

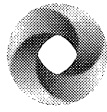
Financial Statements and Report of Independent
Certified Public Accountants

Philadelphia Corporation for Aging

June 30, 2010 and 2009

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Report of Independent Certified Public Accountants

The Board of Directors
Philadelphia Corporation for Aging

We have audited the accompanying statement of financial position of Philadelphia Corporation for Aging (the Corporation) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Philadelphia Corporation for Aging as of and for the year ended June 30, 2009 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated December 8, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of Philadelphia Corporation for Aging as of June 30, 2010, and its activities and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Philadelphia, Pennsylvania

December 13, 2010

Philadelphia Corporation for Aging

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS	2010	2009
Cash and cash equivalents	\$10,617,396	\$12,182,689
Accounts receivable		
Commonwealth of Pennsylvania	7,581,721	6,766,851
Federal, city, and other	1,821,672	1,650,933
Prepaid expenses	864,030	825,501
Fixed assets		
Land	3,335,373	3,335,373
Building	21,183,858	21,183,858
Building improvements	11,504,415	15,301,712
Vehicles	2,202,625	2,189,492
Furniture and equipment	3,161,008	3,483,951
Computer equipment	<u>12,718,695</u>	<u>12,263,493</u>
Total fixed assets	54,105,974	57,757,879
Less accumulated depreciation	<u>(32,628,359)</u>	<u>(34,638,526)</u>
Fixed assets, net	21,477,615	23,119,353
Bond issuance costs, net	<u>927,347</u>	<u>1,160,808</u>
 Total assets	 <u>\$43,289,781</u>	 <u>\$45,706,135</u>
 LIABILITIES AND NET ASSETS		
Accounts payable		
Trade	\$ 2,619,936	\$ 2,487,273
Subcontractors	4,590,812	5,058,821
Other	661,361	593,941
Accrued expenses	13,961,406	9,929,129
Deferred revenue	1,711,968	1,985,066
Bonds payable	<u>18,975,000</u>	<u>19,430,000</u>
 Total liabilities	 42,520,483	 39,484,230
Net assets		
Unrestricted	691,033	6,040,248
Temporarily restricted	<u>78,265</u>	<u>181,657</u>
 Total net assets	 <u>769,298</u>	 <u>6,221,905</u>
 Total liabilities and net assets	 <u>\$43,289,781</u>	 <u>\$45,706,135</u>

The accompanying notes are an integral part of these statements.

Philadelphia Corporation for Aging

STATEMENT OF ACTIVITIES

Year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Public support and revenue			
Public support			
Federal, state, and city grants	\$93,489,001	\$ -	\$93,489,001
Local contributions	120,620	-	120,620
Revenue			
In-kind contributions	171,356	-	171,356
Client revenues	1,473,100	-	1,473,100
Foundation and other revenue	567,230	161,531	728,761
Revenue from building operations	984,780	-	984,780
Interest income	56,119	-	56,119
Net assets released from restriction	264,923	(264,923)	-
Total public support and revenue	<u>97,127,129</u>	<u>(103,392)</u>	<u>97,023,737</u>
Expenses			
Center/direct service subcontractor costs	42,488,983	-	42,488,983
Salaries	29,501,539	-	29,501,539
Payroll taxes	2,303,411	-	2,303,411
Medical and fringe benefits	5,933,232	-	5,933,232
Workers' compensation insurance	305,532	-	305,532
Retirement plans	2,908,956	-	2,908,956
Bond interest expense - building	1,085,029	-	1,085,029
Cost of building operations	523,833	-	523,833
Building repairs and maintenance	969,927	-	969,927
General business insurance	374,761	-	374,761
Telephone	443,172	-	443,172
Postage and shipping	119,522	-	119,522
Supplies and printing	1,063,620	-	1,063,620
Repairs and maintenance of equipment	1,081,422	-	1,081,422
Operating costs of vehicles	339,273	-	339,273
Professional fees	2,662,384	-	2,662,384
Local staff travel and meetings	885,067	-	885,067
Other operating expenses	1,995,019	-	1,995,019
Depreciation and amortization	2,965,485	-	2,965,485
Total expenses	<u>97,950,167</u>	<u>-</u>	<u>97,950,167</u>
Change in net assets before other changes	(823,038)	(103,392)	(926,430)
Other changes in pension and other benefits liability	<u>(4,526,177)</u>	<u>-</u>	<u>(4,526,177)</u>
Change in net assets	(5,349,215)	(103,392)	(5,452,607)
Net assets			
Beginning of year	<u>6,040,248</u>	<u>181,657</u>	<u>6,221,905</u>
End of year	<u>\$ 691,033</u>	<u>\$ 78,265</u>	<u>\$ 769,298</u>

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES

Year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Public support and revenue			
Public support			
Federal, state, and city grants	\$92,764,823	\$ -	\$92,764,823
Local contributions	164,043	-	164,043
Revenue			
In-kind contributions	132,587	-	132,587
Client revenues	1,134,440	-	1,134,440
Foundation and other revenue	597,148	163,533	760,681
Revenue from building operations	1,060,863	-	1,060,863
Interest income	119,526	-	119,526
Net assets released from restriction	196,676	(196,676)	-
Total public support and revenue	<u>96,170,106</u>	<u>(33,143)</u>	<u>96,136,963</u>
Expenses			
Center/direct service subcontractor costs	41,714,066	-	41,714,066
Salaries	28,753,075	-	28,753,075
Payroll taxes	2,181,581	-	2,181,581
Medical and fringe benefits	5,548,348	-	5,548,348
Workers' compensation insurance	242,125	-	242,125
Retirement plans	2,779,610	-	2,779,610
Bond interest expense - building	1,114,640	-	1,114,640
Cost of building operations	418,602	-	418,602
Building repairs and maintenance	792,232	-	792,232
General business insurance	376,438	-	376,438
Telephone	389,582	-	389,582
Postage and shipping	123,620	-	123,620
Supplies and outside printing	1,310,245	-	1,310,245
Repairs and maintenance of equipment	988,600	-	988,600
Operating costs of vehicles	323,817	-	323,817
Professional fees	2,632,499	-	2,632,499
Local staff travel and meetings	865,323	-	865,323
Other operating expenses	2,499,339	-	2,499,339
Depreciation and amortization	2,736,540	-	2,736,540
Total expenses	<u>95,790,282</u>	<u>-</u>	<u>95,790,282</u>
Change in net assets before other changes	379,824	(33,143)	346,681
Other changes in pension and other benefits liability	(4,211,854)	-	(4,211,854)
Transition adjustment due to adoption of measurement date provision	(617,411)	-	(617,411)
Change in net assets	(4,449,441)	(33,143)	(4,482,584)
Net assets			
Beginning of year	<u>10,489,689</u>	<u>214,800</u>	<u>10,704,489</u>
End of year	<u>\$ 6,040,248</u>	<u>\$ 181,657</u>	<u>\$ 6,221,905</u>

The accompanying notes are an integral part of this statement.

Philadelphia Corporation for Aging

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ (5,452,607)	\$ (4,482,584)
Adjustments to reconcile change in net assets (deficiency) to net cash (used in) provided by operating activities		
Depreciation and amortization	2,965,485	2,736,540
Other changes in pension and other benefits liability	4,526,177	4,211,854
Transition adjustment due to adoption of measurement date provision	-	617,411
Changes in assets and liabilities		
Restricted cash	-	71,388
Accounts receivable	(985,609)	(172,860)
Prepaid expenses	(38,529)	(65,994)
Accounts payable	(267,926)	92,623
Accrued expenses	(493,900)	(778,208)
Deferred revenue	<u>(273,098)</u>	<u>(32,184)</u>
Net cash (used in) provided by operating activities	(20,007)	2,197,986
Cash flows from investing activities		
Purchases of fixed assets, net	<u>(1,090,286)</u>	<u>(1,341,524)</u>
Net cash used in investing activities	(1,090,286)	(1,341,524)
Cash flows from financing activities		
Payments on bonds payable	<u>(455,000)</u>	<u>(425,000)</u>
Net cash used in financing activities	<u>(455,000)</u>	<u>(425,000)</u>
Net (decrease) increase in cash and cash equivalents	(1,565,293)	431,462
Cash and cash equivalents at beginning of year	<u>12,182,689</u>	<u>11,751,227</u>
Cash and cash equivalents at end of year	<u>\$10,617,396</u>	<u>\$12,182,689</u>
Supplemental cash flow information		
Noncash operating activity		
In-kind contributions	<u>\$ 171,356</u>	<u>\$ 132,587</u>
Interest paid	<u>\$ 1,085,029</u>	<u>\$ 1,114,640</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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 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 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 allowance for doubtful useful lives of property and equipment, and actuarial estimates for the postretirement benefit plans. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

Restricted cash represents unexpended bond proceeds that are held by a trustee.

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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. 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, and twenty-five years for buildings. Depreciation expense was \$2,732,024 and \$2,666,188 for the years ended June 30, 2010 and 2009, respectively. Disposition of assets or changes in use during the grant period will, in the absence of a specific waiver, entitle the federal government 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.

5. Bond Issuance Costs

Bond issuance costs are amortized using the effective interest method over the life of the related bond issue, and are recorded in depreciation and amortization expense. The accumulated amortization totaled \$831,454 and \$597,993 at June 30, 2010 and 2009, respectively.

6. 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.

7. 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.

8. Advertising Costs

Advertising costs are expensed as incurred and totaled approximately \$260,000 and \$470,000 for the years ended June 30, 2010 and 2009, respectively.

9. Reclassification

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Recently Adopted Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued an accounting pronouncement establishing the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities. This guidance was effective for financial statements issued for periods ending after September 15, 2009. On the effective date, all accounting and reporting standards were superseded. The Corporation adopted the presentation for the annual period ended June 30, 2010, as required, and adoption did not have a material impact on the Corporation's financial statements.

In December 2008, the FASB issued amended authoritative guidance for employers' disclosures about pensions and other postretirement benefits, which requires disclosures to provide users of financial statements an understanding of investment allocation decisions, major categories of plan assets, inputs and valuation techniques used to measure fair value of plan assets, effect of fair value measurements using significant unobservable inputs on changes in plan assets and significant concentrations of risk within plan assets. The guidance is effective for financial statements issued for fiscal years ending after December 15, 2009. The Corporation adopted this guidance as of June 30, 2010 and did not have a material impact on the financial condition and results of its activities. Expanded disclosures are included in Note F.

11. Subsequent Events

The Corporation has evaluated its June 30, 2010 financial statements for subsequent events through December 13, 2010, the date the financial statements were available to be issued. The Corporation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE C - DEBT

	<u>2010</u>	<u>2009</u>
Philadelphia Authority for Industrial Development (PAID) Taxable Revenue Bonds - 2001A, Revenue Bonds - 2001B (outstanding), principal payments ranging from \$485,000 to \$1,465,000 due on July 1 of each year through 2031 with interest due January 1 and July 1 of each year.	\$ 18,975,000	\$ 19,430,000
Current portion	<u>485,000</u>	<u>455,000</u>
Long-term portion	<u>\$ 18,490,000</u>	<u>\$ 18,975,000</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE C - DEBT - Continued

In April 2001, the Corporation issued \$22,255,000 in Philadelphia Authority for Industrial Development 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 million mature in 2023, \$3.235 million mature in 2026, and \$6.625 million 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 is in compliance with all financial covenants at June 30, 2010 and 2009.

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 \$18,416,000 and \$20,303,000 at June 30, 2010 and 2009, respectively.

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

2011	\$ 485,000
2012	520,000
2013	555,000
2014	595,000
2015	635,000
Thereafter	<u>16,185,000</u>
	<u>\$ 18,975,000</u>

The Corporation has a line of credit, which expires June 30, 2011 with a limit up to \$10,000,000, as defined. At June 30, 2010 and 2009, there were no amounts outstanding under the line of credit.

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, 2010 and 2009, temporarily restricted net assets include gifts from foundations, which are required to be used for a specific program that benefits the elderly.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

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,	
	<u>2010</u>	<u>2009</u>
Program services		
Long-term care	\$ 66,089,698	\$ 64,696,407
Environmental modifications	3,178,511	3,197,463
Community services	14,655,652	14,101,830
Access services	<u>7,808,238</u>	<u>7,961,979</u>
	91,732,099	89,957,679
Administrative support	<u>6,218,068</u>	<u>5,832,603</u>
	<u>\$ 97,950,167</u>	<u>\$ 95,790,282</u>

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.

The Corporation adopted *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* provision regarding the elimination of an early measurement date for plan assets and obligations on July 1, 2008. The change in measurement date resulted in an increase in the pension liability and an adjustment to unrestricted net assets of \$617,411 for the year ended June 30, 2009.

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

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

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	
	2010	2009	2010	2009
Changes in benefit obligations				
Benefit obligation at beginning of year	\$ 40,183,239	\$ 37,671,404	\$ 2,749,509	\$ 2,972,280
Service cost	2,495,318	3,224,397	172,045	191,888
Interest cost	2,416,260	3,124,246	205,572	195,078
Actuarial loss (gain)	5,334,139	(2,901,750)	1,036,051	(532,737)
Benefits and expenses paid	<u>(1,563,778)</u>	<u>(935,058)</u>	<u>(4,515)</u>	<u>(77,000)</u>
Benefit obligation at end of year	<u>\$ 48,865,178</u>	<u>\$ 40,183,239</u>	<u>\$ 4,158,662</u>	<u>\$ 2,749,509</u>
Changes in plan assets				
Fair value of plan assets at beginning of year	\$ 35,729,278	\$ 37,039,164	\$ -	\$ -
Actual return on plan assets	4,219,738	(4,384,753)	-	-
Contributions by the Corporation	3,450,000	4,009,925	4,515	77,000
Benefits and expenses paid	<u>(1,563,778)</u>	<u>(935,058)</u>	<u>(4,515)</u>	<u>(77,000)</u>
Fair value of plan assets, end of year	<u>\$ 41,835,238</u>	<u>\$ 35,729,278</u>	<u>\$ -</u>	<u>\$ -</u>
Funded status - amount recognized in accrued expenses	<u>\$ (7,029,940)</u>	<u>\$ (4,453,961)</u>	<u>\$ (4,158,662)</u>	<u>\$ (2,749,509)</u>
Accumulated benefit obligation	<u>\$ 41,095,104</u>	<u>\$ 32,621,025</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Amounts recognized in accumulated net assets consist of				
Net actuarial loss (gain)	<u>\$ 12,675,833</u>	<u>\$ 9,185,708</u>	<u>\$ 542,050</u>	<u>\$ (494,001)</u>
Components of net periodic benefit costs				
Service cost	\$ 2,495,318	\$ 2,579,518	\$ 172,045	\$ 191,888
Interest cost	2,416,260	2,499,397	205,572	195,078
Expected return on assets	(2,890,797)	(2,846,724)	-	-
Recognized actuarial losses	<u>515,703</u>	<u>237,453</u>	<u>-</u>	<u>-</u>
Net periodic benefit cost	<u>\$ 2,535,854</u>	<u>\$ 2,460,644</u>	<u>\$ 377,617</u>	<u>\$ 386,966</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE F - RETIREMENT BENEFITS - Continued

	<u>Pension benefits</u>		<u>Other benefits</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Other changes in pension and other benefits liability recognized in unrestricted net assets				
Current-year actuarial loss (gain)	\$ 3,490,125	\$ 5,041,407	\$ 1,036,051	\$ (532,737)
Recognized actuarial loss	<u>-</u>	<u>(296,816)</u>	<u>-</u>	<u>-</u>
Total recognized in unrestricted net assets	3,490,125	4,744,591	1,036,051	(532,737)
Decrease in accumulated unrestricted net assets due to adoption of measurement provision	<u>-</u>	<u>617,411</u>	<u>-</u>	<u>-</u>
Total recognized in net benefit cost and unrestricted net assets	<u>\$ 6,025,979</u>	<u>\$ 7,831,646</u>	<u>\$ 1,413,668</u>	<u>\$ (145,771)</u>

At June 30, 2010, the expected estimated amount from unrestricted net assets into net periodic benefit cost for the next year is:

	<u>Pension benefits</u>		<u>Other benefits</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net actuarial loss		\$ <u>909,967</u>		\$ <u>11,524</u>
Weighted-average assumptions used to determine benefit obligations at June 30				
Discount rate	5.60%	6.25%	5.60%	6.25%
Rate of increase in future compensation levels	3.50%	3.50%	3.50%	3.50%
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	6.25%	6.25%	6.25%	6.25%
Rate of increase in future compensation levels	3.50%	3.50%	3.50%	3.50%
Expected long-term rate of return on assets	8.00%	8.00%	N/A	N/A

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE F - RETIREMENT BENEFITS - Continued

The expected long-term rate of return on plan assets assumption of 8.0% 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 8.0% was selected.

Plan Assets

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

	<u>2010</u>	<u>2009</u>
Asset category		
Cash equivalents	18%	19%
Fixed income	34	32
Equity securities	<u>48</u>	<u>49</u>
	<u>100%</u>	<u>100%</u>

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 50% equity securities and 50% fixed income 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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE F - RETIREMENT BENEFITS - Continued

Fair Value of the Plan Assets

The following fair value hierarchy table presents information about each major category of the Plan's financial assets measured at fair value on a recurring basis as of June 30, 2010:

	<u>Fair value measurement at report date using</u>		
	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Valuation technique (1)</u>
Cash and cash equivalents	\$ 7,477,267	\$ 7,477,267	M
Fixed income (a)	14,416,590	14,416,590	M
Equity securities (b)	<u>19,941,381</u>	<u>19,941,381</u>	M
	<u>\$ 41,835,238</u>	<u>\$ 41,835,238</u>	

- (1) The three valuation techniques available are as follows: market approach (M), cost approach (C), and income approach (I).
- (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.

The Plan has no assets that are either Level 2 or Level 3 under the fair value hierarchy.

Cash Flows*Contributions*

Based on the funded status of the Plan as of June 30, 2010, the Corporation plans to contribute \$3,420,000 for the year ended June 30, 2011. This will be evaluated on a quarterly basis and is subject to change.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

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:

	<u>Pension benefits</u>	<u>Other benefits</u>
2011	\$ 854,097	\$ 82,741
2012	1,000,665	91,670
2013	1,226,198	101,848
2014	1,477,098	114,936
2015	1,735,100	128,675
2015-2020	15,125,178	931,450

NOTE G - BUILDING OPERATIONS

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

	<u>Year ended June 30, 2010</u>	<u>2009</u>
Revenue from building tenants	\$ 984,780	\$ 1,060,863
Expenditures related to building operations		
Bond interest expense	1,085,029	1,114,640
Principal bond payment	455,000	425,000
Cost of building operations	<u>523,833</u>	<u>418,602</u>
Total expenditures related to building operations	<u>2,063,862</u>	<u>1,958,242</u>
Net cost of occupancy	<u>\$ 1,079,082</u>	<u>\$ 897,379</u>

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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE H - COMMITMENTS AND CONTINGENCIES - Continued

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 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, Federal Government, City of Philadelphia, and other sources. State, federal, and city grants represent 95% of total public support and revenue for the years ended June 30, 2010 and 2009. There can be no assurance that payments under government programs will remain at levels comparable to present levels. However, the Corporation determines future spending and service levels based solely on the funding it receives such that expenditures will not exceed revenues.