.01
Net investment income	0.50	1.14	0.20	0.87	1.50	0.99	0.62	0.31
Other nonoperating revenue	<u>0.23</u>	<u>0.25</u>	<u>0.28</u>	<u>0.99</u>	<u>0.28</u>	<u>0.12</u>	<u>0.35</u>	<u>0.19</u>
Total nonoperating revenues	<u>79.25%</u>	<u>77.43%</u>	<u>73.64%</u>	<u>75.20%</u>	<u>75.98%</u>	<u>76.24%</u>	<u>75.59%</u>	<u>76.17%</u>

Source: Audited financial statements.

See accompanying independent auditors' report.

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

Statistical Section

Years ended June 30, 2004 through June 30, 2011

Schedule of Expenses by Use

Year ended June 30
(Amounts expressed in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Expenses:								
Salaries	\$ 78,168	73,489	69,694	68,333	64,747	63,350	64,503	62,570
Benefits	32,500	30,231	27,121	25,210	25,309	23,980	22,595	20,931
Contracted services	5,376	4,881	5,214	4,869	4,089	4,212	4,089	3,990
Supplies	3,253	2,198	2,107	2,416	1,996	2,183	1,917	1,801
Depreciation	7,660	6,493	6,588	6,374	5,947	6,086	5,675	6,662
Student aid	7,376	7,935	4,409	4,326	4,342	6,975	8,512	8,587
Other	12,948	11,730	12,269	11,692	11,109	11,383	11,129	11,055
GASB 45 (Other post-employment benefits) accrual	6,039	6,199	5,181	5,195	—	—	—	—
Total operating expenses	<u>153,320</u>	<u>143,156</u>	<u>132,583</u>	<u>128,415</u>	<u>117,539</u>	<u>118,169</u>	<u>118,420</u>	<u>115,596</u>
Interest on capital asset-related debt service	3,542	1,841	1,889	2,273	1,993	2,603	2,852	2,902
Total nonoperating expenses	<u>3,542</u>	<u>1,841</u>	<u>1,889</u>	<u>2,273</u>	<u>1,993</u>	<u>2,603</u>	<u>2,852</u>	<u>2,902</u>
Total expenses	<u>\$ 156,862</u>	<u>144,997</u>	<u>134,472</u>	<u>130,688</u>	<u>119,532</u>	<u>120,772</u>	<u>121,272</u>	<u>118,498</u>

Schedule of Expenses by Use

Year ended June 30
(Amounts expressed in percentages)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Expenses:								
Salaries	49.83%	50.68%	51.83%	52.29%	54.17%	52.45%	53.19%	52.80%
Benefits	20.72	20.85	20.17	19.29	21.17	19.86	18.63	17.66
Contracted services	3.43	3.37	3.88	3.72	3.42	3.49	3.37	3.37
Supplies	2.07	1.52	1.57	1.85	1.67	1.81	1.58	1.52
Depreciation	4.88	4.48	4.90	4.88	4.98	5.04	4.68	5.62
Student aid	4.70	5.47	3.28	3.31	3.63	5.78	7.02	7.25
Other	8.26	8.09	9.12	8.95	9.29	9.41	9.18	9.33
GASB 45 (Other post-employment benefits) accrual	3.85	4.27	3.85	3.97	—	—	—	—
Total operating expenses	<u>97.74</u>	<u>98.73</u>	<u>98.60</u>	<u>98.26</u>	<u>98.33</u>	<u>97.84</u>	<u>97.65</u>	<u>97.55</u>
Interest on capital asset-related debt service		1.27	1.40	1.74	1.67	2.16	2.35	2.45
Total nonoperating	<u>2.26</u>	<u>1.27</u>	<u>1.40</u>	<u>1.74</u>	<u>1.67</u>	<u>2.16</u>	<u>2.35</u>	<u>2.45</u>
Total expenses	<u>100.00%</u>							

Source: Audited financial statements.

See accompanying independent auditors' report.

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

Statistical Section

Years ended June 30, 2004 through June 30, 2011

Schedule of Expenses by Function

Year ended June 30
(Amounts expressed in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Expenses by function:								
Instruction	\$ 62,184	57,714	53,368	51,996	48,457	47,272	49,010	47,109
Public services	92	46	123	93	30	70	68	141
Academic support	19,251	18,540	16,828	14,920	13,927	12,577	12,233	11,574
Student services	21,744	20,241	18,212	17,776	16,315	17,030	16,592	16,122
Institutional support	22,003	20,095	21,385	21,296	17,956	17,365	16,299	15,661
Operation and maintenance of plant	12,392	11,307	10,905	10,949	9,964	9,632	9,079	9,008
Depreciation	7,660	6,493	6,588	6,374	5,947	6,086	5,675	6,662
Student aid	7,377	7,935	4,409	4,326	4,342	7,440	8,512	8,587
Auxiliary enterprises	617	785	765	685	601	618	624	704
Other	—	—	—	—	—	78	328	28
Interest on capital debt	3,542	1,841	1,889	2,273	1,993	2,603	2,852	2,902
Total expenses by function	<u>\$ 156,862</u>	<u>144,997</u>	<u>134,472</u>	<u>130,688</u>	<u>119,532</u>	<u>120,771</u>	<u>121,272</u>	<u>118,498</u>

Schedule of Expenses by Function

Year ended June 30
(Percent of total expenses)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Expenses by function:								
Instruction	39.64%	39.80%	39.69%	39.79%	40.54%	39.14%	40.41%	39.76%
Public services	0.06	0.03	0.09	0.07	0.03	0.06	0.06	0.12
Academic support	12.28	12.79	12.51	11.42	11.65	10.41	10.09	9.77
Student services	13.86	13.96	13.54	13.60	13.65	14.10	13.68	13.61
Institutional support	14.03	13.86	15.90	16.30	15.02	14.38	13.44	13.22
Operation and maintenance of plant	7.90	7.80	8.12	8.37	8.33	7.98	7.49	7.59
Depreciation	4.88	4.48	4.90	4.88	4.98	5.04	4.68	5.62
Student aid	4.70	5.47	3.28	3.31	3.63	6.16	7.02	7.25
Auxiliary enterprises	0.39	0.54	0.57	0.52	0.50	0.51	0.51	0.59
Other	—	—	—	—	—	0.06	0.27	0.02
Interest on capital debt	2.26	1.27	1.40	1.74	1.67	2.16	2.35	2.45
Total expenses by function	<u>100.00%</u>							

Source: Audited financial statements.

See accompanying independent auditors' report.

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

Statistical Section

Years ended June 30, 2004 through June 30, 2011

Schedule of Net Assets and Changes in Net Assets

Year ended June 30
(Amounts expressed in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total revenues (from schedule of revenues by source)	\$ 144,740	139,384	125,499	125,309	118,318	115,541	114,539	109,155
Total operating expenses	<u>153,320</u>	<u>143,156</u>	<u>132,583</u>	<u>128,415</u>	<u>117,539</u>	<u>118,169</u>	<u>118,420</u>	<u>115,596</u>
Income before other revenues and expenses	(8,580)	(3,772)	(7,084)	(3,106)	779	(2,628)	(3,881)	(6,441)
Capital appropriations	13,648	13,979	13,721	8,316	7,762	7,235	6,525	6,944
Capital gifts	—	—	—	—	—	—	—	—
Capital grants and contracts	—	—	—	—	35	235	638	456
Interest on capital asset-related debt service	(3,542)	(1,841)	(1,889)	(2,273)	(1,993)	(2,603)	(2,852)	(2,902)
Deductions to permanent endowments	—	—	—	(14)	(106)	(22)	(378)	(179)
Total changes in net assets	1,526	8,366	4,748	2,923	6,477	2,217	52	(2,122)
Net assets, beginning	<u>84,377</u>	<u>76,011</u>	<u>71,263</u>	<u>68,340</u>	<u>61,863</u>	<u>59,646</u>	<u>59,594</u>	<u>61,716</u>
Net assets, ending	\$ <u>85,903</u>	<u>84,377</u>	<u>76,011</u>	<u>71,263</u>	<u>68,340</u>	<u>61,863</u>	<u>59,646</u>	<u>59,594</u>
Invested in capital assets, net of related debt	\$ 80,136	69,278	60,947	54,231	49,504	49,416	49,372	49,754
Restricted – nonexpendable	—	—	—	—	13	79	100	441
Restricted – expendable	731	511	511	1,874	920	145	556	5,986
Unrestricted	<u>5,036</u>	<u>14,588</u>	<u>14,553</u>	<u>15,158</u>	<u>17,903</u>	<u>12,222</u>	<u>9,618</u>	<u>3,413</u>
Total net assets	\$ <u>85,903</u>	<u>84,377</u>	<u>76,011</u>	<u>71,263</u>	<u>68,340</u>	<u>61,862</u>	<u>59,646</u>	<u>59,594</u>

Source: Audited financial statements.

Fiscal Year Enrollment and Degree Statistics

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Enrollments and student demographics:								
Credit FTE	16,091	15,808	14,208	13,942	13,570	13,594	15,294	15,657
Unduplicated Credit Headcount	29,032	28,783	26,868	26,212	26,157	26,293	29,269	30,341
Percentage – Men	35.5%	34.5%	33.7%	33.2%	32.8%	32.9%	32.5%	33.2%
Percentage – Women	64.5	65.5	66.3	66.8	67.2	67.1	67.5	66.8
Percentage – Black	49.2%	48.9%	48.6%	48.0%	48.3%	47.8%	50.2%	51.2%
Percentage – White	24.4	25.0	25.7	25.2	26.0	26.8	26.9	25.6
Percentage – Asian	7.2	7.1	7.4	7.7	7.6	7.3	6.7	6.3
Percentage – Hispanic	6.5	7.0	6.8	6.3	5.9	5.6	5.6	5.9
Percentage – American Indian/other	0.5	0.4	0.4	0.4	0.5	0.5	0.6	0.5
Percentage – Unknown	12.2	11.6	11.1	12.4	11.7	12.0	10.0	10.5
Degrees awarded:								
Associate	1,702	1,667	1,741	1,592	1,481	1,465	1,507	1,446
Certificate	214	216	259	319	232	170	154	160

Source: Department of Institutional Research.

See accompanying independent auditors' report.

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

Statistical Section

Years ended June 30, 2004 through June 30, 2011

Undergraduate Average Annual Tuition and Fees

Community College of Philadelphia in Comparison to Other Selected Colleges
(Full-time Academic Year Tuition and Fee Charges)

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Community College of Philadelphia	\$ 3,840	3,696	3,528	3,528	3,336	3,120	2,856	2,496
Bucks County Community College	3,744	3,264	3,096	2,976	2,904	2,784	2,832	2,832
Delaware County Community College	3,144	3,072	2,880	2,760	2,616	2,532	2,556	2,268
Montgomery County Community College	3,276	3,052	2,520	2,424	2,328	2,256	2,160	2,112
Temple University	12,424	11,764	11,448	10,802	10,380	9,640	9,102	8,594
West Chester University	7,680	7,211	6,737	6,518	6,293	6,147	6,006	5,748
Drexel University	33,005	31,865	30,440	29,085	25,450	24,280	23,180	21,305

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

Source: College and University Institutional Websites.

Faculty and Staff Statistics

For fall term in year

	2010	2009	2008	2007	2006	2005	2004
Faculty:							
Part-time	771	737	684	641	623	787	806
Full-time	413	395	393	395	399	399	393
Percentage tenured	84.0%	79.5%	79.6%	78.5%	76.1%	74.1%	74.3%
Administrative and support staff:							
Part-time	19	19	23	31	31	28	31
Full-time	460	462	457	426	429	424	424
Total employees:							
Part-time	790	756	717	672	654	815	837
Full-time	873	857	850	821	828	823	817
Students per full-time staff:							
Number credit students	19,503	19,047	17,327	17,352	16,871	16,889	19,707
Faculty	47	48	44	44	42	42	50
Administrative and support staff	42	44	38	41	39	40	46
Average annual faculty salary	\$ 64,947	64,062	61,859	60,799	57,346	58,473	57,493

Source: Institutional Human Resource Records.

See accompanying independent auditors' report.

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

Statistical Section

Years ended June 30, 2004 through June 30, 2011

Gross Square Feet of College Buildings

	2011	2010	2009	2008	2007	2006	2005	2004
Main Campus – Buildings	896,649	852,445	852,445	852,445	852,445	852,445	840,877	840,877
Main Campus – 17 Street Garage	230,660	230,660	230,360	230,360	230,360	230,360	230,360	230,360
Main Campus – CBI Garage	74,773	73,773	73,773	73,773	73,773	73,773	73,773	73,773
Main Campus – 434 North 15th Street	88,500	—	—	—	—	—	—	—
Northeast Regional Center	114,000	114,000	60,000	60,000	60,000	60,000	60,000	60,000
West Regional Center	32,090	32,090	32,090	32,090	32,090	32,090	32,090	32,090
Northwest Regional Center	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Total gross square feet	<u>1,526,672</u>	<u>1,392,968</u>	<u>1,338,668</u>	<u>1,338,668</u>	<u>1,338,668</u>	<u>1,338,668</u>	<u>1,327,100</u>	<u>1,327,100</u>

Source: Institutional Physical Plant Records.

Demographic Statistics

City of Philadelphia Last Six Calendar Years

Year:	Population as of June 30	Average annual unemployment rate
2004 – 05	1,470,151	7.3
2005 – 06	1,463,281	6.7
2006 – 07	1,448,394	6.2
2007 – 08	1,449,634	6.0
2008 – 09	1,540,351	7.1
2009 – 10	1,547,297	9.8
2010 – 11	1,526,006	10.9

Sources: United States Census Bureau and Bureau of Labor Statistics

See accompanying independent auditors' report.

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

Supplemental Schedules

	Page
Component Unit Schedule of Net Assets	53
Component Unit Schedule of Activities	54
Component Unit Capital Asset Format	55

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

Component Unit Schedule of Net Assets

June 30, 2011

(In thousands)

Assets:	
Cash on deposit and on hand	\$ 13,860
Equity in pooled cash and investments	—
Equity in treasurer's account	—
Investments	32,137
Internal balances	—
Amounts held by fiscal agent	—
Notes receivable	8
Taxes receivable	—
Accounts receivable	7,485
Allowance for doubtful accounts	(1,914)
Interest and dividends receivable	51
Due from other governments	2,031
Restricted assets	18,320
Inventories	—
Other assets	1,077
Property, plant and equipment	<u>166,988</u>
Total assets	\$ <u><u>240,043</u></u>
Liabilities:	
Notes payable	\$ —
Vouchers and accounts payable	11,802
Salaries and wages payable	3,045
Accrued expenses	1,420
Funds held in escrow	114
Due to other governments	1,112
Deferred revenue	2,553
Current portion of long-term obligations	9,540
Noncurrent portion of long-term obligations	93,162
Other Post Employment Benefits (GASB 45)	<u>22,614</u>
Total liabilities	\$ <u><u>145,362</u></u>
Net assets:	
Invested in capital assets, net of related debt	\$ 80,137
Restricted for:	
Capital projects	2,633
Debt service	—
Community development projects	—
Behavioral health programs	—
Intergovernmental financing	—
Tuition stabilization and scholarships	5,512
Rate stabilization	—
Unrestricted (deficit)	<u>6,399</u>
Total net assets	\$ <u><u>94,681</u></u>

See accompanying independent auditors' report.

COMMUNITY COLLEGE OF PHILADELPHIA

(A Component Unit of the City of Philadelphia)

Component Unit Schedule of Activities

Year ended June 30, 2011

(In thousands)

	<u>Expenses</u>	<u>Program revenues</u>			<u>Net expense and changes in net assets</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Education activities</u>
Community College Services	\$ 157,490	29,866	66,276		61,348
				General revenues:	
				Taxes	—
				Grants and contributions*	61,015
				Interest and investment earnings	1,757
				Miscellaneous	1,339
				Special items	—
				Transfers	—
				Total general revenues, special items and transfers	<u>64,111</u>
				Change in net assets	2,763
				Net assets – beginning	<u>91,918</u>
				Net assets – ending	<u>\$ 94,681</u>

* Includes Commonwealth appropriations of \$35,606 and City of Philadelphia appropriations of \$25,409.

See accompanying independent auditors' report.

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

Component Unit Capital Asset Format

Year ended June 30, 2011

Capital asset business-type activity format: Fiscal year 2011

Name of company: Community College of Philadelphia

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 21,942,648	3,285,855	—	25,228,503
Fine arts	705,208	—	—	705,208
Construction in process	37,504,052	31,261,630	(32,459,354)	36,306,328
Total capital assets not being depreciated	<u>60,151,908</u>	<u>34,547,485</u>	<u>(32,459,354)</u>	<u>62,240,039</u>
Capital assets being depreciated:				
Buildings	137,159,950	34,760,104	—	171,920,054
Other improvements	34,036,405	495,287	(1,952)	34,529,740
Equipment	11,105,235	3,226,543	—	14,331,778
Furniture	1,091,683	—	—	1,091,683
Leasehold improvements	163,524	—	—	163,524
Infrastructure	—	—	—	—
Total capital assets being depreciated	<u>183,556,797</u>	<u>38,481,934</u>	<u>(1,952)</u>	<u>222,036,779</u>
Less accumulated depreciation for:				
Buildings	74,231,258	4,162,448	—	78,393,706
Other improvements	22,816,517	970,348	—	23,786,865
Equipment	11,610,841	2,472,803	—	14,083,644
Furniture	877,864	54,305	—	932,169
Leasehold improvements	91,980	—	—	91,980
Infrastructure	—	—	—	—
Total accumulated depreciation	<u>109,628,460</u>	<u>7,659,904</u>	<u>—</u>	<u>117,288,364</u>
Total capital assets being depreciated, net	<u>73,928,337</u>	<u>30,822,030</u>	<u>(1,952)</u>	<u>104,748,415</u>
Business-type activities capital assets, net	<u>\$ 134,080,245</u>	<u>65,369,515</u>	<u>(32,461,306)</u>	<u>166,988,454</u>

See accompanying independent auditors' report.



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

Board of Trustees
Community College of Philadelphia:

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Community College of Philadelphia (the College), a component unit of the City of Philadelphia, Pennsylvania as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements and have issued our report thereon dated September 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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*.

We noted certain matters that we reported to management of the College in a separate letter dated September 29, 2011.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, the City of Philadelphia, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

September 29, 2011