Financial Statements and Report of Independent Certified Public Accountants

Philadelphia Corporation for Aging

June 30, 2015 and 2014

Contents

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Report of Independent Certified Public Accountants

Board of Directors
Philadelphia Corporation for Aging

We have audited the accompanying financial statements of Philadelphia Corporation for Aging (the Corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's responsibility
Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Philadelphia Corporation for Aging as of June 30, 2015 and 2014, and the activities and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Philadelphia, Pennsylvania

March 4, 2016

Philadelphia Corporation for Aging

STATEMENTS OF FINANCIAL POSITION

June 30,

	2015	2014
ASSETS		
Cash and cash equivalents	$11,528,568	$11,325,112
Assets limited as to use - held by bond trustee	1,087,503	1,068,092
Accounts receivable		
Commonwealth of Pennsylvania	298,526	210,822
Federal, city, and other, less allowances of $670,000 in 2015 and $430,000 in 2014	7,812,898	7,446,673
Prepaid expenses	860,129	841,805
Fixed assets		
Land	3,335,373	3,335,373
Building	21,183,857	21,183,857
Building improvements	14,727,295	14,019,048
Vehicles	2,591,629	2,390,657
Furniture and equipment	2,878,566	2,918,565
Computer equipment	13,879,071	13,318,666
Total fixed assets	58,595,791	57,166,166
Less accumulated depreciation	(41,254,431)	(38,985,402)
Fixed assets, net	17,341,360	18,180,764
Bond issuance costs, net	374,406	419,321
Total assets	$39,303,390	$39,492,589
LIABILITIES AND NET ASSETS		
Accounts payable		
Trade	$ 1,403,085	$ 1,804,766
Subcontractors	3,788,204	4,293,303
Other	829,818	692,425
Accrued expenses	4,488,641	3,102,976
Accrued retirement benefits	17,924,149	9,878,552
Deferred revenue	1,535,381	1,588,835
Bonds payable	16,623,608	17,199,083
Total liabilities	46,592,886	38,559,940
Net assets (deficit)		
Unrestricted	(7,466,865)	778,174
Temporarily restricted	177,369	154,475
Total net assets (deficit)	(7,289,496)	932,649
Total liabilities and net assets	$39,303,390	$39,492,589

The accompanying notes are an integral part of these statements.

Philadelphia Corporation for Aging

STATEMENT OF ACTIVITIES

Year ended June 30, 2015

	Unrestricted	Temporarily restricted	Total
Public support and revenue			
Public support			
Federal, state, and city grants	$71,355,776	$ -	$71,355,776
Local contributions	69,579	-	69,579
Revenue			
In-kind contributions	117,667	-	117,667
Client revenues	912,768	-	912,768
Service coordination revenue	17,549,716	-	17,549,716
Enrollment revenue	225,335	-	225,335
Waiver provider revenue	4,537,220	-	4,537,220
Nursing home transition revenue	439,292	-	439,292
Foundation and other revenue	1,939,356	149,599	2,088,955
Revenue from building operations	375,385	-	375,385
Interest income	29,992	-	29,992
Net assets released from restriction	126,705	(126,705)	-
Total public support and revenue	97,678,791	22,894	97,701,685
Expenses			
Center/direct service subcontractor costs	38,881,633	-	38,881,633
Salaries	33,583,145	-	33,583,145
Payroll taxes	2,540,394	-	2,540,394
Medical and fringe benefits	6,530,994	-	6,530,994
Workers' compensation insurance	512,667	-	512,667
Retirement plans	2,506,072	-	2,506,072
Bond interest expense - building	905,008	-	905,008
Cost of building operations	339,969	-	339,969
Building repairs and maintenance	1,164,974	-	1,164,974
General business insurance	496,871	-	496,871
Telephone	605,453	-	605,453
Postage and shipping	120,705	-	120,705
Supplies and printing	715,282	-	715,282
Repairs and maintenance of equipment	650,616	-	650,616
Fleet vehicle expense	391,672	-	391,672
Professional fees	1,883,786	-	1,883,786
Local staff travel and meetings	783,186	-	783,186
Other operating expenses	1,650,393	-	1,650,393
Depreciation and amortization	2,455,328	-	2,455,328
Total expenses	96,718,148	-	96,718,148
Change in net assets before other changes	960,643	22,894	983,537
Other changes in retirement benefits	(9,205,682)	-	(9,205,682)
Change in net assets	(8,245,039)	22,894	(8,222,145)
Net assets (deficit)			
Beginning of year	778,174	154,475	932,649
End of year	$ (7,466,865)	$ 177,369	$ (7,289,496)

The accompanying notes are an integral part of this statement.

Philadelphia Corporation for Aging

STATEMENT OF ACTIVITIES

Year ended June 30, 2014

	Unrestricted	Temporarily restricted	Total
Public support and revenue			
Public support			
Federal, state, and city grants	$70,868,209	$ -	$70,868,209
Local contributions	56,853	-	56,853
Revenue			
In-kind contributions	113,925	-	113,925
Client revenues	1,482,754	-	1,482,754
Service coordination revenue	14,959,229	-	14,959,229
Enrollment revenue	321,430	-	321,430
Waiver provider revenue	4,436,188	-	4,436,188
Nursing home transition revenue	337,667	-	337,667
Foundation and other revenue	1,289,428	234,421	1,523,849
Revenue from building operations	382,478	-	382,478
Interest income	37,219	-	37,219
Net assets released from restriction	165,517	(165,517)	-
Total public support and revenue	94,450,897	68,904	94,519,801
Expenses			
Center/direct service subcontractor costs	37,688,683	-	37,688,683
Salaries	30,977,473	-	30,977,473
Payroll taxes	2,342,918	-	2,342,918
Medical and fringe benefits	6,011,852	-	6,011,852
Workers' compensation insurance	532,059	-	532,059
Retirement plans	2,293,891	-	2,293,891
Bond interest expense - building	946,185	-	946,185
Cost of building operations	333,269	-	333,269
Building repairs and maintenance	1,107,478	-	1,107,478
General business insurance	488,375	-	488,375
Telephone	591,852	-	591,852
Postage and shipping	136,333	-	136,333
Supplies and printing	937,066	-	937,066
Repairs and maintenance of equipment	625,046	-	625,046
Fleet vehicle expense	404,449	-	404,449
Professional fees	1,731,983	-	1,731,983
Local staff travel and meetings	732,619	-	732,619
Other operating expenses	1,843,137	-	1,843,137
Depreciation and amortization	2,537,082	-	2,537,082
Total expenses	92,261,750	-	92,261,750
Change in net assets before other changes	2,189,147	68,904	2,258,051
Other changes in retirement benefits	(5,428,840)	-	(5,428,840)
Change in net assets	(3,239,693)	68,904	(3,170,789)
Net assets			
Beginning of year	4,017,867	85,571	4,103,438
End of year	$ 778,174	$ 154,475	$ 932,649

The accompanying notes are an integral part of this statement.

Philadelphia Corporation for Aging

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2015	2014
Cash flows from operating activities		
Change in net assets	$ (8,222,145)	$ (3,170,789)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,455,328	2,537,082
Other changes in retirement benefits	9,205,682	5,428,840
Changes in assets and liabilities		
Accounts receivable	(453,929)	21,119
Prepaid expenses	(18,324)	(96,313)
Accounts payable	(769,387)	1,381,537
Accrued expenses	1,385,666	362,599
Accrued retirement benefits	(1,160,086)	(2,017,041)
Deferred revenue	(53,454)	(145,921)
Net cash provided by operating activities	2,369,351	4,301,113
Cash flows from investing activities		
Assets limited as to use held by bond trustee	(19,411)	(20,797)
Purchases of fixed assets, net	(1,551,484)	(2,051,970)
Net cash used in investing activities	(1,570,895)	(2,072,767)
Cash flows from financing activities		
Repayment of line of credit	-	(100,000)
Payments on bonds payable	(595,000)	(555,000)
Net cash used in financing activities	(595,000)	(655,000)
Net increase in cash and cash equivalents	203,456	1,573,346
Cash and cash equivalents at beginning of year	11,325,112	9,751,766
Cash and cash equivalents at end of year	$ 11,528,568	$ 11,325,112
Supplemental cash flow information		
Noncash operating activity		
In-kind contributions	$ 117,667	$ 113,925
Interest paid	$ 905,008	$ 965,388

The accompanying notes are an integral part of these statements.

NOTE A - CORPORATE ORGANIZATION AND PURPOSE

Philadelphia Corporation for Aging (the Corporation) was formed on January 26, 1973, as a Pennsylvania nonprofit corporation, primarily for the purpose of planning, coordinating, and administering service programs for the elderly people of the City of Philadelphia. These activities have been funded principally through grants under Title III of the Older Americans Act of 1965 and the Pennsylvania State Lottery. These funds are administered as a block grant by the Commonwealth of Pennsylvania. The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for certain unrelated business income for which the Corporation may be liable for taxes.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. Not-for-profit accounting requires that net assets, revenues, expenses, and gains and losses be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions.

Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions recognized as net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service.

2. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the determination of allowances on accounts receivable, useful lives of fixed assets and actuarial estimates for the postretirement benefit plans. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

The Corporation has a cash management program with its bank to maximize its investment earnings. Under this program, all available cash earns competitive interest while remaining 100% liquid.

The Corporation maintains checking accounts with a financial institution. The amounts exceed Federal Depository Insurance limits. However, management believes that the Corporation is not exposed to significant credit risk due to the financial position of the depository institution in which the deposits are held.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Assets Limited as to Use

Assets limited as to use held by bond trustee are for payments of principal and interest due on the bonds and consist of cash and cash equivalents.

5. Fixed Assets

The cost of vehicles, furniture and equipment, and buildings and improvements is capitalized and depreciated on a straight-line basis over their useful lives, which are three years for vehicles, five years for furniture and equipment, five years for computer equipment, ten years for building improvements, and twenty-five years for buildings. Depreciation expense was $2,390,888 and $2,468,973 for the years ended June 30, 2015 and 2014, respectively. Disposition of assets or changes in use during the grant period will, in the absence of a specific waiver, entitle the funding agency to recapture a portion of the funding supplied for such improvements based on current value. To date, no such amounts have been subject to recapture.

6. Bond Issuance Costs

Bond issuance costs are amortized using the effective interest method over the life of the related bond issue, and are recorded as a component of depreciation and amortization expense in the statements of activities. The accumulated amortization totaled $909,776 and $864,861 at June 30, 2015 and 2014, respectively.

7. Grant Revenue Recognition and Deferred Revenue

The policy of the Corporation is to recognize revenue based upon either incurring related expenses under a contract or grant or completion of contract compliance. Deferred revenue represents funds that are received before the revenue recognition criteria have been met.

The Corporation maintains an allowance for any receivables from the cost-share program, service coordination billings, and other programs based on historical experience.

8. Service Coordination Revenue

The Aging Waiver Program is paid based on a specific rate established by the Pennsylvania Department of Human Services for each quarter hour worked, which is presented as service coordination revenue in the statements of activities.

(Continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. In-Kind and Client Revenues

The Corporation supports subrecipient organizations who then provide services to the elderly. The Corporation records the amount funded or contributed to the program by the subrecipient as in-kind contribution revenue and a corresponding amount in the respective expense category.

The Corporation receives cash payments from elderly recipients of services, which cover a portion of the cost of the services being provided to them. These are recorded as client revenues in the statements of activities.

10. Advertising Costs

Advertising costs are expensed as incurred and totaled approximately $43,000 and $257,000 for the years ended June 30, 2015 and 2014, respectively.

11. Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for GAAP and International Financial Reporting Standards. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. ASU 2014-09, as amended, is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is not permitted. An entity will apply the amendments in this update using either a full retrospective application, which applies the standard to each prior period presented, or under the modified retrospective application, an entity recognizes the cumulative effect of initially applying the new standard as an adjustment to the opening balance sheet of net assets at the date of initial application. Revenue in periods presented before that date will continue to be reported under guidance in effect before the change. Currently, management is interpreting ASU 2014-09 and its effects on the Corporation's financial statements.

NOTE C - DEBT

	June 30, 2015	June 30, 2014
Philadelphia Authority for Industrial Development (PAID) Taxable Revenue Bonds - 2001A and Revenue Bonds - 2001B, principal payments ranging from $495,000 to $1,465,000 due on July 1 of each year through 2031, with interest due January 1 and July 1 of each year	$ 16,820,000	$ 17,415,000
Bond original issue discount Revenue Bonds - 2001B	(196,392)	(215,917)
	$ 16,623,608	$ 17,199,083

In April 2001, the Corporation issued $22,255,000 in PAID bonds insured by Ambac Insurance Corporation (Ambac), to purchase land and an office building located at 642 North Broad Street in Philadelphia, Pennsylvania. The 6.92% 2001A taxable revenue bonds mature in 2016. The 5.25% 2001B revenue bonds are broken into three groups for maturity: $5,645,000 mature in 2023, $3,235,000 mature in 2026, and $6,625,000 mature in 2031. The loan obligations of the Corporation are secured by a security interest in the revenues of the Corporation in favor of US Bank (the Trustee). Revenues are defined to include unrestricted revenues of the Corporation.

The Corporation is required to maintain certain financial covenants under the terms of the Loan Agreement, including the maintenance of a minimum debt service coverage ratio and liquidity ratio. The Corporation was in compliance with these financial covenants as of June 30, 2015.

The fair value of the Corporation's long-term debt, estimated based on current rates offered for similar issues with similar security, terms, and maturities, approximates $16,955,000 and $17,534,000 at June 30, 2015 and 2014, respectively.

The aggregate amount of principal payments required for the next five fiscal years and thereafter is as follows:

2016	$ 635,000
2017	680,000
2018	495,000
2019	755,000
2020	790,000
Thereafter	13,465,000
	$ 16,820,000

The Corporation had a line of credit with a limit up to $10,000,000, as defined. At June 30, 2014, there were no amounts outstanding under the line of credit. In November 2015, the line of credit was increased to $14,000,000, and the outstanding balance was paid in full in January 2016.

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include contributions whose use by the Corporation is limited by donor-imposed stipulations or legal restrictions that expire by passage of time or can be fulfilled and removed by actions of the Corporation pursuant to those stipulations. At June 30, 2015 and 2014, temporarily restricted net assets include gifts from foundations and individual donors, which are required to be used for a specific program that benefits the elderly.

NOTE E - FUNCTIONAL EXPENSES

The costs of the activities and the services provided by the Corporation are presented by natural classification in the statements of activities. The costs of the activities and the services provided by the Corporation have also been allocated on a functional basis as follows:

	Year ended June 30,	
	2015	2014
Program services		
Long-term care	$ 62,516,397	$ 59,976,047
Environmental modifications	3,826,106	3,638,366
Community services	13,593,101	13,789,829
Access services	8,234,733	8,067,885
	88,170,337	85,472,127
Administrative support	8,547,811	6,789,623
	$ 96,718,148	$ 92,261,750

NOTE F - RETIREMENT BENEFITS

The Corporation has a noncontributory defined benefit pension plan (the Plan) that covers virtually all full-time employees. Retirement benefits are based on years of service and level of compensation during either the last three years of employment or the highest three consecutive salary years occurring during the last ten years prior to retirement. The Corporation's funding policy is to contribute annually an amount equal to at least the minimum required contribution in accordance with minimum funding standards established by the Employee Retirement Income Security Act of 1974. At June 30, 2015, the mortality table used for projecting the benefit obligation was changed to the RP-2014 Mortality Table with Scale MP-2014.

The Corporation also provides postretirement life insurance benefits (Other Benefits) to retired employees who meet minimum age and service requirements. The Corporation provides life insurance coverage equal to 100% of the retiree's final salary before age 70, and 50% of the retiree's final salary age 70 or older. The Corporation's current policy is to fund the cost of life insurance benefits on a pay-as-you-go basis.

(Continued)

NOTE F - RETIREMENT BENEFITS - Continued

The following table presents a reconciliation of the beginning and ending balances of the projected obligations, the fair value of plan assets, and the funded status of the plans at June 30:

	Pension benefits		Other benefits	
	2015	2014	2015	2014
Changes in benefit obligation				
Benefit obligation at beginning of year	$ 88,627,657	$ 72,033,673	$ 3,349,591	$ 3,005,867
Service cost	3,512,318	3,212,945	119,388	115,099
Interest cost	3,818,634	3,491,563	143,974	145,522
Actuarial loss (gain)	6,798,378	11,172,000	(325,470)	89,035
Benefits and expenses paid	(1,506,895)	(1,282,524)	(6,158)	(5,932)
Benefit obligation at end of year	$ 101,250,092	$ 88,627,657	$ 3,281,325	$ 3,349,591
Changes in plan assets				
Fair value of plan assets at beginning of year	$ 82,098,696	$ 68,572,787	$ -	$ -
Actual return on plan assets	2,355,467	10,503,433	-	-
Contributions by the Corporation	3,660,000	4,305,000	6,158	5,932
Benefits and expenses paid	(1,506,895)	(1,282,524)	(6,158)	(5,932)
Fair value of plan assets at end of year	86,607,268	82,098,696	-	-
Funded status - amount recognized in accrued retirement benefits	$ (14,642,824)	$ (6,528,961)	$ (3,281,325)	$ (3,349,591)
Accumulated benefit obligation	$ 93,688,162	$ 82,716,761	$ N/A	$ N/A
Amounts recognized in accumulated net assets consist of				
Net actuarial loss (gain)	$ 25,933,692	$ 16,626,703	$ (1,405,128)	$ (1,303,821)

(Continued)

NOTE F - RETIREMENT BENEFITS - Continued

	Pension benefits		Other benefits	
	2015	2014	2015	2014
Components of net periodic benefit costs				
Service cost	$ 3,512,318	$ 3,212,945	$ 119,388	$ 115,099
Interest cost	3,818,634	3,491,563	143,974	145,522
Expected return on assets	(5,688,276)	(4,949,396)	-	-
Amortization of prior service cost	-	-	(269,560)	(269,560)
Recognized actuarial losses	824,197	503,356	45,397	44,362
Net periodic benefit cost	2,466,873	2,258,468	39,199	35,423
Other changes in retirement benefits recognized in unrestricted net assets				
Current year actuarial loss (gain)	9,306,989	5,114,607	(101,307)	314,233
Total recognized in net benefit cost and other changes in unrestricted net assets	$ 11,773,862	$ 7,373,075	$ (62,108)	$ 349,656
Estimated amounts from unrestricted net assets into net period benefit cost over the next fiscal year				
Amortization of net loss	$ 1,641,608	$ 824,197	$ 11,635	$ 45,397
Amortization of prior service cost	-	-	(269,560)	(269,560)
Weighted-average assumptions used to determine benefit obligations at June 30				
Discount rate	4.50%	4.35%	4.50%	4.35%
Rate of increase in future compensation levels	1.90%	1.90%	1.90%	1.90%
Measurement date	June 30	June 30	June 30	June 30
Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30				
Discount rate	4.35%	4.90%	4.35%	4.90%
Rate of increase in future compensation levels	1.90%	2.50%	1.90%	2.50%
Expected long-term rate of return on assets	7.00%	7.30%	N/A	N/A

(Continued)

NOTE F - RETIREMENT BENEFITS - Continued

The expected long-term rate of return on plan assets assumption of 7.0% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Based on the Corporation's investment policy for the pension plan in effect as of the beginning of fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30-year period rolling averages. An average inflation rate within the range equal to 3.75% was selected and added to the real rate of return range to arrive at a best estimate range of 7.15%-9.35%. A rate near the midpoint of the best estimate range of 7.0% was selected.

Plan Assets

The Corporation's weighted-average asset allocations by asset category for the Plan are as follows:

	2015	2014
Asset category		
Debt securities	50%	50%
Equity securities	45	45
Real estate	5	5
	100%	100%

The investment policy and strategy for the Plan assets has established guidelines for an asset mix that provides diversification to absorb risk while not sacrificing investment returns. The guidelines are developed as ranges for each asset class. These guidelines are 45% equity securities, 50% fixed income investments, and 5% real estate investments. This ratio is a central point of tendency, with the actual ratio at any time possibly being higher or lower. Additionally, a liquid reserve amount will be maintained at all times in one or more cash equivalents.

Fair Value of the Plan Assets

The Corporation measures fair value as the price that would be received to sell an asset or paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date. The accounting guidance outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures.

The fair value hierarchy is broken down into three levels based on the source of inputs: Level 1 - defined as observable inputs such as quoted prices in active markets; Level 2 - defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3 - defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

In determining fair value, the Corporation uses the market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

(Continued)

NOTE F - RETIREMENT BENEFITS - Continued

In determining fair value, the Corporation uses quoted prices and observable inputs. Observable inputs are inputs that market participants would use in pricing the assets or liabilities based on market data obtained from sources independent of the Corporation. The Corporation did not have any Level 3 assets or liabilities.

The following fair value hierarchy table presents information about each major category of the Plan's financial assets measured at fair value, using the market approach, on a recurring basis as of June 30:

	Fair value measurement at report date using		
	Total	(Level 1)	(Level 2)
2015			
Debt securities [a]	$ 43,243,325	$ 26,895,118	$ 16,348,207
Equity securities [b]	39,027,550	28,620,204	10,407,346
Real estate funds	4,336,393	-	4,336,393
	$ 86,607,268	$ 55,515,322	$ 31,091,946
2014			
Debt securities [a]	$ 40,955,125	$ 29,487,409	$ 11,467,716
Equity securities [b]	37,003,572	25,934,073	11,069,499
Real estate funds	4,117,699	-	4,117,699
Other	22,300	-	22,300
	$ 82,098,696	$ 55,421,482	$ 26,677,214

[a] Comprised of investment grade bonds of U.S. issuers from various industries.

[b] Comprised of mutual funds investing in at least 90% of assets in common stock of companies with large market capitalizations similar to companies in the Standard & Poor's (S&P) 500 Index.

Cash Flows

Contributions

The Corporation expects to contribute $3,600,000 to the retirement plans for the year ending June 30, 2016. This will be evaluated on a quarterly basis and is subject to change.

(Continued)

NOTE F - RETIREMENT BENEFITS - Continued

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension benefits	Postretirement benefits
2016	$ 1,933,310	$ 77,444
2017	2,198,786	89,006
2018	2,525,164	97,128
2019	2,900,887	113,339
2020	3,309,365	120,403
2021-2025	23,457,838	714,965

Effective April 2014, the Corporation formed a 457(b) deferred compensation plan covering certain employees. Employer contributions to the 457(b) deferred compensation plan are based on a formula as defined by the 457(b) plan document. The Corporation expensed $30,000 to the 457(b) deferred compensation plan for the years ended June 30, 2015 and 2014.

NOTE G - BUILDING OPERATIONS

The Corporation rents office space in its corporate headquarters' building at 642 North Broad Street in Philadelphia, Pennsylvania to unrelated third parties. Building operations and the net cost incurred by the Corporation can be summarized as follows:

	Year ended June 30, 2015	2014
Revenue from building tenants	$ 375,385	$ 382,478
Expenditures related to building operations		
Bond interest expense	905,008	946,185
Principal bond payment funded	635,000	595,000
Cost of building operations	339,969	333,269
Total expenditures related to building operations	1,879,977	1,874,454
Net cost of occupancy	$ 1,504,592	$ 1,491,976

Occupancy costs incurred by the Corporation are funded by various funding sources.

NOTE H - COMMITMENTS AND CONTINGENCIES

The Corporation is subject to legal proceedings and claims that arise in the ordinary course of its operations. In the opinion of management, the amount of ultimate liability with respect to these actions would not materially affect the financial position of the Corporation.

The use of grant monies received by the Corporation for funding certain programs or projects is subject to the compliance audits by disbursing government agencies and is subject to the requirements of Office of Management and Budget (OMB) Circular A-133. The Corporation believes it is in compliance with all significant grant requirements.

NOTE I - CONCENTRATION RISK

The Corporation receives revenues from the Commonwealth of Pennsylvania (the Commonwealth), Federal Government, City of Philadelphia, and other sources. State, federal, and city grants represent 73% of total public support and service revenue for the years ended June 30, 2015 and 2014. As of March 4, 2016, the Commonwealth's annual budget has not been approved. The Commonwealth has approved emergency funding to the Corporation, and the Corporation is current with funding payments from the Commonwealth through March 4, 2016. Management expects to continue to receive this emergency funding until the annual budget is approved.

NOTE J - SUBSEQUENT EVENTS

The Corporation evaluated its June 30, 2015 financial statements for subsequent events through March 4, 2016, the date the financial statements were available to be issued. The Corporation is not aware of any subsequent events, except as noted elsewhere, which would require recognition or disclosure in the financial statements.