



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, 2012 and 2011

(With Independent Auditors' Report Thereon)

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

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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, 2012 and 2011, 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, 2012 and 2011, 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 28, 2012, 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 11 and the schedule of funding progress on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in



accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplemental schedules on pages 57 to 59 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and relates was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The statistical section on pages 46 to 55 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we express no opinion on or provide any assurance on it.

KPMG LLP

September 28, 2012

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

This Management's Discussion and Analysis (MD&A) is based upon facts, decisions, and conditions known as of the date of the audit report. The results for 2012 are compared to those for the 2011 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

As of September 2011, construction was completed on two major projects that began in fiscal 2009. These projects include the erection of a new building (Pavilion) at the Main Campus; and expansion and redesign of the Northeast Regional Center. A third project, the renovation of portions of the Mint, Bonnell and West Buildings, will be completed during fiscal 2013. Principal financing for these projects was completed in October 2008 utilizing twenty-year tax exempt bonds. Total borrowing was \$74,770,000 at interest rates for various maturities of between 3.0% and 6.25%. Because of the disruptions occurring in the bond insurance industry, the College elected to issue the bonds on an uninsured basis. A Moody's bond rating of A2 was received at the time the bonds were issued. This rating was subsequently upgraded to A1.

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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. The newly leased space was placed into full operation as of January 2012. Renovations to the existing building will be completed in fiscal 2013.

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 included: the construction of a new 44,200 square feet Pavilion 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 included: the addition of 49,200 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.

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

Construction bid results for the Northeast Project were received in January 2009 and were approximately \$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 were \$31.3 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. Total costs for the Pavilion were \$31.5 million. Total costs for the Mint, Bonnell and current West Building renovations are currently projected to be \$21 million. Construction for these renovation projects is expected to be completed by January 2013.

The current estimates for the total cost for the construction projects are approximately \$83.8 million. Of this amount, approximately \$75 million has been provided from the bond proceeds including interest earnings, and

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the remaining funds are being provided from the recently completed 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, retail, and programmatic space.

Enrollments

Credit enrollments for the 2012 year were slightly lower than in the prior year. Credit FTE (full-time equivalent) enrollments in fiscal year 2012 were 15,769. This represented a 322 FTE or a 2.0% decrease over the prior year's credit enrollments of 16,091. Fiscal 2011 credit FTE enrollments were 283 or 1.8% higher than the 2010 credit enrollments of 15,808.

Revenues

In July 2005, Act 46 was enacted. This law changed the basis upon which Commonwealth of Pennsylvania (the State) community colleges were intended to be funded effective for the 2005-06 year and thereafter. Funding based upon current year enrollments was eliminated and a foundation funding level was established for each community college. This foundation funding was to provide a base 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. Annually a small growth increment was to be added to the foundation based upon enrollment increase changes in the last two audited years. Under Act 46, there was 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 was to provide supplemental funding for FTEs taught in programs identified to be high priority by State officials. The amount of funding received was to be based upon a lump sum statewide dollar allocation and each college's reported FTE enrollments for the prior year in priority program areas. Funding allocations were to be proportionate to FTEs taught.

Beginning with the passage of the fiscal 2010 State Budget, the provisions of Act 46 were not followed in funding Pennsylvania community colleges. For 2010, operating funding for each college was set to equal the amount received for 2008-09 reduced by 0.21%. Of the amount allocated to the community colleges by the State in fiscal 2010 for operating purposes, \$2.8 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 \$31.2 million. Of this amount, \$2.8 million or 9.1% was again funded from federal economic stimulus funds. Total 2012 State operating funding (including capital lease funding) was \$28,229,309

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or 9.4% less than received in fiscal 2011. The funding received via federal stimulus dollars in the prior two years was not replaced by State revenues.

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 \$6,330,656 in the 2011 fiscal year and \$6,327,091 in the 2012 fiscal year.

Total state funding in the 2011 fiscal year was \$38,449,827, a change of \$398,610 or 1.0% over the state funds received in 2010. This amount includes the \$2,844,299 allocated to the College by the State out of federal stimulus funds. Total state funding in the 2012 fiscal year was \$34,556,400, a decrease of \$3,893,427 or 10.1% over the state funds received in 2011. Funding provided in fiscal 2011 from federal stimulus funds was not replaced by the State in 2012 funding.

Total 2012 City funding was \$25,409,207 which represented no change from the level of funding received in 2011. Of this funding, \$7,757,010 was used for capital purchases and debt service payments. The remaining funds, \$17,652,197, were used for operating purposes.

In 2012, the tuition charge per credit was \$138, an increase of \$10 over the 2011 per credit tuition charge of \$128. The 2012 technology fee was unchanged at \$28 per credit. The General College Fee which supports student life programs remained unchanged at \$4 per credit. The College charges course fees which range from \$75 to \$300 in selected high-cost courses. Average total tuition and fee revenue per credit for 2012 was \$177.61, an increase of \$11.30 or 6.8% over the average per credit charge in fiscal 2011 of \$166.31.

Tuition and fee revenue totaled \$73,744,923 in 2012, \$72,048,633 in 2011, and \$67,625,346 in 2010. The 'scholarship allowance' amounts for 2012, 2011 and 2010, respectively were \$43,563,813, \$43,917,028, and \$38,017,913. The scholarship allowance represents tuition and fee payments made using public and private grants and scholarships. Stable scholarship allowance amounts between fiscal 2012 fiscal 2011 is reflective of the small drop in enrollments coupled with no change in the maximum federal Pell financial aid award for the 2012 fiscal year.

Net investment income was \$1,098,141 in 2012, \$717,865 in 2011 and \$1,587,145 in 2010. The investment income in 2010 included the impact of unrealized asset appreciation in the amount of \$729,546 for College investments in the Commonfund 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. As a result investment income improved for the 2012 fiscal year. (See footnote 2.)

The reduction in Federal Grants and contracts from \$58,889,668 in 2011 to \$56,839,421 in 2012 primarily reflects the decline in federal program grants received by the College relative to the amount received in fiscal 2011.

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Expenses

Exclusive of Student Aid and Depreciation expenses, the College's operating expenses totaled \$137,182,600 in fiscal 2012 and \$138,283,458 in fiscal 2011. Effective August 31, 2011, five-year labor contracts with the College's faculty and classified employee unions expired. Agreement on a new contract was not achieved during the 2012 fiscal year, and terms of the prior contract were in effect. All 2011-12 employee salaries were kept at the amounts in place for the 2010-11 fiscal year. The College's Board of Trustees and the Federation were in continuing negotiations as of June 30, 2012.

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. As required by GASB 45, the bi-annual reassessment of the liability was prepared in April 2012 for reporting as of June 30, 2012 and June 30, 2013. 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 2012, 2011 and 2010 was \$30,225,327, \$22,614,325 and \$16,575,690, respectively. Absent this reporting requirement, the college's net assets as of June 30, 2012 would have been at a level of \$113.3 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 \$200,000 was in place for the 2012 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, 2012 was \$868,124 and \$821,919 in 2011, and is reported under 'Current Liabilities: Accounts Payable and Accrued Liabilities.'

Net Asset Change

Net assets as of June 30, 2012 were \$83,142,373. As a result of financial circumstances which contributed to asset growth, net assets increased by \$4.85 million in the 2012 fiscal year prior to recording the impact of the post-employment benefit liability. The change in net assets after recording the post-employment benefit accrual was a negative \$2.8 million. 'Unrestricted net assets' fell from \$5.0 million to a negative \$4.6 million. Absent the cumulative impact of the GASB 45 reporting requirements, unrestricted net assets would currently be at a level of \$25.6 million. The other factor significantly reducing the unrestricted net asset value was the current unfunded depreciation expense for 2012 in the amount of \$10.0 million.

Assets

As of June 30, 2012 the College's cash, long-term and short-term investments totaled \$39.6 million, an increase of \$1.7 million over the \$37.9 amount for June 30, 2011. 'Accounts Receivable Net' were at a level of \$4.0 million in 2012 and \$4.5 million in 2011. These amounts reflect student, employee, vendor, legal and Foundation receivables. The College's investment in capital assets as of June 30, 2012 net of accumulated depreciation was \$179.4 million an increase of \$12.4 million over the amount reported for 2011, \$167.0 million. The growth in the value of assets reflects the substantial completion of the Main Campus Pavilion project during the 2012 fiscal year.

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Liabilities

The College's outstanding long-term debt (including the current year portion and excluding capital lease obligations) decreased from \$104.6 million in 2010 to \$97.1 million in 2011 and decreased from \$97.1 million in 2011 to \$90.2 million in 2012. The 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 \$16.1 million in 2011 to \$15.5 million in 2012. The major factor contributing to this decrease was a reduction in vendor accounts payable. Dollars payable to governmental agencies decreased from \$2.7 million in 2010, to \$1.1 million in 2011, and increased to \$2.4 million in 2012. These payables reflect 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, 2012, the College's assets of \$231.4 million exceeded its liabilities of \$148.3 million by \$83.1 million. Net assets at 2012, 2011 and 2010 are summarized into the following categories:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Invested in capital assets, net of related debt	\$ 86,330,902	80,136,789	69,277,871
Restricted, expendable	1,364,726	730,624	510,809
Unrestricted	<u>(4,553,255)</u>	<u>5,035,726</u>	<u>14,588,450</u>
Total net assets	<u>\$ 83,142,373</u>	<u>85,903,139</u>	<u>84,377,130</u>

The College's net assets 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. The negative unrestricted net asset value (\$4.6 million) incorporates the cumulative impact of the GASB 45 post-employment benefit accrual of \$30.2 million.

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Summary of College Financial Position

The following tables summarize the College's financial status as of the end of the 2012, 2011 and 2010 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, 2012, 2011 and 2010 and a condensed version of revenues, expenses, and changes in net assets for fiscal years 2012, 2011 and 2010. The College's current asset to current liability ratio of 1.08 as of June 30, 2012, 1.11 as of June 30, 2011, and 1.50 as of June 30, 2010 indicates the College has adequate liquidity to meet its short-term obligations. The reduction in current assets for 2011 and 2012 reflects the decision made in fiscal 2011 to move \$10,000,000 of the College's short-term investments to longer-term fixed-income investments. 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 growing level of annual depreciation expense resulting from the completion of new construction and the growing impact of the GASB 45 post-employment expense accrual.

Net Assets

June 30, 2012, 2011 and 2010

	2012	2011	2010
		(In millions)	
Assets:			
Current assets	\$ 31.8	30.6	48.5
Noncurrent assets:			
Capital assets net of depreciation	179.5	167.0	134.1
Bond proceeds available for campus construction	2.9	15.1	47.7
Other	17.2	18.5	6.8
Total assets	\$ 231.4	231.2	237.1
Liabilities:			
Current liabilities	\$ 29.5	27.5	32.3
Noncurrent liabilities	118.8	117.8	120.4
Total liabilities	\$ 148.3	145.3	152.7
Net assets:			
Invested in capital assets, net of related debt	\$ 86.3	80.2	69.3
Unrestricted	(4.6)	5.0	14.6
Restricted:			
Expendable	1.4	0.7	0.5
Total net assets	\$ 83.1	85.9	84.4

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Schedule of Changes in Net Assets

The change in net assets for fiscal year 2012, 2011 and 2010 was a negative \$2.8 million, positive \$1.5 million and \$8.4 million, respectively. The following table quantifies the changes:

Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2012, 2011 and 2010

	2012	2011	2010
		(In millions)	
Operating revenues:			
Net tuition and fees	\$ 30.1	28.1	29.6
Auxiliary enterprises and other sources	2.1	1.9	1.8
Total	32.2	30.0	31.4
Operating expenses	157.0	153.3	143.2
Operating loss	(124.8)	(123.3)	(111.8)
Net nonoperating revenues	108.0	111.2	106.1
Change in net assets before other revenues	(16.8)	(12.1)	(5.7)
Net capital revenue and changes to endowments	14.0	13.6	14.0
Total change in net assets	\$ (2.8)	1.5	8.3

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Schedule of Fund Balances

The following chart shows fund balances in the four fund groups: Unrestricted, Restricted, Endowment and Plant. The 2010, 2011 and 2012 amounts reported for unrestricted operations funds were reduced by the impact of GASB 45 reporting of an accrued expense liability for post-employment benefits. The impact of GASB 45 reporting in 2010 was \$6,199,471, in 2011 was \$6,038,635 and in 2012 was \$7,611,002. The negative unrestricted plant fund balance reflects the use of college resources in fiscal 2011 for the purchase of the 430-440 North 15th Street property as well as unfunded depreciation expense.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total unrestricted fund	\$ 100,502	7,609,166	12,212,485
Endowment fund:			
True and term endowment	—	—	—
Quasi endowment (unrestricted)	1,914,234	1,743,728	2,089,754
Total endowment	<u>1,914,234</u>	<u>1,743,728</u>	<u>2,089,754</u>
Plant fund:			
Net invested in capital assets	86,330,902	80,136,789	69,277,871
Restricted expendable – capital	1,364,726	730,624	510,809
Unrestricted	<u>(6,567,991)</u>	<u>(4,317,168)</u>	<u>286,211</u>
Total plant fund	<u>81,127,637</u>	<u>76,550,245</u>	<u>70,074,891</u>
Total net assets	<u>\$ 83,142,373</u>	<u>85,903,139</u>	<u>84,377,130</u>

Community College of Philadelphia Foundation

The College Foundation was established in 1985. Total assets for 2012, 2011 and 2010 were \$12.0 million, \$9.3 million and \$7.7 million, respectively. Total unrestricted net assets for 2012, 2011 and 2010 for the Foundation were \$1.3 million, \$1.4 million and \$1.1 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. The final amount of gifts received was \$17.1 million.

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Statements of Net Assets

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Assets	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2012	2011	2012	2011
Current assets:				
Cash and cash equivalents (note 2)	\$ 11,562,871	13,671,678	101,296	187,913
Short-term investments (note 2)	10,888,433	8,385,715	1,673,923	1,609,088
Restricted short-term investments (note 2)	1,364,726	730,624	996,523	134,398
Accounts receivable, net (note 3)	3,979,868	4,487,786	1,568,326	393,170
Student loans receivable (note 4)	—	2,663	—	—
Receivable from government agencies (note 8)	2,608,520	2,031,391	—	—
Accrued interest receivable	50,235	50,749	—	—
Unamortized bond issuance costs	176,314	176,314	—	—
Other assets	1,136,696	1,076,850	—	—
Total current assets	31,767,663	30,613,770	4,340,068	2,324,569
Noncurrent assets:				
Endowment investments (note 2)	—	—	6,429,733	6,196,576
Accounts receivable, net (note 3)	—	—	1,158,880	689,832
Student loans receivable (note 4)	—	5,605	—	—
Bond proceeds available for campus construction	2,947,510	16,908,811	—	—
Other long term investments (note 2)	15,782,209	15,080,777	—	—
Unamortized bond issuance costs	1,422,378	1,598,692	—	—
Capital assets, net (note 5)	179,484,523	166,988,454	—	—
Total noncurrent assets	199,636,620	200,582,339	7,588,613	6,886,408
Total assets	\$ 231,404,283	231,196,109	11,928,681	9,210,977

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Statements of Net Assets
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Liabilities and Net Assets	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2012	2011	2012	2011
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	\$ 14,173,138	14,678,401	224,052	168,392
Payable to government agencies (note 8)	2,418,723	814,779	—	—
Deposits	123,494	114,418	—	—
Deferred revenue	2,323,832	2,303,388	244,500	250,000
Current portion of capital lease obligation (note 7)	2,141,430	1,795,791	—	—
Current portion of long-term debt (note 7)	8,257,274	7,744,495	—	—
Unamortized bond premium	49,637	49,637	—	—
Total current liabilities	29,487,528	27,500,909	468,552	418,392
Noncurrent liabilities:				
Accrued liabilities (note 6)	1,297,574	1,419,742	—	—
Payable to government agencies (note 8)	—	296,750	—	—
Annuity payable	—	—	12,719	15,144
Capital lease obligation (note 7)	5,038,186	3,833,486	—	—
Long-term debt (note 7)	81,963,699	89,328,525	—	—
Unamortized bond premium	249,596	299,233	—	—
Other post-employment benefits liability (note 10)	30,225,327	22,614,325	—	—
Total noncurrent liabilities	118,774,382	117,792,061	12,719	15,144
Total liabilities	148,261,910	145,292,970	481,271	433,536
Net assets:				
Invested in capital assets, net of related debt	86,330,902	80,136,789	—	—
Restricted (note 9):				
Nonexpendable:				
Scholarships, awards and faculty chair	—	—	5,024,844	4,778,174
Annuities	—	—	7,860	7,761
Expendable:				
Scholarships, awards and faculty chair	—	—	1,728,346	725,463
Capital projects	1,364,726	730,624	3,392,412	1,902,578
Unrestricted	(4,553,255)	5,035,726	1,293,948	1,363,465
Total net assets	\$ 83,142,373	85,903,139	11,447,410	8,777,441

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, 2012 and 2011

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2012	2011	2012	2011
Operating revenues:				
Student tuition	\$ 56,483,928	54,811,177	—	—
Student fees	17,260,995	17,237,456	—	—
Less scholarship allowance	(43,563,813)	(43,917,028)	—	—
Net student fees	30,181,110	28,131,605	—	—
Auxiliary enterprises	1,827,133	1,734,227	—	—
Gifts	—	—	3,342,841	815,349
Other sources	167,258	180,380	17,106	9,776
Total operating revenues	<u>32,175,501</u>	<u>30,046,212</u>	<u>3,359,947</u>	<u>825,125</u>
Operating expenses (note 12):				
Educational and general:				
Instruction	62,162,440	62,184,084	113,984	—
Public service	62,796	92,076	—	—
Academic support	17,723,410	19,251,126	—	14,691
Student services	21,075,190	21,743,595	1,129	—
Institutional support	23,281,334	22,003,441	639,323	333,260
Physical plant operations	12,244,438	12,392,109	—	—
Depreciation	9,764,169	7,659,904	—	—
Student aid	10,014,970	7,376,466	321,383	280,352
Auxiliary enterprises	632,992	617,027	—	—
Total operating expenses	<u>156,961,739</u>	<u>153,319,828</u>	<u>1,075,819</u>	<u>628,303</u>
Operating (loss) surplus	<u>(124,786,238)</u>	<u>(123,273,616)</u>	<u>2,284,128</u>	<u>196,822</u>

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, 2012 and 2011

	Business-type activities		Component unit	
	The Community College of Philadelphia		The Community College of Philadelphia Foundation	
	2012	2011	2012	2011
Nonoperating revenues (expenses):				
State appropriations (note 13)	\$ 28,229,309	29,274,872	—	—
City appropriations (note 13)	17,652,197	18,091,851	—	—
Federal grants and contracts	56,839,421	58,889,668	—	—
State grants and contracts	6,495,102	5,967,689	—	—
Nongovernmental grants and contracts	1,014,162	1,418,653	365,456	—
Net investment income	1,098,141	717,865	20,385	1,039,490
Interest on capital asset-related debt service (note 5)	(3,926,641)	(3,542,128)	—	—
Other nonoperating revenues	539,680	333,143	—	—
Net nonoperating revenues	<u>107,941,371</u>	<u>111,151,613</u>	<u>385,841</u>	<u>1,039,490</u>
(Loss) gain before other revenues, expenses, gains or losses	(16,844,867)	(12,122,003)	2,669,969	1,236,312
Capital appropriations	<u>14,084,101</u>	<u>13,648,012</u>	<u>—</u>	<u>—</u>
(Decrease) increase in net assets	(2,760,766)	1,526,009	2,669,969	1,236,312
Net assets, beginning	<u>85,903,139</u>	<u>84,377,130</u>	<u>8,777,441</u>	<u>7,541,129</u>
Net assets, ending	<u>\$ 83,142,373</u>	<u>85,903,139</u>	<u>11,447,410</u>	<u>8,777,441</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Tuition and fees	\$ 30,269,238	27,450,262
Payments to suppliers	(20,864,082)	(22,947,465)
Payments to employees	(76,958,264)	(79,990,789)
Payments for employee benefits	(32,004,232)	(32,850,358)
Payments for student aid	(10,282,045)	(7,376,466)
Auxiliary enterprises	1,829,829	1,734,227
Other cash receipts	175,526	176,893
Net cash used in operating activities	<u>(107,834,030)</u>	<u>(113,803,696)</u>
Cash flows from noncapital financing activities:		
State appropriations	28,228,017	28,094,792
City appropriations	17,652,197	17,896,483
Gifts and grants	65,383,312	66,693,527
Other nonoperating	548,756	346,910
Net cash provided by noncapital financing activities	<u>111,812,282</u>	<u>113,031,712</u>
Cash flows from capital and related financing activities:		
State capital appropriations	6,327,091	6,330,656
City capital appropriations	7,757,010	7,317,356
Decrease in bond proceeds available for campus construction	13,961,301	30,835,350
Proceeds from capital debt	1,000,000	—
Purchases of capital assets	(17,084,935)	(37,149,410)
Principal on capital debt	(10,256,223)	(9,418,560)
Interest on capital debt	(5,051,706)	(5,278,535)
Net cash used in capital and related financing activities	<u>(3,347,462)</u>	<u>(7,363,143)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	39,552,092	71,863,856
Purchases of investments	(43,390,344)	(62,182,027)
Interest on investments	1,098,655	719,683
Net cash (used in) provided by investing activities	<u>(2,739,597)</u>	<u>10,401,512</u>
(Decrease) increase in cash	(2,108,807)	2,266,385
Cash, beginning	13,671,678	11,405,293
Cash, ending	<u>\$ 11,562,871</u>	<u>13,671,678</u>

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	\$ (124,786,238)	(123,273,616)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	9,764,169	7,659,904
Changes in assets and liabilities:		
Accounts receivable	198,323	(411,879)
Prepaid and other assets	(59,846)	165,126
Loans to students and employees	14,593	989
Accounts payable and accrued liabilities	(689,116)	(3,810,951)
Deferred revenues	113,083	(171,904)
Other post employment benefits	7,611,002	6,038,635
Net cash used in operating activities	<u>\$ (107,834,030)</u>	<u>(113,803,696)</u>
Supplemental disclosure of noncash capital financing activity:		
Capital assets acquired via capital lease	\$ 3,954,516	1,596,216

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies

(a) Organization

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

Component Unit

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

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

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

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, as prescribed by the 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.

(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

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

Notes to Financial Statements

June 30, 2012 and 2011

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. Under Act 46, the state-wide operating budget appropriation for community colleges is to be distributed among each of the fourteen colleges in three parts: base funding, growth funding and high priority (economic development) program funding. The provisions of Act 46 are intended to ensure that base operating funding for each college will at least equal the amount of funds received in the prior year. Annually, twenty-five percent of any new dollars in the operating funding granted community colleges is to be distributed proportionally among the colleges experiencing growth in the prior year based upon their share of the FTE growth. Colleges whose enrollments are stable or decline do not receive any increase from the growth funding.

The other significant 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 the 2010 fiscal year state budget and continuing for the 2011 and 2012 fiscal years, the provisions of Act 46 were not followed in allocating operational funds to Pennsylvania community colleges. The 2009-10 State operating allocation, including high priority program funding, for each college was computed using the amount each college received for 2008-09 and reducing it by 0.21%. The fiscal 2011-12 operating allocation was unchanged from the amount provided in fiscal 2010-11. 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 by the State 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. In fiscal year 2012, the State appropriation was reduced by the amount of funds received by the College from federal stimulus funds in the prior two years.

Under the provisions of Act 46, a separate revolving pool was established for community college capital funding. Capital funding, which may include major equipment and furniture purchases, capital improvements to buildings and grounds, debt service on major capital projects, and net rental 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, 2012 and 2011

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, 2012 and 2011

The College policy permits investments in obligations of the U.S. Treasury; certificates of deposit; commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record; bankers' acceptances; repurchase agreements; the Commonfund's 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 Commonfund 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
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Notes to Financial Statements

June 30, 2012 and 2011

(j) Student Fees

Included in student fees are general college fees of \$1,569,124 and \$1,605,308 for the years ended June 30, 2012 and 2011, 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 U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net 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 \$200,000 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, 2012 and 2011

(2) Deposits and Investments

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

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

Deposits are comprised of demand deposit accounts with financial institutions. At both June 30, 2012 and 2011 cash on hand was \$4,000. At June 30, 2012 and 2011, the carrying amount of deposits was \$11,558,871 and \$13,667,678, and the bank balance was \$12,750,839 and \$16,507,059, respectively. The differences were caused primarily by items in transit. Deposits of \$1,000,000 were covered by federal depository insurance of \$250,000 for each of four bank accounts at both June 30, 2012 and 2011.

Demand deposits include \$9,680 and \$9,709 in restricted cash at June 30, 2012 and 2011, 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.

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

Notes to Financial Statements

June 30, 2012 and 2011

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

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

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

	<u>College</u>	<u>Foundation</u>
Deposits:		
Demand deposits	\$ 13,667,678	187,913
Investments:		
Certificate of deposit	5,078,075	—
U.S. Treasury obligations	3,083,999	—
U.S. Government agency obligations	1,519,011	
Corporate bonds	4,753,326	
Intermediate fixed income mutual fund	2,404,591	1,736,068
Multi-strategy equity mutual fund	—	4,460,508
Multi-strategy bond mutual fund	5,085,955	—
Money market mutual funds	2,272,159	1,743,486
Total deposits and investments	<u>\$ 37,864,794</u>	<u>8,127,975</u>

In addition to the deposits and investments listed above, the College also has bond proceeds available for campus construction held by Sovereign Bank, the State Public School Building Authority, and the Bank of New York (the trustees), under the terms of various bond indentures. Bond proceeds available for campus construction are carried in the financial statements at fair value and consist of short-term investments and government securities. As of June 30, 2012 and 2011, bond proceeds available for campus construction include the following:

	<u>2012</u>	<u>2011</u>
Construction funds	\$ 2,947,510	16,908,811

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

Notes to Financial Statements

June 30, 2012 and 2011

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

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to the College. The College does not have a deposit policy for custodial credit risk. Commonwealth of Pennsylvania Act 72 of 1971, as amended, allows banking institutions to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments. At June 30, 2012 and 2011, the College's bank balance was exposed to custodial credit risk as follows:

	2012	2011
Uninsured and collateral held by pledging bank's trust department not in the College's name	\$ 11,750,839	15,507,059

The College participates in the Certificate of Deposit Account Registry Service (CDARS) for its certificate of deposit. CDARS allows the College to access FDIC insurance on multi-million dollar certificates of deposit and to earn rates that compare favorably to Treasuries and money market mutual funds. Custodial credit risk has been eliminated for the College's certificate of deposit as a result of its participation in the CDARS program.

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

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

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

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Notes to Financial Statements

June 30, 2012 and 2011

		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%

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

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

		June 30, 2011
		Fixed income securities
Aaa		49
Aa		15
A		26
Baa		10
Below BBB		—
Nonrated/other		—
Total		100%

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(A Component Unit of the City of Philadelphia)

Notes to Financial Statements

June 30, 2012 and 2011

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. The College's investment policy does not specifically address limitations in the maturities of investments. The weighted average maturities of the College's fixed income investments at June 30, 2012 are as follows:

	June 30, 2012
	Weighted average maturity (years)
Certificate of deposit	0.18
U.S. Treasury obligations	3.81
U.S. government agency obligations	3.25
Corporate bonds	5.03

(3) Accounts Receivable

Accounts receivable include the following at June 30:

	2012		2011	
	College	Component unit foundation	College	Component unit foundation
Tuition and fee receivables	\$ 4,692,876	—	4,314,942	—
Grants receivable	6,441	56,461	135,275	—
Other receivables	1,530,606	—	1,705,870	—
Pledges receivable	—	2,796,534	—	1,170,481
Receivable from foundation	191,938	—	157,978	—
	6,421,861	2,852,995	6,314,065	1,170,481
Less allowance for doubtful accounts	(2,441,993)	(125,789)	(1,826,279)	(87,479)
Total	\$ 3,979,868	2,727,206	4,487,786	1,083,002

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

Accounts receivable, tuition and fees and other are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts. The allowance was \$2,441,993 and \$1,826,279 for the years ended June 30, 2012 and 2011, respectively. \$1,158,880 of the Foundation's pledges receivable are expected to be collected subsequent to June 30, 2013, generally on a five-year payment schedule.

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(4) Loans Receivable

As of June 30, 2012, the remaining student loans receivable were assigned to the Department of Education for collection, and the College no longer participates in the Perkins Loan program.

(5) Capital Assets

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

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

Accumulated depreciation by asset categories is summarized as follows:

	Balance July 1, 2011	Depreciation	Retirements	Balance June 30, 2012
Buildings and improvements	\$ 78,485,686	5,527,673	—	84,013,359
Equipment and furniture	25,062,061	3,371,557	(404,833)	28,028,785
Library books	3,702,828	153,871	—	3,856,699
Microforms	1,621,003	20,283	—	1,641,286
Software	3,525,984	10,330	(127,382)	3,408,932
System software	4,890,802	855,560	—	5,746,362
Total	<u>\$ 117,288,364</u>	<u>9,939,274</u>	<u>(532,215)</u>	<u>126,695,423</u>
Net capital assets				\$ 179,484,523

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

	Balance July 1, 2010	Additions	Retirements and adjustments	Balance June 30, 2011
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:

	Balance July 1, 2010	Depreciation	Retirements	Balance June 30, 2011
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				\$ 166,988,454

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(6) Accounts Payable and Accrued Liabilities

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

	<u>2012</u>		<u>2011</u>	
	<u>College</u>	<u>Component unit foundation</u>	<u>College</u>	<u>Component unit foundation</u>
Category:				
Vendors and others	\$ 6,163,431	32,114	6,809,869	10,414
Accrued salaries	2,876,364	—	3,044,490	—
Accrued benefits	2,198,328	—	1,950,202	—
Compensated absences	3,174,843	—	3,245,381	—
Retirement incentive payments	566,178	—	643,994	—
Payroll withholding taxes	118,315	—	—	—
Accrued Interest	373,253	—	404,207	—
Payable to college	—	191,938	—	157,978
Total	<u>\$ 15,470,712</u>	<u>224,052</u>	<u>16,098,143</u>	<u>168,392</u>

Retirement incentive payments are described in note 10.

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

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

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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>

(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, 2012:

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

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>

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Future annual principal and interest payments at June 30, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2013	\$ 8,257,274	4,761,154	13,018,428
2014	7,789,962	4,354,788	12,144,750
2015	5,557,893	3,998,189	9,556,082
2016	5,518,993	3,745,475	9,264,468
2017	5,491,851	3,480,807	8,972,658
2018	5,495,000	3,178,241	8,673,241
2019	5,020,000	2,900,561	7,920,561
2020	5,265,000	2,654,799	7,919,799
2021	5,520,000	2,390,801	7,910,801
2022	5,815,000	2,105,850	7,920,850
2023	6,130,000	1,792,390	7,922,390
2024	4,320,000	1,461,600	5,781,600
2025	4,580,000	1,202,400	5,782,400
2026	4,855,000	927,600	5,782,600
2027	5,150,000	636,300	5,786,300
2028	5,455,000	327,300	5,782,300
	<u>\$ 90,220,973</u>	<u>39,918,255</u>	<u>130,139,228</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:

2013	\$ 1,235,000
2014	<u>1,290,000</u>
	<u>\$ 2,525,000</u>

(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

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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:

2013	\$	800,000
		<u>800,000</u>
	\$	<u><u>800,000</u></u>

(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:

2013	\$	315,000
2014		325,000
2015		340,000
2016		355,000
2017		<u>185,000</u>
	\$	<u><u>1,520,000</u></u>

(d) 2007 Series

Under a loan agreement dated February 21, 2007 with the State Public School Building Authority, the College borrowed \$30,525,000 of 2007 Community College Refunding Revenue Bonds. Of the total obligation, \$30,525,000 (including bond premium net of bond discount and issuance cost of \$449,782) was used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1998 Series Bonds and 2001 Series Bonds. As a result, that portion of the 1998 Series Bond and 2001 Series Bonds is

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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 1998 and 2001 Series Bonds were called as of November 1, 2011 and the related escrow with the trustee of the defeased bonds is zero. The 2007 Series Bonds are payable over 16 ½ years at rates from 4.00% to 5.00% with an average annual debt service payment of \$2,602,675.

Principal payments required by the loan agreement are as follows:

2013	\$	1,870,000
2014		1,965,000
2015		2,055,000
2016		2,160,000
2017		2,270,000
2018 – 2022		9,810,000
2023 – 2024		2,055,000
	\$	22,185,000

(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. \$1,220,787 of interest was capitalized during the year ending June 30, 2012 related to the campus construction.

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

2013	\$	3,575,000
2014		3,775,000
2015		2,675,000
2016		2,795,000
2017		2,930,000
2018 – 2022		17,305,000
2023 – 2027		22,980,000
2028 – 2029		5,455,000
		61,490,000
	\$	61,490,000

(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>
2013	\$	271,215
2014		278,038
2015		245,047
		794,300
	\$	794,300

(g) *Revolving Loan Obligation*

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

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

2013	\$	191,059
2014		196,910
2015		202,861
2016		208,993
2017		106,850
		906,673
	\$	906,673

(h) Operating Leases

The College leases certain equipment and property under operating lease arrangements that expire through 2025. Rental expense for operating leases was \$660,394 and \$216,916 for the years ended June 30, 2012 and 2011, respectively.

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

2013	\$	719,384
2014		594,493
2015		395,517
2016		147,975
2017		152,414
2018 – 2025		713,955
		2,723,738
	\$	2,723,738

(i) 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 \$7,179,616 and \$5,629,277 at June 30, 2012 and 2011, respectively. Amortization charges of capital leases were \$2,404,177 and \$1,941,580 for the years ending June 30, 2012 and 2011, respectively.

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Future minimum lease payments under capital leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2013	\$ 1,853,431	288,319	2,141,750
2014	1,802,619	233,578	2,036,197
2015	1,277,638	179,463	1,457,101
2016	1,100,079	141,636	1,241,715
2017	941,666	109,995	1,051,661
2018 – 2022	2,824,640	234,456	3,059,096
2023	247,148	2,182	249,330
	<u>\$ 10,047,221</u>	<u>1,189,629</u>	<u>11,236,850</u>

(8) (Payable to) Receivable from Government Agencies

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

	<u>2012</u>		<u>2011</u>	
	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>
Commonwealth of Pennsylvania:				
Provision for potential audit findings and reimbursement calculation	\$ 79,599	—	80,891	—
Grants and special projects	—	341,683	—	348,232
PHEAA for grants and Stafford loans	2,338,993	6,209	731,722	1,441
PHEAA for Perkins and nursing loans	—	—	29,675	—
	<u>2,418,592</u>	<u>347,892</u>	<u>842,288</u>	<u>349,673</u>
City of Philadelphia Grants Receivable	—	423,235	—	678,295
Federal:				
Perkins and nursing loans refundable	—	—	267,075	—
Financial aid programs	131	226,064	2,166	33,491
Grants and special projects	—	1,611,329	—	969,932
	<u>131</u>	<u>2,260,628</u>	<u>269,241</u>	<u>1,681,718</u>
Total	<u>\$ 2,418,723</u>	<u>2,608,520</u>	<u>1,111,529</u>	<u>2,031,391</u>

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(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>2012</u>		<u>2011</u>	
	<u>College</u>	<u>Component unit foundation</u>	<u>College</u>	<u>Component unit foundation</u>
Restricted – nonexpendable:				
Endowment funds	\$ —	5,024,844	—	4,778,174
Gift annuity	—	7,860	—	7,761
	<u>—</u>	<u>5,032,704</u>	<u>—</u>	<u>4,785,935</u>
Restricted – expendable:				
Scholarships and awards	—	1,728,346	—	725,463
Capital program	1,364,726	3,392,412	730,624	1,902,578
	<u>1,364,726</u>	<u>5,120,758</u>	<u>730,624</u>	<u>2,628,041</u>
Total	<u>\$ 1,364,726</u>	<u>10,153,462</u>	<u>730,624</u>	<u>7,413,976</u>

(10) 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, 2012 and 2011 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 7 employees participating in the SERS and 19 employees in the PSERS. The collective bargaining agreements with the full-time faculty and classified employees made a provision for early retirement for those 55 to 59 years old whose age and years of service add up to 70 or more. This option expired on August 31, 2011 and will be fully dispensed by August 31, 2012.

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

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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, 2012, there were 8 people who accepted the early retirement and incentive options, the present value of future payments of \$566,178 and \$643,994 has been accrued at June 30, 2012 and 2011, respectively. Future payments in the next two fiscal years are expected to be \$237,641 and \$143,093, 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 1,212 employees participating in this program.

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Notes to Financial Statements

June 30, 2012 and 2011

The payroll for employees covered by the four plans was \$63,747,455 and \$66,717,461; and the College's total payroll is \$76,796,463 and \$78,167,782 at June 30, 2012 and 2011, respectively. Contributions made by the College during fiscal 2011 and 2012 totaled \$5,674,189 and \$5,503,258, respectively, representing 8.50% and 8.63%, respectively, of covered payroll. College employees contributed \$4,986,204 and \$4,955,611, 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	4.325% of all earnings	6.99% 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	4.325% of all earnings	6.99% of all earnings
Others	10% of annual salary	4.325% of all earnings	6.99% 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

Other Post-employment Benefits Liability

(c) ***Plan Description***

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

(d) ***Funding Policy***

The contribution requirements of plan members and the College are established and may be amended by the College's Board of Trustees. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid to fund the health care benefits provided to current retirees. The College paid premiums of \$1,815,758 and \$1,589,866 for the fiscal years ending June 30, 2012 and 2011, respectively. Total retiree contributions made by plan members were \$601,079 and \$521,847 for the fiscal years ending June 30, 2012 and 2011, respectively.

The Retiree drug Subsidy (RDS) was created as part of the 2003 federal law that created the Medicare prescription drug program and was included to encourage employers to retain the

COMMUNITY COLLEGE OF PHILADELPHIA
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Notes to Financial Statements

June 30, 2012 and 2011

prescription benefits offered to Medicare-eligible retirees. Under the law, employers that retain prescription drug coverage for retirees that is at least equivalent to Medicare Part D coverage receive a subsidy from the U.S. government equal to 28% of the employer's annual drug costs that fall within a certain range. The College received payments of \$258,293 for fiscal year ending June 30, 2011 and \$210,727 for the fiscal year ending June 30, 2012.

The College also provides life insurance for retirees until the end of the contract year in which the employee turns 65 years of age. Contract year is defined as fiscal year for Administrators/Confidential and Academic year for Faculty/Classified. The College paid premiums of \$13,743, covering 38 retirees for the fiscal year ending June 30, 2011 and \$10,925, covering 33 retirees for the fiscal year ending June 30, 2012.

(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>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 10,982,860	8,872,232	8,590,625
Annual OPEB cost (expense)	10,982,860	8,872,232	8,590,625
Contributions made	<u>(3,371,858)</u>	<u>(2,833,597)</u>	<u>(2,391,154)</u>
Increase in net OPEB obligation	7,611,002	6,038,635	6,199,471
Net OPEB obligation at July 1	<u>22,614,325</u>	<u>16,575,690</u>	<u>10,376,219</u>
Net OPEB obligation at June 30	<u>\$ 30,225,327</u>	<u>22,614,325</u>	<u>16,575,690</u>

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June 30, 2012 and 2011

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, 2012	\$ 10,982,860	30.70%	\$ 30,225,327
June 30, 2011	8,872,232	31.93	22,614,325
June 30, 2010	8,590,625	27.80	16,575,690

(f) Funded Status and Funding Progress

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

Actuarial value of assts	\$ —
Actuarial accrued liability	<u>103,846,976</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 103,846,976</u></u>
Funded ratio	—
Annual covered payroll	\$ 76,796,463
UAAL as a percentage of covered payroll	135%

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

COMMUNITY COLLEGE OF PHILADELPHIA
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Notes to Financial Statements

June 30, 2012 and 2011

(g) Actuarial Methods and Assumptions

The calculations are based on the types of benefits provided under the terms of the College's Retirement Benefits plan at the time of the valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following actuarial methods and significant assumptions were used for the July 1, 2011 valuation:

Actuarial cost method	Projected unit credit
Amortization method	Closed, level dollar amortization over 30 years
Remaining amortization period	25 years
Discount rate	5.00%
Medical trend rate	7.50% gradually decreasing to 4.50% in 2019
Prescription drug trend rate	9.00% gradually decreasing to 4.50% in 2021
Dental trend rate	3.00%
Mortality table	RP-2000 healthy mortality table projected to 2012

(11) 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
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Notes to Financial Statements

June 30, 2012 and 2011

(12) Operating Expenses

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

	<u>2012</u>		<u>2011</u>	
	<u>College</u>	<u>Component unit foundation</u>	<u>College</u>	<u>Component unit foundation</u>
Salaries	\$ 76,796,463	291,330	78,167,782	114,641
Benefits	32,061,700	63,823	32,499,671	29,945
Contracted services	6,057,160	53,933	5,375,948	2,186
Supplies	2,759,676	74,271	3,253,535	63,084
Depreciation	9,764,169	—	7,659,904	—
Student aid	10,014,970	321,383	7,376,466	280,352
Other post retirement benefits	7,611,002	—	6,038,635	—
Other	11,896,599	271,079	12,947,887	138,095
Total	<u>\$ 156,961,739</u>	<u>1,075,819</u>	<u>153,319,828</u>	<u>628,303</u>

(13) City and State Appropriations

Appropriations from the Commonwealth and the City for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Operations</u>	<u>Capital</u>	<u>Operations</u>	<u>Capital</u>
Commonwealth of Pennsylvania	\$ 28,229,309	6,327,091	29,274,872	6,330,656
City of Philadelphia	17,652,197	7,757,010	18,091,851	7,317,356
Total appropriations	<u>\$ 45,881,506</u>	<u>14,084,101</u>	<u>47,366,723</u>	<u>13,648,012</u>

(14) Pass-Through Grants

The College distributed \$41,269,869 in 2012 and \$36,717,869 in 2011 for student loans through the U.S. Department of Education Federal Direct Loan Program. These distributions and related funding sources are not included as expenses and revenues nor as cash disbursements and cash receipts in the accompanying financial statements.

COMMUNITY COLLEGE OF PHILADELPHIA
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Schedule of Funding Progress

Year ended June 30, 2012

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

Schedule of contributions from the College

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

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	25
Actuarial assumptions:	
Discount rate	5%
Medical cost trend rate	7.50% gradually decreasing to 4.50% in 2019
Prescription drug cost trend rate	9.00% gradually decreasing to 4.50% in 2021
Dental cost trend rate	3.00%
Mortality table	RP-2000 healthy mortality table projected to 2012

COMMUNITY COLLEGE OF PHILADELPHIA
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Statistical Section

Years ended June 30, 2004 through June 30, 2012

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

Statistical Section

Years ended June 30, 2004 through June 30, 2012

Schedule of Revenue by Source

Year ended June 30

(Amounts expressed in thousands)

	<u>2012</u>	<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)	\$ 30,181	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	1,827	1,734	1,650	1,371	1,274	1,132	1,075	1,113	1,058
Other operating revenues	167	180	194	95	76	73	65	91	124
Total operating revenues	<u>32,175</u>	<u>30,046</u>	<u>31,452</u>	<u>33,084</u>	<u>31,073</u>	<u>28,426</u>	<u>27,448</u>	<u>27,958</u>	<u>26,012</u>
City appropriations	17,652	18,092	18,946	19,245	20,243	19,644	18,958	18,947	18,536
State appropriations	28,229	29,275	28,750	31,496	31,554	30,855	29,564	26,924	28,555
Federal grants and contracts	56,839	58,890	51,131	32,552	30,668	27,391	28,823	32,173	29,501
State grants and contracts	6,495	5,967	5,585	5,831	7,818	8,570	8,662	6,151	5,512
Nongovernmental grants and contracts	1,014	1,419	1,580	2,688	1,632	1,332	785	1,245	475
Private gifts	—	—	—	—	—	—	1	20	13
Net investment income	1,098	718	1,587	249	1,084	1,780	1,148	709	343
Other nonoperating revenue	540	333	353	354	1,237	321	151	412	208
Total nonoperating revenues	<u>111,867</u>	<u>114,694</u>	<u>107,932</u>	<u>92,415</u>	<u>94,236</u>	<u>89,893</u>	<u>88,092</u>	<u>86,581</u>	<u>83,143</u>
Capital appropriations	14,084	13,648	13,979	13,721	8,316	7,762	7,235	6,525	6,944
Total revenues	<u>\$ 158,126</u>	<u>158,388</u>	<u>153,363</u>	<u>139,220</u>	<u>133,625</u>	<u>126,081</u>	<u>122,775</u>	<u>121,064</u>	<u>116,099</u>

See accompanying independent auditors' report.

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Statistical Section

Years ended June 30, 2004 through June 30, 2012

Schedule of Revenue by Source

Year ended June 30

(Amounts expressed in percentages)

	<u>2012</u>	<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)	19.09%	17.76%	19.31%	22.71%	22.24%	21.53%	21.39%	21.98%	21.22%
State grants and contracts	—	—	—	—	—	—	—	0.07	0.06
Nongovernmental grants and contracts	—	—	—	—	—	0.06	0.04	0.06	0.11
Sales of auxiliary enterprises	1.16	1.09	1.08	0.98	0.95	0.90	0.88	0.92	0.91
Other operating revenues	0.11	0.11	0.13	0.07	0.06	0.06	0.05	0.06	0.11
Total operating revenues	<u>20.36%</u>	<u>18.96%</u>	<u>20.52%</u>	<u>23.76%</u>	<u>23.25%</u>	<u>22.55%</u>	<u>22.36%</u>	<u>23.09%</u>	<u>22.41%</u>
City appropriations	11.16%	11.42%	12.35%	13.82%	15.15%	15.58%	15.44%	15.65%	15.97%
State appropriations	17.85	18.48	18.75	22.62	23.61	24.47	24.08	22.24	24.60
Federal grants and contracts	35.95	37.18	33.34	23.38	22.95	21.72	23.48	26.58	25.41
State grants and contracts	4.11	3.77	3.64	4.19	5.85	6.80	7.06	5.08	4.75
Nongovernmental grants and contracts	0.64	0.90	1.03	1.93	1.22	1.06	0.64	1.03	0.41
Private gifts	—	—	—	—	—	—	—	0.02	0.01
Net investment income	0.69	0.45	1.03	0.18	0.81	1.41	0.94	0.59	0.30
Other nonoperating revenue	0.33	0.22	0.23	0.26	0.94	0.25	0.11	0.33	0.16
Total nonoperating revenues	<u>70.73%</u>	<u>72.42%</u>	<u>70.37%</u>	<u>66.38%</u>	<u>70.53%</u>	<u>71.29%</u>	<u>71.75%</u>	<u>71.52%</u>	<u>71.61%</u>
Capital appropriations	<u>8.91%</u>	<u>8.62%</u>	<u>9.11%</u>	<u>9.86%</u>	<u>6.22%</u>	<u>6.16%</u>	<u>5.89%</u>	<u>5.39%</u>	<u>5.98%</u>
Total revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: Audited financial statements.

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, 2012

Schedule of Expenses by Use

Year ended June 30

(Amounts expressed in thousands)

	<u>2012</u>	<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	\$ 76,796	78,168	73,489	69,694	68,333	64,747	63,350	64,503	62,570
Benefits	32,062	32,500	30,231	27,121	25,210	25,309	23,980	22,595	20,931
Contracted services	6,057	5,376	4,881	5,214	4,869	4,089	4,212	4,089	3,990
Supplies	2,760	3,253	2,198	2,107	2,416	1,996	2,183	1,917	1,801
Depreciation	9,764	7,660	6,493	6,588	6,374	5,947	6,086	5,675	6,662
Student aid	10,015	7,376	7,935	4,409	4,326	4,342	6,975	8,512	8,587
Other	11,897	12,948	11,730	12,269	11,692	11,109	11,383	11,129	11,055
GASB 45 (Other post-employment benefits) accrual	7,611	6,039	6,199	5,181	5,195	—	—	—	—
Total operating expenses	<u>156,962</u>	<u>153,320</u>	<u>143,156</u>	<u>132,583</u>	<u>128,415</u>	<u>117,539</u>	<u>118,169</u>	<u>118,420</u>	<u>115,596</u>
Interest on capital asset-related debt service	3,927	3,542	1,841	1,889	2,273	1,993	2,603	2,852	2,902
Total nonoperating expenses	<u>3,927</u>	<u>3,542</u>	<u>1,841</u>	<u>1,889</u>	<u>2,273</u>	<u>1,993</u>	<u>2,603</u>	<u>2,852</u>	<u>2,902</u>
Total expenses	<u>\$ 160,889</u>	<u>156,862</u>	<u>144,997</u>	<u>134,472</u>	<u>130,688</u>	<u>119,532</u>	<u>120,772</u>	<u>121,272</u>	<u>118,498</u>

See accompanying independent auditors' report.

COMMUNITY COLLEGE OF PHILADELPHIA
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Statistical Section

Years ended June 30, 2004 through June 30, 2012

Schedule of Expenses by Use

Year ended June 30

(Amounts expressed in percentages)

	<u>2012</u>	<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	47.73%	49.83%	50.68%	51.83%	52.29%	54.17%	52.45%	53.19%	52.80%
Benefits	19.93	20.72	20.85	20.17	19.29	21.17	19.86	18.63	17.66
Contracted services	3.77	3.43	3.37	3.88	3.72	3.42	3.49	3.37	3.37
Supplies	1.72	2.07	1.52	1.57	1.85	1.67	1.81	1.58	1.52
Depreciation	6.07	4.88	4.48	4.90	4.88	4.98	5.04	4.68	5.62
Student aid	6.22	4.70	5.47	3.28	3.31	3.63	5.78	7.02	7.25
Other	7.39	8.26	8.09	9.12	8.95	9.29	9.41	9.18	9.33
GASB 45 (Other post-employment benefits) accrual	4.73	3.85	4.27	3.85	3.97	—	—	—	—
Total operating expenses	<u>97.56</u>	<u>97.74</u>	<u>98.73</u>	<u>98.60</u>	<u>98.26</u>	<u>98.33</u>	<u>97.84</u>	<u>97.65</u>	<u>97.55</u>
Interest on capital asset-related debt service	2.44	2.26	1.27	1.40	1.74	1.67	2.16	2.35	2.45
Total nonoperating	<u>2.44</u>	<u>2.26</u>	<u>1.27</u>	<u>1.40</u>	<u>1.74</u>	<u>1.67</u>	<u>2.16</u>	<u>2.35</u>	<u>2.45</u>
Total expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: Audited financial statements.

See accompanying independent auditors' report.

COMMUNITY COLLEGE OF PHILADELPHIA
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Statistical Section

Years ended June 30, 2004 through June 30, 2012

Schedule of Expenses by Function

Year ended June 30

(Amounts expressed in thousands)

	<u>2012</u>	<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	\$ 62,163	62,184	57,714	53,368	51,996	48,457	47,272	49,010	47,109
Public services	63	92	46	123	93	30	70	68	141
Academic support	17,724	19,251	18,540	16,828	14,920	13,927	12,577	12,233	11,574
Student services	21,075	21,744	20,241	18,212	17,776	16,315	17,030	16,592	16,122
Institutional support	23,281	22,003	20,095	21,385	21,296	17,956	17,365	16,299	15,661
Operation and maintenance of plant	12,244	12,392	11,307	10,905	10,949	9,964	9,632	9,079	9,008
Depreciation	9,764	7,660	6,493	6,588	6,374	5,947	6,086	5,675	6,662
Student aid	10,015	7,377	7,935	4,409	4,326	4,342	7,440	8,512	8,587
Auxiliary enterprises	633	617	785	765	685	601	618	624	704
Other	—	—	—	—	—	—	78	328	28
Interest on capital debt	3,927	3,542	1,841	1,889	2,273	1,993	2,603	2,852	2,902
Total expenses by function	<u>\$ 160,889</u>	<u>156,862</u>	<u>144,997</u>	<u>134,472</u>	<u>130,688</u>	<u>119,532</u>	<u>120,771</u>	<u>121,272</u>	<u>118,498</u>

Schedule of Expenses by Function

Year ended June 30

(Percent of total expenses)

	<u>2012</u>	<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	38.64%	39.64%	39.80%	39.69%	39.79%	40.54%	39.14%	40.41%	39.76%
Public services	0.04%	0.06%	0.03%	0.09%	0.07%	0.03%	0.06%	0.06%	0.12%
Academic support	11.02%	12.28%	12.79%	12.51%	11.42%	11.65%	10.41%	10.09%	9.77%
Student services	13.10%	13.86%	13.96%	13.54%	13.60%	13.65%	14.10%	13.68%	13.61%
Institutional support	14.47%	14.03%	13.86%	15.90%	16.30%	15.02%	14.38%	13.44%	13.22%
Operation and maintenance of plant	7.61%	7.90%	7.80%	8.12%	8.37%	8.33%	7.98%	7.49%	7.59%
Depreciation	6.07%	4.88%	4.48%	4.90%	4.88%	4.98%	5.04%	4.68%	5.62%
Student aid	6.22%	4.70%	5.47%	3.28%	3.31%	3.63%	6.16%	7.02%	7.25%
Auxiliary enterprises	0.39%	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	2.44%	2.26%	1.27%	1.40%	1.74%	1.67%	2.16%	2.35%	2.45%
Total expenses by function	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: Audited financial statements.

See accompanying independent auditors' report.

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

Statistical Section

Years ended June 30, 2004 through June 30, 2012

Schedule of Net Assets and Changes in Net Assets

Year ended June 30

(Amounts expressed in thousands)

	<u>2012</u>	<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)	\$ 140,117	144,740	139,384	125,499	125,309	118,318	115,541	114,539	109,155
Total operating expenses (from schedule of expenses by use)	<u>160,889</u>	<u>156,862</u>	<u>144,997</u>	<u>134,472</u>	<u>130,688</u>	<u>119,532</u>	<u>120,771</u>	<u>121,272</u>	<u>118,498</u>
Income before other revenues and expenses	(20,772)	(12,122)	(5,613)	(8,973)	(5,379)	(1,214)	(5,230)	(6,733)	(9,343)
Capital grants and contracts	—	—	—	—	—	35	235	638	456
Deductions to permanent endowments	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(14)</u>	<u>(106)</u>	<u>(22)</u>	<u>(378)</u>	<u>(179)</u>
Total changes in net assets	(20,772)	(12,122)	(5,613)	(8,973)	(5,393)	(1,285)	(5,017)	(6,473)	(9,066)
Net assets, beginning	<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>	<u>61,716</u>
Net assets, ending	<u>\$ 65,131</u>	<u>72,255</u>	<u>70,398</u>	<u>62,290</u>	<u>62,947</u>	<u>60,578</u>	<u>54,629</u>	<u>53,121</u>	<u>52,650</u>
Invested in capital assets, net of related debt	\$ 86,331	80,136	69,278	60,947	54,231	49,504	49,416	49,372	49,754
Restricted – nonexpendable	—	—	—	—	—	13	79	100	441
Restricted – expendable	1,364	731	511	511	1,874	920	145	556	5,986
Unrestricted	<u>(4,553)</u>	<u>5,036</u>	<u>14,588</u>	<u>14,553</u>	<u>15,158</u>	<u>17,903</u>	<u>12,222</u>	<u>9,618</u>	<u>3,413</u>
Total net assets	<u>\$ 83,142</u>	<u>85,903</u>	<u>84,377</u>	<u>76,011</u>	<u>71,263</u>	<u>68,340</u>	<u>61,862</u>	<u>59,646</u>	<u>59,594</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, 2012

Fiscal Year Enrollment and Degree Statistics

	<u>2012</u>	<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	15,769	16,091	15,808	14,208	13,942	13,570	13,594	15,294	15,657
Unduplicated Credit Headcount	29,094	29,032	28,783	26,868	26,212	26,157	26,293	29,269	30,341
Percentage – Men	35.5%	35.5%	34.5%	33.7%	33.2%	32.8%	32.9%	32.5%	33.2%
Percentage – Women	64.5	64.5	65.5	66.3	66.8	67.2	67.1	67.5	66.8
Percentage – Black	49.9%	49.2%	48.9%	48.6%	48.0%	48.3%	47.8%	50.2%	51.2%
Percentage – White	24.6	24.4	25.0	25.7	25.2	26.0	26.8	26.9	25.6
Percentage – Asian	7.3	7.2	7.1	7.4	7.7	7.6	7.3	6.7	6.3
Percentage – Hispanic	4.9	6.5	7.0	6.8	6.3	5.9	5.6	5.6	5.9
Percentage – American Indian/other	0.5	0.5	0.4	0.4	0.4	0.5	0.5	0.6	0.5
Percentage – Unknown	12.9	12.2	11.6	11.1	12.4	11.7	12.0	10.0	10.5
Degrees awarded:									
Associate	1,828	1,702	1,667	1,741	1,592	1,481	1,465	1,507	1,446
Certificate	180	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, 2012

Undergraduate Average Annual Tuition and Fees

Community College of Philadelphia in Comparison to Other Selected Colleges

(Full-time Academic Year Tuition and Fee Charges)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Community College of Philadelphia	\$ 4,080	3,840	3,696	3,528	3,528	3,336	3,120	2,856	2,496
Bucks County Community College	3,888	3,744	3,264	3,096	2,976	2,904	2,784	2,832	2,832
Delaware County Community College	3,312	3,144	3,072	2,880	2,760	2,616	2,532	2,556	2,268
Montgomery County Community College	3,498	3,276	3,052	2,520	2,424	2,328	2,256	2,160	2,112
Temple University	13,596	12,424	11,764	11,448	10,802	10,380	9,640	9,102	8,594
West Chester University	8,274	7,680	7,211	6,737	6,518	6,293	6,147	6,006	5,748
Drexel University	34,405	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

	2011	2010	2009	2008	2007	2006	2005	2004
Faculty:								
Part-time	757	771	737	684	641	623	787	806
Full-time	418	413	395	393	395	399	399	393
Percentage tenured	83.0%	84.0%	79.5%	79.6%	78.5%	76.1%	74.1%	74.3%
Administrative and support staff:								
Part-time	22	19	19	23	31	31	28	31
Full-time	472	460	462	457	426	429	424	424
Total employees:								
Part-time	779	790	756	717	672	654	815	837
Full-time	890	873	857	850	821	828	823	817
Students per full-time staff:								
Number credit students	19,751	19,503	19,047	17,327	17,352	16,871	16,889	19,707
Faculty	47	47	48	44	44	42	42	50
Administrative and support staff	42	42	44	38	41	39	40	46
Average annual faculty salary	\$ 63,215	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, 2012

Gross Square Feet of College Buildings

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Main Campus – Buildings	900,613	900,613	852,445	852,445	852,445	852,445	852,445	840,877	840,877
Main Campus – 17 Street Garage	230,660	230,660	230,660	230,360	230,360	230,360	230,360	230,360	230,360
Main Campus – CBI Garage	74,902	74,902	74,902	74,902	74,902	74,902	74,902	74,902	74,902
Main Campus – 434 North 15th Street	88,500	88,500	—	—	—	—	—	—	—
Northeast Regional Center	109,075	109,075	109,075	59,876	59,876	59,876	59,876	59,876	59,876
West Regional Center	39,394	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	90,000
Total gross square feet	<u>1,533,144</u>	<u>1,525,840</u>	<u>1,389,172</u>	<u>1,339,673</u>	<u>1,339,673</u>	<u>1,339,673</u>	<u>1,339,673</u>	<u>1,328,105</u>	<u>1,328,105</u>

Source: Institutional Physical Plant Records.

Demographic Statistics

City of Philadelphia Last Eight 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
2011 – 12	1,536,471	10.8

Sources: United States Census Bureau and Bureau of Labor Statistics

See accompanying independent auditors' report.

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

Supplemental Schedules

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

Component Unit Schedule of Net Assets

June 30, 2012

(In thousands)

Assets:	
Cash on deposit and on hand	\$ 11,664
Equity in pooled cash and investments	—
Equity in treasurer's account	—
Investments	37,136
Internal balances	—
Amounts held by fiscal agent	—
Notes receivable	—
Taxes receivable	—
Accounts receivable	9,275
Allowance for doubtful accounts	(2,568)
Interest and dividends receivable	50
Due from other governments	2,609
Restricted assets	4,234
Inventories	—
Other assets	1,137
Property, plant and equipment	179,484
Total assets	<u>\$ 243,021</u>
Liabilities:	
Notes payable	\$ —
Vouchers and accounts payable	11,521
Salaries and wages payable	2,876
Accrued expenses	1,298
Funds held in escrow	123
Due to other governments	2,419
Deferred revenue	2,568
Current portion of long-term obligations	10,399
Noncurrent portion of long-term obligations	87,002
Other Post Employment Benefits (GASB 45)	30,225
Total liabilities	<u>\$ 148,431</u>
Net assets:	
Invested in capital assets, net of related debt	\$ 86,331
Restricted for:	
Capital projects	4,757
Debt service	—
Community development projects	—
Behavioral health programs	—
Intergovernmental financing	—
Tuition stabilization and scholarships	6,761
Rate stabilization	—
Unrestricted (deficit)	(3,259)
Total net assets	<u>\$ 94,590</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, 2012

(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	\$ 161,964	32,008	64,714	—	65,242
				General revenues:	
				Taxes	—
				Grants and contributions*	59,966
				Interest and investment earnings	1,118
				Miscellaneous	4,067
				Special items	—
				Transfers	—
				Total general revenues, special items and transfers	65,151
				Change in net assets	(91)
				Net assets – beginning	94,681
				Net assets – ending	\$ 94,590

* Includes Commonwealth appropriations of \$34,556 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, 2012

Capital asset business-type activity format: Fiscal year 2012

Name of company: Community College of Philadelphia

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 25,228,503	2,843,732	—	28,072,235
Fine arts	705,208	—	—	705,208
Construction in process	36,306,328	13,854,610	(32,570,498)	17,590,440
Total capital assets not being depreciated	<u>62,240,039</u>	<u>16,698,342</u>	<u>(32,570,498)</u>	<u>46,367,883</u>
Capital assets being depreciated:				
Buildings	171,920,054	30,412,625	—	202,332,679
Other improvements	34,529,740	—	(16,680,856)	17,848,884
Equipment	14,331,778	23,992,351	—	38,324,129
Furniture	1,091,683	57,450	(18,938)	1,130,195
Leasehold improvements	163,524	12,652	—	176,176
Infrastructure	—	—	—	—
Total capital assets being depreciated	<u>222,036,779</u>	<u>54,475,078</u>	<u>(16,699,794)</u>	<u>259,812,063</u>
Less accumulated depreciation for:				
Buildings	78,393,706	5,478,731	—	83,872,437
Other improvements	23,786,865	—	(9,133,587)	14,653,278
Equipment	14,083,644	12,926,095	—	27,009,739
Furniture	932,169	86,878	—	1,019,047
Leasehold improvements	91,980	48,942	—	140,922
Infrastructure	—	—	—	—
Total accumulated depreciation	<u>117,288,364</u>	<u>18,540,646</u>	<u>(9,133,587)</u>	<u>126,695,423</u>
Total capital assets being depreciated, net	<u>104,748,415</u>	<u>35,934,432</u>	<u>(7,566,207)</u>	<u>133,116,640</u>
Business-type activities capital assets, net	\$ <u>166,988,454</u>	<u>52,632,774</u>	<u>(40,136,705)</u>	<u>179,484,523</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, 2012, which collectively comprise the College's basic financial statements and have issued our report thereon dated September 28, 2012. 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

Management of the College is responsible for establishing and maintaining effective 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 28, 2012.

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 28, 2012