

Eastern Center for Arts and Technology

Financial Statements

June 30, 2023

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Independent Auditor's Report

To the Members of the Joint Operating Committee
Eastern Center for Arts and Technology
Willow Grove, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eastern Center for Arts and Technology as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Eastern Center for Arts and Technology's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eastern Center for Arts and Technology, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eastern Center for Arts and Technology and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Eastern Center for Arts and Technology's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Eastern Center for Arts and Technology's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eastern Center for Arts and Technology's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Eastern Center for Arts and Technology's financial statements for the year ended June 30, 2022, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the supplemental pension and other post-employment benefits schedules on pages 52 through 55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eastern Center for Arts and Technology's basic financial statements. The other supplementary information on pages 56 through 59 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2023, on our consideration of Eastern Center for Arts and Technology's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Eastern Center for Arts and Technology's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eastern Center for Arts and Technology's internal control over financial reporting and compliance.

Barsz Gowie Amon & Fultz, LLC

Media, Pennsylvania
November 27, 2023

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
WILLOW GROVE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
June 30, 2023**

The administration of the Eastern Center for Arts and Technology ("EASTERN") is pleased to present the following discussion and analysis of the financial activities for the fiscal year ended June 30, 2023. The purpose of this discussion is to provide a narrative summary of the financial position and activities of EASTERN to enhance the reader's understanding of the school's basic financial statements.

OVERVIEW OF THE SCHOOL

The Eastern Center for Arts and Technology was founded in 1965 as an Area Vocational Technical School under the administration of the Montgomery County Intermediate Unit. The school was capitalized and sponsored by nine public school districts. In the mid-1970s, the governance of the school was fully assumed by the Boards of School Directors of the nine districts organized under an agreement entitled "Articles of Jointure for the Operation of the Eastern Center for Arts and Technology."

In 2022-2023, sixteen (16) secondary programs were offered to high school students from the nine participating school districts, which include eight public high schools, two archdiocesan high schools and several private schools. Continuing education adult offerings are provided to serve individuals, businesses and industries in an area extending beyond the nine districts, to also encompass adjacent parts of Bucks and Montgomery counties as well as portions of Philadelphia. Thus, the School serves two communities: secondary students from constituent districts and a wider community of adults, businesses, and industries. Middle States Association of Schools and Colleges accredits the school, and the current accreditation now extends through December 21, 2027.

EASTERN receives funding primarily from contributions from its member districts and from state and federal government sources. Its Joint Operating Committee, consisting of nine elected or appointed members representing each of the nine member districts, governs the school.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2023

OVERVIEW OF FINANCIAL STATEMENT STRUCTURE AND CONTENTS

The following table summarizes the major features of EASTERN's financial statements.

	Government-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire School except fiduciary funds	All School activities other than fiduciary or proprietary, such as general operating and capital projects	Activities the School operates on behalf of another such as student activities funds
Required financial statements	Statement of net position, Statement of activities	Balance sheet, Statement of revenues, expenditures, and changes in fund balances	Statement of fiduciary net position, Statement of changes in fiduciary net position
Accounting basis and measurement of focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resource focus	Accrual accounting and economic resource focus
Type of asset / liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, long-term and short-term	Generally, current assets and current liabilities. Excludes capital assets and long-term liabilities.	All assets and liabilities, both financial and capital, long-term and short-term
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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Management's Discussion and Analysis - Unaudited (conf'd)
June 30, 2023

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three components – Management's Discussion and Analysis (this section), the basic financial statements and the supplementary information.

The basic financial statements include two types of statements that present the financial information of EASTERN in different ways:

- The first two statements of the basic financial statements are government-wide financial statements. These statements consist of the Statement of Net Position and the Statement of Activities. The government-wide financial statements provide both short-term and long-term information about EASTERN's overall financial status.
- The remaining basic financial statements consist of *fund financial statements*. These statements focus on individual components, or funds, of EASTERN and provide a more detailed presentation of EASTERN's operations. The *governmental funds* statements present how general EASTERN services are financed in the short term as well as what remains for future spending.

The basic financial statements also include *notes* that provide a more detailed explanation of some of the information in the financial statements.

Reporting the School as a Whole

Statement of Net Position and the Statement of Activities

The government-wide statements report financial information about EASTERN using accounting methods like the accounting used by private-sector companies. The *Statement of Net Position* includes all EASTERN's assets, deferred outflows of resources, liabilities, and deferred inflows of resources by utilizing the full accrual basis of accounting. Over time this statement measures the financial health of EASTERN by measuring whether the net position is increasing or decreasing.

The *Statement of Activities* accounts for all EASTERN's revenues and expenses, regardless of when cash is received or paid.

These two statements report EASTERN's net position and changes in net position. EASTERN's net position represents the difference between the school's assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is one way to measure financial position, or financial health, over time. Increases or decreases in the net position are one indicator of whether its financial health is improving or deteriorating, respectively. In assessing EASTERN's overall financial health, other nonfinancial factors must be considered, such as the financial health of the member districts, facility conditions and the performance of the students.

The government-wide financial statements of EASTERN highlight:

- *Governmental Activities* – EASTERN's basic services are reported here, such as instruction, administration, support services, operation of plant, pupil transportation and student activities. Contributions from the member school districts and state and federal government subsidies and grants are the primary funding sources for these activities.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (conf'd)
June 30, 2023

Reporting the School's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, or major funds, of EASTERN – not EASTERN as a whole. Some funds are required to be reported as major funds by state law and by other requirements. EASTERN's two types of funds that use different accounting approaches:

- ***Governmental funds*** – Most of EASTERN's basic services are reported here and focus on changes in financial resources rather than upon net income determination. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. These funds provide a detailed short-term view of EASTERN's operations and the basic services it provides. The information reported in the governmental funds helps the reader determine whether there are more or fewer financial resources that can be spent soon to finance EASTERN's operations. The relationship (or differences) between the governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds is described in a reconciliation included in the financial statements.

The governmental funds that are major funds of EASTERN are the General Fund (required by GASB Statement No. 34 to be reported as a major fund), and the Capital Reserve Fund.

- ***Fiduciary funds*** – These funds account for activities for which EASTERN acts as a trustee to manage assets belonging to others. The Student Activities Fund is reported on a separate statement of fiduciary net position because these funds may not be used to finance EASTERN operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

EASTERN's total net position is \$4,242,375 as of June 30, 2023. This is an increase in net position of \$1,229,724 from the net position for the previous year (as restated). Changes in the reporting of pension obligations with the enactment of GASB Statement #68 were effective beginning for the year ended June 30, 2015. In 2022 and 2023, EASTERN was required to recognize \$13,015,000 and \$13,738,000, respectively, in pension obligations (on a pro-rata basis from PSERS) on the statement of Net Position. This requirement is affecting all governmental entities across the United States and will continue to be updated annually.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (conf'd)
June 30, 2023

Table A-1
June 30, 2023
Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 6,956,965	\$ 7,323,398	\$ -	\$ -	\$ 6,956,965	\$ 7,323,398
Capital Assets	10,878,859	10,271,996	-	-	10,878,859	10,271,996
Funds Held by Southeastern PA Schools Trust	-	-	-	-	-	-
Deferred Outflows of Resources	58,956	-	-	-	58,956	-
Total Assets and Deferred Outflows of Resources	2,938,804	3,428,435	-	-	2,938,804	3,428,435
	<u>\$ 20,833,584</u>	<u>\$ 21,023,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,833,584</u>	<u>\$ 21,023,829</u>
Current and Other Liabilities	\$ 1,296,642	\$ 1,582,390	-	-	\$ 1,296,642	\$ 1,582,390
Long-Term Liabilities	14,502,567	14,033,788	-	-	14,502,567	14,033,788
Total Liabilities	<u>\$ 15,799,209</u>	<u>\$ 15,616,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,799,209</u>	<u>\$ 15,616,178</u>
Deferred Inflows of Resources	<u>\$ 792,000</u>	<u>\$ 2,395,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 792,000</u>	<u>\$ 2,395,000</u>
Net Position						
Invested in Cap. Assets, Net of Deb	\$ 10,840,447	\$ 10,221,902	\$ -	\$ -	\$ 10,840,447	\$ 10,221,902
Restricted	1,137,010	1,436,034	-	-	1,137,010	1,436,034
Unrestricted	(7,735,082)	(8,645,285)	-	-	(7,735,082)	(8,645,285)
Total Net Position (Deficit)	<u>\$ 4,242,375</u>	<u>\$ 3,012,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,242,375</u>	<u>\$ 3,012,651</u>

Fifty-two (52%) percent of the school's assets and deferred outflows of resources: \$10,840,447, are invested in capital assets (buildings, machinery and equipment) net of related debt. This amount represents the book value of capital assets (less depreciation) less the related debt outstanding to finance the acquisition of such. The remaining balances of net position consist of unrestricted net position of (\$7,735,082) and restricted net position of \$1,137,010. In years prior to the adoption of GASB #68, this number was significantly higher, but the change requires inclusion of \$13,738,000 in PSERS pension obligation as of June 30, 2023. Restricted net position is restricted for future capital needs of the school and healthcare claims. EASTERN has no outstanding debt.

Changes in Government-wide Net Position

The results of this year's operations are presented in EASTERN's Statement of Activities. Expenses are reported in the first column of the statement. Specific charges for services and operating grants and contributions that directly relate to specific categories of expenses are applied against the expenses to determine the amount of EASTERN's activities that are supported by other general revenues. The following table takes the information reported on that statement, modifying the format slightly for discussion purposes, to present the total revenues and expenses for the year.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (conf'd)
June 30, 2023

Table A-2
Fiscal Year Ended June 30, 2023
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program Revenues:						
Charges for services	\$ 269,465	\$ 375,249	\$ -	\$ -	\$ 269,465	\$ 375,249
Operating grants and contributions	2,917,339	2,838,444	-	-	2,917,339	2,838,444
General Revenues:						
Member districts	8,027,019	7,645,021	-	-	8,027,019	7,645,021
Unrestricted grants, subsidies & contribs	167,989	889,696	-	-	167,989	889,696
Investment earnings	184,617	8,892	-	-	184,617	8,892
Miscellaneous	428,783	153,233	-	-	428,783	153,233
TOTAL REVENUES	11,995,212	11,910,535	-	-	11,995,212	11,910,535
EXPENSES						
Instruction	5,238,261	5,530,415	-	-	5,238,261	5,530,415
Instructional student support	598,940	778,061	-	-	598,940	778,061
Administrative and financial support	3,457,213	3,310,916	-	-	3,457,213	3,310,916
Operation and maint of plan services	1,419,996	1,522,750	-	-	1,419,996	1,522,750
Non-instructional services	49,036	20,633	-	-	49,036	20,633
Interest expense	2,042	-	-	-	2,042	-
TOTAL EXPENSES	10,765,488	11,162,775	-	-	10,765,488	11,162,775
Increase in Net Position	1,229,724	747,760	-	-	1,229,724	747,760
Net Position (Deficit) - Beginning of Year	3,012,651	2,264,891	-	-	3,012,651	2,264,891
Net Position (Deficit) - Beginning of Year	\$ 4,242,375	\$ 3,012,651	\$ -	\$ -	\$ 4,242,375	\$ 3,012,651

The largest source of program revenues of EASTERN consists of fees from member districts. The fees are assessed to each participating district based upon secondary enrollments as specified in the Articles of Jointure. This amount accounts for approximately 67% of total revenues and demonstrates the reliance that EASTERN places on the contributions from member districts.

The largest source of program related grants and subsidies represents the funds received as Pennsylvania Vocational Subsidy in the amount of \$728,070. Additionally, federal funding from the Carl D. Perkins Vocational and Technical Education grant consists of \$295,438. EASTERN also receives state subsidies for employer-assessed retirement and social security expenses totaling \$1,053,239.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
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Net Cost and Funding of Governmental Activities

The following table represents EASTERN's expense functions of the governmental activities as well as each function's net costs (total cost less revenues directly generated by the activities). This Table A-3 also shows the net costs offset by other unrestricted grants and subsidies to show the remaining financial needs supported by contributions from member districts and other miscellaneous revenues.

Table A-3
Fiscal Year Ended June 30, 2023
Governmental Activities

Functions/Programs	Total Cost of Services		Net (Expense) - Services	
	2023	2022	2023	2022
Instruction	\$ 5,238,261	\$ 5,530,415	\$ (2,490,946)	\$ (2,764,808)
Instructional Student Support	598,940	778,061	(535,889)	(732,490)
Admin. And Finc'l Support Servcs.	3,457,213	3,310,916	(3,083,270)	(2,935,787)
Operation and Maint. Of Plant Serv	1,419,996	1,522,750	(1,419,996)	(1,518,819)
Non-instructional Services	49,036	20,633	(46,541)	2,822
Interest Expense	2,042	-	(2,042)	-
Total Governmental Activities	\$ 10,765,488	\$ 11,162,775	(7,578,684)	(7,949,082)
Less:				
Unrestricted grants and subsidies			167,989	889,696
		Total needs from member districts' contributions and other revenues	\$ (7,410,695)	\$ (7,059,386)

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Analysis of Fund Balances

As of June 30, 2023, the School's governmental funds reported a combined fund balance of \$5,708,033. Of this amount, a balance of \$1,137,010 is restricted for the use of capital projects. The following amounts are assigned: \$600,000 for next year appropriations, \$1,784,721 to the Practical Nursing Program, \$71,329 to the Continuing Education Program and \$350,000 for future capital improvements. In addition, \$275,000 is committed for self-funded medical and PSERS pension benefit contingency.

General Fund Budgetary Highlights

EASTERN's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund. The final budget for expenditures reflects the required changes in functional categories due to spending patterns. There were no significant changes in functional classification between the original and final budget. The budget was not amended for the year ended June 30, 2023.

The 2022-2023 budgeted revenues and other financing sources were \$11,153,600 and included an assignment of \$500,000 of fund balance. However, utilization of fund balance was unnecessary due to correspondingly reduced expenditures below budgeted levels. Additionally, General Fund revenues were \$526,839 higher than budgeted amounts primarily due to increased state and federal grant funding for and unexpected insurance recoveries for the year as outlined below.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2023

The 2022-2023 budgeted revenues and other financing sources were \$10,653,600 (excluding \$500,000 in assigned fund balance). Actual revenues for the general fund were \$11,180,439 or \$526,839 higher than budgeted amounts due to several factors:

State revenue increased overall by \$183,769:

- Vocational Education Subsidy increased by \$170,522 – The state made a formula change to increase the student-weighted distribution amount to continue sustained investment in Secondary Career and Technical Schools, which increased EASTERN's subsidy for the 2022-2023 school year.
- Supplemental Equipment Grant increased by \$27,312 – Every year EASTERN applies for the Supplemental Equipment Grant, which are funds used to purchase equipment to prepare students for the workplace. The state allocates this grant based on school need. For the 2022-2023 school year, EASTERN was awarded a total of \$52,312 to spend for the grant.
- School Mental Health & Safety and Security Grant award in the amount of \$30,818 - Each year, EASTERN applies for the School Safety and Security grant offered through the Pennsylvania Commission on Crime and Delinquency (PCCD), which provides funding to schools for safety and security purposes. For the 2022-2023 school year, EASTERN was awarded \$140,000, but only \$30,818 of revenue was recognized for the year.

Federal revenue increased overall by \$332,084:

- Governor's Emergency Education Relief Funds (GEER) grant award in the amount of \$110,676 – In response to the Coronavirus, Congress allotted to the Education Stabilization Fund through the Coronavirus Aid, Relief, and Economic Security (CARES) Act for the Governor's Emergency Education Relief (GEER) fund for institutions of higher education. For the 2022-2023 school year, EASTERN's Practical Nursing Program received these grant funds in the amount of \$110,676, which is being used to offset salary and benefits for a Practical Nursing Instructor.
- Vocational Education Grant – Perkins – increased by \$45,438 – Each year, EASTERN applies for the Perkins Grant, which is used to offset costs related to programming expenses.
- Federal Loans increased by \$175,970 – Federal Loans are given to our Practical Nursing students to help them pay for tuition costs for the program.

Other Financing Sources revenue increased in total by \$26,376:

- Insurance Recoveries received in the amount of \$26,376 - For the 2022-2023 school year, EASTERN received proceeds from our medical insurance policy covering any losses we incurred due to two high medical claims which exceeded our stop loss threshold of \$200,000.

The 2022-2023, budgeted expenditures were \$11,153,600. Actual expenditures for the General Fund were \$10,956,654 or \$196,946 lower than budgeted amounts due to several factors:

- Practical Nursing expenditures were lower by \$89,525 primarily due to a reduction in adjunct faculty teaching hours for our full-time and part-time programs.
- Secondary program expenditures, instruction costs, including Special Programs, Vocational Education and Summer programs, were lower by \$160,406 primarily due to the resignation of one

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2023

of our Allied Health teachers, a staff member being out on a medical leave for half the year and contracting with the YMCA to manage our summer fun program.

- Support Services expenditures were lower than expected by \$177,310, primarily due to a staff member being out on a leave of absence for half the year.
- Continuing Education expenditures were lower than expected by \$33,904 primarily due to a staff member being on a leave of absence for half the year and some adult programs being cancelled due to low enrollment.

CAPITAL ASSETS

As of June 30, 2023, the school had \$10,840,447, net of depreciation, invested in capital assets representing a net increase of \$618,545 over the balance on June 30, 2022. This increase is primarily the result of an increase in Building and building improvements offset by depreciation expense for the period.

Table A-4
Fiscal Years Ended June 30, 2023 and 2022
Capital Assets - Net of Depreciation

	Total Assests 6/30/2022	Change	Total Assests 6/30/2023
Governmental Activities:			
Land and Site Improvements (Net)	209,500.00	\$ (15,656.00)	193,844.00
Construction in Progress	1,347,863.00	(1,347,863.00)	-
Buildings and Building Improvement (Net)	6,288,889.00	2,194,862.00	8,483,751.00
Furniture and Equipment (Net)	2,332,486.00	(193,695.00)	2,138,791.00
Right-to-Use Asset (Net)	93,258.00	(30,785.00)	62,473.00
Total Governmental Activities	\$ 10,271,996.00	\$ 606,863.00	\$ 10,878,859.00

EASTERN's Joint Operating Committee adopted a 10 Year Capital Improvement plan during 2019-2020 school year, including a mechanism to fund the plan under a "pay-as-you-go" method. The first installment was paid by the sending schools in 2020-2021 school year, in proportion to the relative market values of each district's taxable real estate base ("STEB" values). Projects under the plan began in June 2020 with Phases 1 and 2 consisting of a new Robotics lab and replacement of the roof over the entire facility along with interior alterations of our Automotive Technology program area, nurse's suite, computer lab, main office and secure entry, and our practical nursing program completed during the 2020-2021 school year.

During the 2021-2022 school year, we started Phase 3 of our capital improvement plan, which consisted of interior alterations and ADA improvements to relocate the Welding Technology Lab into the existing Protective Services Lab with the existing Welding Lab undergoing demolition and renovation for the Protective Services program, and HVAC upgrades for the Exercise Science program including replacement of equipment and ductwork to the lab and neighboring theory rooms. Phase 3 was completed by June 30, 2023 and moved from Construction in Progress to Buildings and Building Improvements.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2023

EASTERN is currently leasing equipment under a right-to-use concept in accordance with generally accepted accounting principles. The lease obligation of \$62,473 is reported in the statement of financial position. The related equipment is reported as a right-of-use asset on the statement of financial position. EASTERN has no debt related to capital assets.

LONG-TERM LIABILITIES

As of June 30, 2023, Eastern Center for Arts and Technology had long-term liabilities of \$14,599,069 net, of which \$96,502 is recognized as due within one year.

Table A-5
Fiscal Year Ended June 30, 2023
Long-Term Liabilities

	<u>Total Debt</u> <u>June 30, 2022</u>	<u>Change</u>	<u>Total Debt</u> <u>June 30, 2023</u>
Governmental Activities:			
General Obligation Debt	\$ -	\$ -	\$ -
Other Liabilities			
Deficit in funds held by SEPAST	18,531	(18,531)	-
Lease Obligation	50,094	(11,682)	38,412
Vacation Pay	87,042	(14,371)	72,671
Sick Pay	135,620	3,973	139,593
Other Post-Employ. Benefit	820,947	(210,554)	610,393
Net Pension Liability	13,015,000	723,000	13,738,000
Total Governmental Activities	<u>\$ 14,127,234</u>	<u>\$ 471,835</u>	<u>\$ 14,599,069</u>

Most of these liabilities are from EASTERN's portion of the state's underfunded pension liability. Other long-term liabilities relate to post-employment benefits. Under various personnel contracts between separate employee groups and the Joint Operating Committee, personnel may accumulate unused sick and vacation days from year to year based upon their employment classification. Upon retirement, these employees are eligible for remuneration for that accrued time.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2023

ADMINISTRATIVE GOALS FOR THE 2022-2023 SCHOOL YEAR

GOAL #1

Ensure all EASTERN students are positively placed after graduation as measured by graduate surveys administered in October after graduation (100% placement).

- Develop industry-driven programs with robust offerings while expanding support systems for diverse learners culminating in student success.
- Promote the benefits of the school to external partners and increase partner involvement.

GOAL #2

Ensure that all incoming students are able to access their career and technical program of choice as measured by the percentage of students able to enroll in their first-choice program and number of students waitlisted (100% first choice enrollment, 0% waitlisted).

- Maximize enrollment with attention to fiscal resources and building capacity.
- Create efficiencies to maintain highly effective operational support services.

GOAL #3

Develop and implement an Equity Action Plan to promote equity in all facets of EASTERN's operations to become a culturally proficient school that recognizes and values diversity, equity, inclusion and belonging.

- Develop industry-driven programs with robust offerings while expanding support systems for diverse learners culminating in student success.
- Develop equity committee and action plan
- Conduct equity audit
- Receive training in diversity, equity, inclusion and belonging.
- Analyze climate and culture survey from staff and students.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide citizens, parents, constituents, and taxpayers with a general overview of EASTERN's financial operations and the accountability for the money it receives. If you have questions about this report or need greater financial information, contact the School's Business Office at 3075 Terwood Road, Willow Grove, PA 19090.

Eastern Center for Arts and Technology
Statements of Net Position
June 30, 2023 and 2022

	2023	2022
<u>Assets</u>		
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 6,144,734	\$ 6,332,358
Due from other funds	-	13,980
Due from other governments	352,444	629,071
Loans receivable	324,889	196,313
Other receivables	14,944	46,529
Inventories	20,115	5,250
Prepaid expenses	99,839	99,897
	<u>6,956,965</u>	<u>7,323,398</u>
<u>Capital Assets:</u>		
Land and site improvements (net)	193,844	209,500
Construction in progress	-	1,347,863
Buildings and building improvements (net)	8,483,751	6,288,889
Furniture and equipment (net)	2,138,791	2,332,486
Right-of-use assets (net)	62,473	93,258
	<u>10,878,859</u>	<u>10,271,996</u>
<u>Funds held by Southeastern Pennsylvania Schools Trust</u>	<u>58,956</u>	<u>-</u>
	<u>17,894,780</u>	<u>17,595,394</u>
<u>Deferred Outflows of Resources</u>		
Pension	2,783,314	3,242,116
Other post-employment benefits (OPEB)	155,490	186,319
	<u>2,938,804</u>	<u>3,428,435</u>
	<u>\$ 20,833,584</u>	<u>\$ 21,023,829</u>

The accompanying notes are an integral part of these financial statements.

Eastern Center for Arts and Technology
Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Liabilities</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 99,037	\$ 508,257
Due to fiduciary fund	-	22,296
Accrued salaries and benefits	550,431	524,620
Payroll withholding and related liabilities	74,567	9,985
Current portion of lease obligation	12,226	11,682
Current portion of compensated absences	48,792	51,182
Current portion of net other post-employment benefits obligation (OPEB)	35,484	30,582
Unearned revenues	476,105	423,786
	<u>1,296,642</u>	<u>1,582,390</u>
<u>Total Current Liabilities</u>		
<u>Long-term Liabilities</u>		
Deficit in funds held by Southeastern Pennsylvania Schools Trust	-	18,531
Lease obligation	26,186	38,412
Compensated absences	163,472	171,480
Net pension liability	13,738,000	13,015,000
Net other post-employment benefits obligation (OPEB)	574,909	790,365
	<u>14,502,567</u>	<u>14,033,788</u>
<u>Total Long-Term Liabilities</u>		
<u>Total Liabilities</u>	<u>15,799,209</u>	<u>15,616,178</u>
<u>Deferred Inflows of Resources</u>		
Pension	629,000	2,372,000
Other post-employment benefits (OPEB)	163,000	23,000
	<u>792,000</u>	<u>2,395,000</u>
<u>Total Deferred Inflows of Resources</u>		
<u>Net Position</u>		
Invested in capital assets	10,840,447	10,221,902
Restricted for capital projects	1,137,010	1,436,034
Unrestricted (deficit)	(7,735,082)	(8,645,285)
	<u>4,242,375</u>	<u>3,012,651</u>
<u>Total Net Position</u>		
<u>Total Liabilities, Deferred Inflows of Resources, and Net Position</u>	<u>\$ 20,833,584</u>	<u>\$ 21,023,829</u>

The accompanying notes are an integral part of these financial statements.

Eastern Center for Arts and Technology
Statement of Activities
For the Year Ended June 30, 2023
(With Summarized Comparative Data for the Year Ended June 30, 2022)

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position - Governmental Activities		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2023	2022	
<u>Governmental Activities</u>							
Instruction	\$ 5,242,744	\$ 266,970	\$ 2,480,345	\$ -	\$ (2,495,429)	\$ (2,764,808)	
Instructional student support	599,412	-	63,051	-	(536,361)	(732,490)	
Administrative and financial support services	3,452,005	-	373,943	-	(3,078,062)	(2,935,787)	
Operation and maintenance of plant services	1,420,246	-	-	-	(1,420,246)	(1,518,819)	
Operation of noninstructional services	49,039	2,495	-	-	(46,544)	2,822	
Interest expense	2,042	-	-	-	(2,042)	-	
<u>Total Governmental Activities</u>	<u>\$ 10,765,488</u>	<u>\$ 269,465</u>	<u>\$ 2,917,339</u>	<u>\$ -</u>	<u>(7,578,684)</u>	<u>(7,949,082)</u>	
<u>General Revenues</u>							
					8,027,019	7,645,021	
					167,989	889,696	
					184,617	8,892	
					26,376	100,037	
					402,407	53,196	
					<u>8,808,408</u>	<u>8,696,842</u>	
					<u>Change in Net Position</u>	<u>1,229,724</u>	<u>747,760</u>
					<u>Net Position - Beginning of Year (As Restated)</u>	<u>3,012,651</u>	<u>2,264,891</u>
					<u>\$ 4,242,375</u>	<u>\$ 3,012,651</u>	

The accompanying notes are an integral part of these financial statements.

Eastern Center for Arts and Technology
Balance Sheet - Governmental Funds
June 30, 2023
(With Summarized Comparative Data for June 30, 2022)

	<u>Major Funds</u>		<u>Totals</u>	
	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>2023</u>	<u>2022</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 4,992,062	\$ 1,152,672	\$ 6,144,734	\$ 6,332,358
Due from other funds	-	-	-	13,980
Due from other governments	352,444	-	352,444	629,071
Loans receivable	324,889	-	324,889	196,313
Other receivables	14,944	-	14,944	46,529
Inventories	20,115	-	20,115	5,250
Prepaid expenditures	99,839	-	99,839	99,897
<u>Total Assets</u>	<u>\$ 5,804,293</u>	<u>\$ 1,152,672</u>	<u>\$ 6,956,965</u>	<u>\$ 7,323,398</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 83,375	\$ 15,662	\$ 99,037	\$ 508,257
Due to other funds	-	-	-	22,296
Accrued salaries and benefits	550,431	-	550,431	524,620
Payroll withholding and related liabilities	74,567	-	74,567	9,985
Compensated absences	48,792	-	48,792	51,182
Unearned revenues	476,105	-	476,105	423,786
<u>Total Liabilities</u>	<u>1,233,270</u>	<u>15,662</u>	<u>1,248,932</u>	<u>1,540,126</u>
<u>Fund Balances</u>				
Non-spendable	119,954	-	119,954	105,147
Restricted	-	1,137,010	1,137,010	1,436,034
Committed	275,000	-	275,000	475,000
Assigned	2,806,050	-	2,806,050	2,484,701
Unassigned	1,370,019	-	1,370,019	1,282,390
<u>Total Fund Balances</u>	<u>4,571,023</u>	<u>1,137,010</u>	<u>5,708,033</u>	<u>5,783,272</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 5,804,293</u>	<u>\$ 1,152,672</u>	<u>\$ 6,956,965</u>	<u>\$ 7,323,398</u>

The accompanying notes are an integral part of these financial statements.

Eastern Center for Arts and Technology
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

Total Governmental Fund Balances \$ 5,708,033

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land and site improvements (net)	\$ 193,844	
Buildings and building improvements (net)	8,483,751	
Furniture and equipment (net)	2,138,791	
Right-of-use asset (net)	<u>62,473</u>	
		10,878,859

Funds held by Southeastern Pennsylvania Schools Trust is not a current financial resource and, therefore, is not reported in the funds 58,956

The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Lease obligation	(38,412)	
Accumulated Compensated Absences	<u>(163,472)</u>	
		(201,884)

The net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds. In addition, the deferred outflows and inflows of resources related to pensions and OPEB do not represent current financial resources and, therefore, are not reported in the funds. Those items consist of:

Net Pension Liability	(13,738,000)	
Deferred Inflows of Resources - Pensions	(629,000)	
Deferred Outflows of Resources - Pensions	2,783,314	
Net OPEB Liability	(610,393)	
Deferred Inflows of Resources - OPEB	(163,000)	
Deferred Outflows of Resources - OPEB	<u>155,490</u>	
		<u>(12,201,589)</u>

Net Position of Governmental Activities \$ 4,242,375

The accompanying notes are an integral part of these financial statements.

Eastern Center for Arts and Technology
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2023
(With Summarized Comparative Data for the Year Ended June 30, 2022)

	<u>Major Funds</u>		<u>Totals</u>	
	<u>General</u>	<u>Capital</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Reserve</u>		
	<u>Fund</u>	<u>Fund</u>		
<u>Revenues and Other Financing Sources</u>				
Local sources	\$ 7,747,480	\$ 814,396	\$ 8,561,876	\$ 8,082,358
State sources	1,864,439	50,000	1,914,439	1,778,178
Federal sources	1,542,144	-	1,542,144	1,949,962
Transfers from other funds	-	288,356	288,356	1,492,180
Proceeds from extended term financing	-	-	-	50,094
Insurance recoveries	26,376	-	26,376	100,037
	<u>11,180,439</u>	<u>1,152,752</u>	<u>12,333,191</u>	<u>13,452,809</u>
<u>Expenditures and Other Financing Uses</u>				
Instruction	5,471,721	-	5,471,721	5,316,086
Support services	5,107,438	155,350	5,262,788	5,226,448
Operation of noninstructional services	49,249	-	49,249	20,633
Site improvement services	-	-	-	1,220
Architecture and engineering services	-	31,808	31,808	246,583
Building improvement services	14,221	1,264,618	1,278,839	2,556,165
Refund of prior-year revenues	11,945	-	11,945	-
Debt service	13,724	-	13,724	-
Transfers to other funds	288,356	-	288,356	1,492,180
	<u>10,956,654</u>	<u>1,451,776</u>	<u>12,408,430</u>	<u>14,859,315</u>
<u>Net Change in Fund Balances</u>	223,785	(299,024)	(75,239)	(1,406,506)
<u>Fund Balances - Beginning of Year (As Restated)</u>	<u>4,347,238</u>	<u>1,436,034</u>	<u>5,783,272</u>	<u>7,189,778</u>
<u>Fund Balances - End of Year (As Restated)</u>	<u>\$ 4,571,023</u>	<u>\$ 1,137,010</u>	<u>\$ 5,708,033</u>	<u>\$ 5,783,272</u>

The accompanying notes are an integral part of these financial statements.

Eastern Center for Arts and Technology
Reconciliation of Net Change in Fund Balances – Governmental Funds to
Change in Net Position of Governmental Activities
For the Year Ended June 30, 2023

Net Change in Fund Balances - Governmental Funds \$ (75,239)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period. 644,541

The net effect of the sale of capital assets is to decrease net position. (37,678)

The change in Funds Held by Southeastern Pennsylvania Schools Trust is a component of expenses in the government-wide financial statements, but is not a component of expenditures in the fund financial statements. 77,487

Principal payments of lease obligations consume current financial resources of governmental funds and are therefore reflected as expenditures of the governmental funds. However, these payments are recorded as reductions of the lease obligations in the government-wide financial statements. 11,682

In the Statement of Activities, certain operating expenses - compensated absences (vacations and sick leave) - are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). 8,008

The net change in the net pension liability, as well as the change in the related deferred inflows and outflows, is reported in the statement of activities, but is not reported in the fund financial statements. 561,198

The net change in the net OPEB liability, as well as the change in the related deferred inflows and outflows, is reported in the statement of activities, but is not reported in the fund financial statements. 39,725

Change in Net Position of Governmental Activities \$ 1,229,724

The accompanying notes are an integral part of these financial statements.

Eastern Center for Arts and Technology
Budgetary Comparison Statement - General Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts (GAAP Basis)	Final Budget Favorable (Unfavorable)
<u>Budgetary Fund Balance - July 1, 2022, As Restated</u>	\$ 4,317,843	\$ 4,317,843	\$ 4,347,238	\$ 29,395
<u>Resources (Inflows)</u>				
Local sources	7,761,870	7,761,870	7,747,480	(14,390)
State sources	1,680,670	1,680,670	1,864,439	183,769
Federal sources	1,210,060	1,210,060	1,542,144	332,084
Proceeds from sale of capital assets	1,000	1,000	-	(1,000)
Insurance recoveries	-	-	26,376	26,376
<u>Amounts Available for Appropriation</u>	<u>14,971,443</u>	<u>14,971,443</u>	<u>15,527,677</u>	<u>556,234</u>
<u>Charges to Appropriations (Outflows)</u>				
Instruction				
Special programs	527,374	527,618	515,247	12,371
Vocational education	5,231,201	5,205,501	4,895,657	309,844
Summer programs	47,199	47,199	25,472	21,727
Adult education programs	68,110	68,110	35,345	32,765
<u>Total Instruction</u>	<u>5,873,884</u>	<u>5,848,428</u>	<u>5,471,721</u>	<u>376,707</u>
Support Services				
Pupil personnel services	715,251	715,040	574,741	140,299
Instructional staff services	68,094	78,531	69,482	9,049
Administrative services	1,746,947	1,751,614	1,821,270	(69,656)
Pupil health	48,631	50,342	78,912	(28,570)
Business services	607,296	607,296	845,577	(238,281)
Operation and maintenance of plant services	1,105,884	1,060,448	933,485	126,963
Central services	902,983	940,550	783,971	156,579
<u>Total Support Services</u>	<u>5,195,086</u>	<u>5,203,821</u>	<u>5,107,438</u>	<u>96,383</u>
Operation of Non-Instructional Services				
Student activities	24,630	32,130	44,249	(12,119)
Scholarships and awards	-	5,000	5,000	-
<u>Total Operation of Non-Instructional Services</u>	<u>24,630</u>	<u>37,130</u>	<u>49,249</u>	<u>(12,119)</u>
Building Improvement Services				
Refund of Prior-Year Revenues	-	-	11,945	(11,945)
Debt service	-	-	13,724	(13,724)
Transfers to Other Funds	-	-	288,356	(288,356)
Budgetary Reserve	50,000	50,000	-	50,000
<u>Total Charges to Appropriations</u>	<u>11,153,600</u>	<u>11,153,600</u>	<u>10,956,654</u>	<u>196,946</u>
<u>Budgetary Fund Balance - June 30, 2023</u>	<u>\$ 3,817,843</u>	<u>\$ 3,817,843</u>	<u>\$ 4,571,023</u>	<u>\$ 753,180</u>

The accompanying notes are an integral part of these financial statements.

Eastern Center for Arts and Technology
Statement of Fiduciary Net Position
June 30, 2023

	<u>Custodial Fund</u>
<u>Assets</u>	
Cash	<u>\$ 22,385</u>
<u>Total Assets</u>	<u><u>\$ 22,385</u></u>
<u>Liabilities</u>	\$ -
<u>Net Position</u>	
Held in trust for student activities	<u>22,385</u>
<u>Total Net Position</u>	<u><u>\$ 22,385</u></u>

The accompanying notes are an integral part of these financial statements.

Eastern Center for Arts and Technology
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2023

	<u>Custodial Fund</u>
<u>Additions</u>	
Student activity receipts	\$ 28,190
Interest income	335
	<hr/>
<u>Total Additions</u>	28,525
	<hr/>
<u>Deductions</u>	
Student activity disbursements	41,760
	<hr/>
<u>Total Deductions</u>	41,760
	<hr/>
<u>Change in Fiduciary Net Position</u>	(13,235)
	<hr/>
<u>Net Position - Beginning of Year</u>	35,620
	<hr/>
<u>Net Position - End of Year</u>	\$ 22,385
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 1 Description of the Center and Reporting Entity

Vocational Technical School

Eastern Center for Arts and Technology (the “Center”) is located in Willow Grove, Pennsylvania. The Center operates under Articles of Jointure dated January 1, 1976 and amended on July 1, 1991 by the following participating districts: Abington, Bryn Athyn, Cheltenham, Hatboro-Horsham, Jenkintown, Lower Moreland Township, Springfield Township, Upper Dublin, and Upper Moreland.

The Center is a municipal corporation operated by a Joint Operating Committee comprised of school directors elected by the participating school districts. The Joint Operating Committee is given the power and authority and has the duty to operate, administer, and manage the Center; and shall conduct the affairs of the Center within the limits of the budget adopted by the Joint Operating Committee and approved by two-thirds of the participating school districts and a majority vote of all the school directors of all participating school districts.

Administration

The Joint Operating Committee appoints a Commissioned Chief School Officer from one of its participating school districts to serve as the Superintendent of Record for a term of two years. The Superintendent of Record serves as Chief Administrative Officer in matters requiring official action of the Commissioned School Official, serves as an ex-officio nonvoting member of the Joint Operating Committee, represents the Administrative Advisory Committee, and advises and assists the Director in the administration of the Center.

The Business Administrator, recommended by the Director and appointed by the Joint Operating Committee, shall supervise and coordinate all business aspects of the Center. In this capacity, the Business Administrator shall be responsible for ensuring that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the Center. The Business Administrator is directly responsible to the Director.

Reporting Entity

A reporting entity is comprised of the primary government and its component units. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Center. For Eastern Center for Arts and Technology, this includes general operations and student-related activities of the Center.

Eastern Center for Arts and Technology is a joint venture governed by a joint operating committee appointed by the participating districts. As required by generally accepted accounting principles, these financial statements are to present Eastern Center for Arts and Technology (the primary government) and its component units. A component unit is a legal entity that is either a separate government organization that is not a primary government, a not-for-profit corporation, or a for-profit corporation, that meets any one of the following four conditions:

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 1 Description of the Center And Reporting Entity (Continued)

Reporting Entity (Continued)

- a. The primary government appoints a voting majority of the entity's governing body; and the primary government can impose its will on the entity, and/or a financial benefit/burden relationship exists between the primary government and the entity;
- b. The entity is fiscally dependent on the primary government and has a financial benefit/burden relationship with the primary government;
- c. The primary government holds a majority equity interest in the entity for the purpose of facilitating government services; or
- d. The primary government's financial statements would be misleading if the entity were excluded.

Based on these conditions, Eastern Center for Arts and Technology has no component units.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Center have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The more significant of the Center's accounting policies are described below.

Basis of Presentation

The Center's basic financial statements consist of government-wide statements (including a statement of net position and a statement of activities) and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Center.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

During the year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The fiduciary funds are reported by type.

Fund Accounting

The Center uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Center maintains two categories of funds: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Center's major governmental funds:

- General Fund – The General Fund is the general operating fund of the Center. It is used to account for all financial resources, except those required to be accounted for in another fund.
- Capital Reserve Fund – This fund is used to provide funds for future capital requirements.

Fiduciary Funds

Fiduciary funds focus on the reporting of funds held for others. The Center has one fiduciary fund, which is reported as a custodial fund. The custodial fund holds funds for the use and benefit of student activities.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Center are included on the statement of net position.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 2 Summary of Significant Accounting Policies (Continued)

Measurement Focus (Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all fiduciary funds are accounted for on a flow of economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The Center considers revenues from exchange transactions to be available if collected within sixty days of the end of the fiscal year.

Non-exchange transactions are those for which the Center receives value without directly giving equal value in return, which includes grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available before it can be recognized.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 2 Summary of Significant Accounting Policies (Continued)

Budgetary Process

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required. The Pennsylvania School Code dictates specific procedures relative to adoption of the Center's budget and reporting of its financial statements. Legal budgetary control is maintained at the sub-function/major object level. The Pennsylvania School Code allows the Joint Operating Committee ("JOC") to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the JOC approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

Encumbrances

Any encumbrances outstanding at year end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The General Fund budget is maintained on the modified accrual basis of accounting.

The actual results of operations are presented in accordance with GAAP, and the Center's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. Any encumbrances are presented as a committed or assigned fund balance on the balance sheet of the General Fund.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Investments

In accordance with GAAP, investments are stated at fair value, except when:

- a. Nonparticipating interest-earning investment contracts are recorded at amortized cost;
- b. Money market investments and participating interest-earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and
- c. Investments held in 2a7-like (mutual funds) pools (Pennsylvania Local Government Investment Trust and Pennsylvania School District Liquid Asset Fund) are recorded at the pool's share price.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Prepaid Expenses/Expenditures

In both the government-wide and fund financial statements, prepaid expenses/expenditures are recorded as assets in the government-wide financial statements and in the specific governmental fund from which future benefits will be derived.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 2 Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Capital Assets

Capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Center maintains a capitalization threshold of \$1,000. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except land, certain land improvements, and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	15 - 40 years
Site improvements	20 - 50 years
Furniture and equipment	5 - 20 years

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the use of net position that applies to future period(s) and, therefore, will not be recognized as an outflow of resources (expense or expenditure) until that time.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the Center's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 2 Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Pension

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

Other Post-Employment Benefits (OPEB)

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

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 2 Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Fund Balances

As of June 30, 2023, fund balances of the governmental funds are classified, if applicable, as follows:

Non-spendable – Amounts that would be associated with inventory, prepaid expenditures, long-term receivables, and property held for sale and the corpus of a permanent fund. In essence, non-spendable is the fund balance term to indicate that the respective resources are not available to be spent in any way due to their very nature and/or their lack of availability.

Restricted – Carries the same definition as set forth relative to net position. This would include any fund balance that is restricted in its use by: a) external parties; b) constitutional provisions; or c) enabling legislation (i.e., debt service funds).

Committed – Amounts for which the governing members of the Joint Operating Committee impose constraints on how funds may or may not be used. In such a case, the only way a constraint can be removed or changed is by the same type of action of the Joint Operating Committee.

Assigned – Amounts intended to be used for specific purposes with the intent being expressed by the Joint Operating Committee or the Business Manager and Director as authorized by the Joint Operating Committee. With the exception of the General Fund, amounts in all other governmental funds that are not non-spendable, restricted, or committed will be assigned.

Unassigned – All other spendable amounts.

As of June 30, 2023, fund balances are comprised of the following:

	General Fund	Capital Reserve Fund	Total Governmental Funds
Non-spendable - inventories and prepaid expenditures	\$ 119,954	\$ -	\$ 119,954
Restricted:			
Capital reserve	-	1,137,010	1,137,010
Committed:			
PSERS and self-funded medical benefits	275,000	-	275,000
Assigned:			
Continuing education program	71,329	-	71,329
Practical nursing program	1,784,721	-	1,784,721
2023-24 budget	600,000	-	600,000
Future capital improvements	350,000	-	350,000
Unassigned	1,370,019	-	1,370,019
<u>Total Fund Balances</u>	<u>\$ 4,571,023</u>	<u>\$ 1,137,010</u>	<u>\$ 5,708,033</u>

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 2 Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Fund Balances (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Center considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Center considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Joint Operating Committee has provided otherwise in its commitment or assignment actions.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Center's financial position and operations. However, presentations of prior-year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Center's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Standards Adopted

The Center adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, ("GASB 96"), beginning July 1, 2022. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. GASB 96 defines a SBITA as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 96 establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

Note 3 Stewardship, Compliance, And Accountability

Compliance with Finance-Related Legal and Contractual Provisions

The Center has no material violations of finance-related legal and contractual provisions.

Deficit Fund Balance of Individual Funds

No individual fund contains a deficit fund balance as of June 30, 2023.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 3 Stewardship, Compliance, And Accountability (Continued)

Budgetary Compliance

The Center's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The Center cancels all purchase orders open at year-end; therefore, it did not have any outstanding encumbrances as of June 30, 2023.

Note 4 Cash And Investments

Deposit and Investment Policies

The Center is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

Cash

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. The Center does not have a policy for custodial credit risk on deposits. As of June 30, 2023, the carrying amount of the Center's deposits was \$6,167,119 and the bank balance was \$6,208,494. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,999,467 was exposed to custodial credit risk because it was uninsured, and the collateral held by the depository's agent was not in the Center's name. The remaining cash deposits totaling \$3,959,027 were held in the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized rating organization, and is subject to an independent annual audit.

Note 5 Receivables and Unearned Revenue

Receivables

Amounts due from other governments totaled \$352,418 as of June 30, 2023, as follows:

State subsidies receivable	<u>\$ 352,444</u>
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Loans receivable totaling \$324,889 represents tuition due from students.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 5 Receivables and Unearned Revenue (Continued)

Unearned Revenue

Unearned revenue is reported in the government-wide and fund financial statements for revenue that has been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue were as follows:

Tuition - Practical Nursing program	\$ 424,779
Federal subsidy	<u>51,326</u>
 Total	 <u><u>\$ 476,105</u></u>

Note 6 Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 175,653	\$ -	\$ -	\$ 175,653
Construction in progress	<u>1,347,863</u>	<u>1,451,776</u>	<u>(2,799,639)</u>	<u>-</u>
 Total Capital Assets Not Being Depreciated	 <u>1,523,516</u>	 <u>1,451,776</u>	 <u>(2,799,639)</u>	 <u>175,653</u>
<u>Capital Assets Being Depreciated:</u>				
Site improvements	471,164	-	-	471,164
Building and building improvements	13,534,758	2,799,639	-	16,334,397
Furniture and equipment	<u>5,517,177</u>	<u>292,506</u>	<u>(185,989)</u>	<u>5,623,694</u>
 Total Capital Assets Being Depreciated	 <u>19,523,099</u>	 <u>3,092,145</u>	 <u>(185,989)</u>	 <u>22,429,255</u>
<u>Less: Accumulated Depreciation:</u>				
Site improvements	(437,317)	(15,656)	-	(452,973)
Building and building improvements	(7,245,869)	(604,777)	-	(7,850,646)
Furniture and equipment	<u>(3,184,691)</u>	<u>(448,523)</u>	<u>148,311</u>	<u>(3,484,903)</u>
 Total Accumulated Depreciation	 <u>(10,867,877)</u>	 <u>(1,068,956)</u>	 <u>148,311</u>	 <u>(11,788,522)</u>
 Total Capital Assets Being Depreciated - Net	 <u>8,655,222</u>	 <u>2,023,189</u>	 <u>(37,678)</u>	 <u>10,640,733</u>
<u>Capital Assets Being Amortized:</u>				
Right-to-Use Assets	104,879	-	-	104,879
Less: Accumulated amortization	<u>(11,621)</u>	<u>(30,785)</u>	<u>-</u>	<u>(42,406)</u>
 Total Capital Assets Being Amortized - Net	 <u>93,258</u>	 <u>(30,785)</u>	 <u>-</u>	 <u>62,473</u>
 <u>Governmental Activities Capital Assets - Net</u>	 <u><u>\$10,271,996</u></u>	 <u><u>\$ 3,444,180</u></u>	 <u><u>\$(2,837,317)</u></u>	 <u><u>\$ 10,878,859</u></u>

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 6 Capital Assets (Continued)

The Center adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, beginning July 1, 2022. Accordingly, the beginning balance of capital assets has been restated to include the value of right-to-use assets acquired in prior years.

For the government-wide statements, depreciation and amortization expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	\$ 234,555
Instructional student support	2,142
Administrative and financial support services	242,611
Building improvement services	<u>620,433</u>
Total Depreciation and Amortization Expense - Governmental Activities	<u><u>\$ 1,099,741</u></u>

Note 7 Long-Term Liabilities

Long-Term Leases

The Center leases certain office equipment under a long-term lease dated June 2022. The Center has recognized a right-of-use asset in the amount of \$50,094, which is included in capital assets, and a related lease obligation. Accumulated amortization for the asset totaled \$13,916 as of June 30, 2023. Principal and interest requirements to maturity are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 12,226	\$ 1,498	\$ 13,724
2025	12,795	929	13,724
2026	<u>13,391</u>	<u>333</u>	<u>13,724</u>
Totals	<u><u>\$38,412</u></u>	<u><u>\$ 2,760</u></u>	<u><u>\$41,172</u></u>

Compensated Absences

Under the Center's contract with the teachers' union and administrators, personnel accumulate unused sick days from year to year based on their classification. These accumulated sick days are non-vesting during the employee's tenure. Upon retirement, these employees are eligible for remuneration for unused sick days as follows:

- A professional member of the Education Association who retires and enters into or vests his/her benefits in the Pennsylvania School Employees Retirement System while an employee of the School shall be paid for accumulated unused sick leave up to 150 days at the rate of \$40 per day.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 7 Long-Term Liabilities (Continued)

Compensated Absences (Continued)

- Eligible classified staff who retire in accordance with the Retirement Code are entitled to be paid up to a maximum of 150 days at \$30 per day for each accumulated unused sick day.
- Administrators who retire in accordance with the administrative plan will receive compensation for up to one year of unused sick leave (225 days for 12-month administrators) calculated at the daily substitute teacher rate at the time of retirement.

Unused vacation leave is paid upon an employee's termination. Sick leave not taken during the employee's tenure is paid only to terminating employees who meet eligibility requirements of retirement. The Center has ascertained and recorded the liability that exists on those employees meeting the eligibility requirements. Vested employee benefits will be liquidated by the general fund.

Net Pension Liability

The Center participates in the Public School Employees' Retirement System (PSERS), which is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. As of June 30, 2023, the Center reported a liability of \$13,738,000 for its proportionate share of the net pension liability. The plan is more fully described in Note 8.

Other Post-Employment Benefits Obligation (OPEB)

In addition to providing retirement benefits to public school employees, PSERS provides health insurance premium assistance for all eligible retirees who qualify and elect to participate. As of June 30, 2023, the Center reported a liability of \$569,000 for its proportionate share of the net OPEB liability. The plan is more fully described in Note 9.

In addition, the Center provides post-employment healthcare insurance to certain former employees. The obligation for the healthcare insurance premiums has not been funded, but instead is financed on a pay-as-you-go basis, paid from the Center's General Fund. As permitted by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as a sole employer in a plan with fewer than one hundred total plan members, the net Other Post-Employment Benefits (OPEB) obligation has been calculated by applying a simplified alternative measurement method instead of obtaining and using actuarial valuations. This plan is more fully described in Note 9.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 7 Long-Term Liabilities (Continued)

Summary

Long-term liability balances and activity for the year ended June 30, 2023 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Deficit in funds held by Southeastern Pennsylvania Schools Trust	\$ 18,531	\$ -	\$ 18,531	\$ -	\$ -
Lease obligation	50,094	-	11,682	38,412	12,226
Vested employee benefits:					
Vacation pay	87,042	-	14,371	72,671	16,705
Sick Pay	135,620	3,973	-	139,593	32,087
Total	222,662	3,973	14,371	212,264	48,792
Net pension liability	13,015,000	723,000	-	13,738,000	-
Other post-employment benefits obligation (OPEB):					
PSERS	753,000	-	184,000	569,000	-
Other	67,947	-	26,554	41,393	35,484
Total	820,947	-	210,554	610,393	35,484
Total long-term liabilities	<u>\$ 14,127,234</u>	<u>\$ 726,973</u>	<u>\$ 255,138</u>	<u>\$ 14,599,069</u>	<u>\$ 96,502</u>

Note 8 Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

The Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per-diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 8 Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

Benefits are generally equal to 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

Active members who joined the System prior to July 22, 1983 contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001 contribute 6.25% (Membership Class T-C) or 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011 and before July 1, 2019 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 and before July 1, 2019 who elect Class T-F membership contribute 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 5.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 8.3% and 12.3%.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 8 Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Member Contributions (continued)

Members who joined the System after June 30, 2019 and before July 1, 2019 automatically contribute at the Membership Class T-G rate of 5.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2019 who elect Class T-H membership contribute 4.5% (base rate) of the member's qualifying compensation. Membership Class T-G and Class T-H are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-G contribution rate to fluctuate between 2.5% and 8.5% and Membership Class T-H contribution rate to fluctuate between 1.5% and 7.5%.

Employer Contributions

The Center's contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Center were \$1,669,314 for the year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2023, the Center reported a liability of \$13,738,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The Center's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. As of June 30, 2023, the Center's proportion was 0.0309%, which was a decrease of 0.0008% from its proportion measured as of June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the Center recognized pension expense of \$1,108,116. As of June 30, 2023, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,000	\$ 119,000
Change in assumptions	410,000	-
Net difference between projected and actual investment earnings	-	233,000
Changes in proportions	698,000	277,000
Contributions subsequent to the measurement date	<u>1,669,314</u>	<u>-</u>
Totals	<u>\$ 2,783,314</u>	<u>\$ 629,000</u>

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 8 Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

An amount of \$1,669,314 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2024	\$ 316,000
2025	294,000
2026	(450,000)
2027	<u>325,000</u>
	<u>\$ 485,000</u>

Changes in actuarial assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward the System's total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement.

- Valuation Date – June 30, 2021
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00%, includes inflation at 2.75%.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 8 Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Changes in actuarial assumptions (Continued)

- Mortality rates – Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

The following was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Absolute return	9.0%	5.4%
Infrastructure/MLPs	11.0%	4.6%
Real estate	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	<u>-11.0%</u>	0.5%
Total	<u>100.0%</u>	

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 8 Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	6.00%	7.00%	8.00%
Center's proportionate share of the net pension liability	\$17,769,000	\$13,738,000	\$10,339,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report, which can be found on the System's website at www.psers.pa.gov.

Note 9 Other Post-Employment Benefits (OPEB)

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially-determined expense on the statement of activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefits. The post-employment benefit liability is recognized on the statement of net position over time.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 9 Other Post-Employment Benefits (OPEB) (Continued)

Health Insurance Premium Assistance Program

General Information about the Health Insurance Premium Assistance Program

The System provides Premium Assistance, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age.

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 9 Other Post-Employment Benefits (OPEB) (Continued)

Health Insurance Premium Assistance Program (Continued)

Employer Contributions

The Center's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the Center were \$36,490 for the year ended June 30, 2023.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2023, the Center reported a liability of \$569,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The Center's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. As of June 30, 2023, the Center's proportion was 0.0309%, which was a decrease of 0.0009% from its proportion measured as of June 30, 2022.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2023, the Center recognized OPEB expense of \$23,319. As of June 30, 2023, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,000	\$ 3,000
Change in assumptions	63,000	134,000
Net difference between projected and actual investment earnings	2,000	-
Changes in proportions	49,000	26,000
Contributions subsequent to the measurement date	36,490	-
Totals	<u>\$ 155,490</u>	<u>\$ 163,000</u>

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 9 Other Post-Employment Benefits (OPEB) (Continued)

Health Insurance Premium Assistance Program (Continued)

An amount of \$36,490 reported as deferred outflows of resources related to OPEB resulting from the Center’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2024	\$ (9,000)
2025	(6,000)
2026	(9,000)
2027	(8,000)
2028	<u>(12,000)</u>
	<u>\$ (44,000)</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2022, was determined by rolling forward the System’s Total OPEB Liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post-age 65 at 70%

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 9 Other Post-Employment Benefits (OPEB) (Continued)

Health Insurance Premium Assistance Program (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

The following was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	<u>100.0%</u>	0.50%
Total	<u><u>100.0%</u></u>	

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 9 Other Post-Employment Benefits (OPEB) (Continued)

Health Insurance Premium Assistance Program (Continued)

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09%, which represents the S&P 20 year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2022, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if the health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 569,000	\$ 569,000	\$ 569,000

Sensitivity of the Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
Total OPEB liability	\$ 643,000	\$ 569,000	\$ 506,000

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 9 Other Post-Employment Benefits (OPEB) (Continued)

Health Insurance Premium Assistance Program (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Other Post-Employment Benefits

The Center provides post-employment healthcare insurance to certain former employees. The obligation for the healthcare insurance premiums has not been funded, but instead is financed on a pay-as-you-go basis, paid from the Center's General Fund. As permitted by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as a sole employer in a plan with fewer than one hundred total plan members, the net Other Post-Employment Benefits (OPEB) obligation has been calculated by applying a simplified alternative measurement method instead of obtaining and using actuarial valuations. The Center's liability for post-employment benefits under this plan was \$41,393 as of June 30, 2023.

The calculation of the net OPEB obligation involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The calculation of the net OPEB obligation incorporates an annual healthcare cost trend rate of 4%. Future employer contributions to satisfy the net OPEB obligation are estimated as follows:

Year Ending <u>June 30</u>	<u>Amount</u>
2024	\$ 35,484
2025	<u>5,909</u>
Total	<u>\$ 41,393</u>

Note 10 Interfund Transfers

Interfund transfers for the year ended June 30, 2023 consisted of \$288,356 transferred from the General Fund to the Capital Reserve Fund to provide resources for future capital projects.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 11 Risk Management

The Center is subject to risk of loss from employee risks, property damage, personal injury, auto accidents, etc. The Center lowers these risks through the purchase of commercial insurance. The Center's workers' compensation policy is a retrospectively rated policy. The final premium is based on actual payroll for the policy year and is determined by the insurance company. Any settlements received by the Center or its employees did not exceed insurance charges in the last three years.

The Center is a member of Southeastern Pennsylvania Schools Trust ("SEPaST"), which was formed for the purpose of providing health care benefits to its members. The Center pays insurance premiums to SEPaST, which in turn pays health care claims of the Center. As a result, the Center is in effect self-funded for medical and prescription insurance for employees and their dependents. As of June 30, 2023, the Center's SEPaST member account had a balance of \$58,956 and is reported on the government-wide Statement of Net Position as an asset, "Funds Held by Southeastern Pennsylvania Schools Trust". Since this asset does not represent a current asset, it is not reported as an asset in the governmental fund financial statements. Members' accounts are available to be utilized to fund future claims.

Note 12 Contingencies

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center as of June 30, 2023.

Note 13 Restatement of Fund Balance and Net Position

Reflected in these financial statements are the following adjustments to the beginning fund balance of the general fund and the beginning net position of governmental activities.

Overstatement of Accounts Payable

Management determined that accounts payable was understated by \$120,586 as of June 30, 2022. Accordingly, the beginning fund balance of the general fund and the beginning net position of governmental activities have been restated to increase the balance of accounts payable by \$120,586 as of June 30, 2022.

Implementation of GASB 96

Due to the implementation of GASB 96 as described in Note 2, the beginning-of-year net position of the governmental activities has been restated to include the value of right-to-use assets acquired in prior years. There were no related obligations for future payments as of June 30, 2022 since all required payments had been made during the year ended June 30, 2022.

Eastern Center For Arts And Technology
Notes to the Basic Financial Statements
June 30, 2023

Note 13 Restatement of Fund Balance and Net Position (Continued)

Net Effect on the Fund Balance of the General Fund and Net Position of Governmental Activities

The net effect of the prior-period adjustments to the fund balance of the general fund and the net position of governmental activities is shown below.

	General Fund	Governmental Activities
Fund balance / net position as of June 30, 2022, as previously stated	\$ 4,467,821	\$ 3,088,678
Understatement of accounts payable	(120,583)	(120,583)
Implementation of GASB 96	-	44,556
Fund balance / net position as of June 30, 2022, as restated	\$ 4,347,238	\$ 3,012,651

Note 14 Subsequent Events

The Center's management has evaluated all subsequent events through October 27, 2023, the date the financial statements were available to be issued.

Eastern Center for Arts and Technology
Schedule of the Center's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Center's proportion of the net pension liability	0.0309%	0.0317%	0.0289%	0.0287%	0.0298%	0.0295%	0.0290%	0.0299%	0.0309%	0.0304%
Center's proportionate share of the net pension liability	\$ 13,738,000	\$ 13,015,000	\$ 14,230,000	\$ 13,427,000	\$ 14,305,000	\$ 14,570,000	\$ 14,371,000	\$ 12,951,000	\$ 12,230,000	\$ 12,444,000
Center's covered-employee payroll	\$ 4,540,492	\$ 4,506,732	\$ 4,051,677	\$ 3,858,281	\$ 4,008,448	\$ 3,930,548	\$ 3,751,960	\$ 3,841,505	\$ 3,941,859	\$ 3,898,855
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	302.57%	288.79%	351.21%	348.00%	356.87%	370.69%	383.03%	337.13%	310.26%	319.17%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

The amounts presented for each fiscal year were determined as of the end of the previous fiscal year.

Eastern Center for Arts and Technology
Schedule of the Center's Pension Contributions
Last Ten Fiscal Years

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Contractually required contribution	\$ 1,669,314	\$ 1,543,313	\$ 1,510,206	\$ 1,351,639	\$ 1,257,800	\$ 1,272,281	\$ 1,147,720	\$ 937,990	\$ 787,509	\$ 630,697
Contributions in relation to the contractually-required contribution	<u>(1,669,314)</u>	<u>(1,543,313)</u>	<u>(1,510,206)</u>	<u>(1,351,639)</u>	<u>(1,257,800)</u>	<u>(1,272,281)</u>	<u>(1,147,720)</u>	<u>(937,990)</u>	<u>(787,509)</u>	<u>(630,697)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's covered-employee payroll	\$ 4,865,385	\$ 4,540,492	\$ 4,506,732	\$ 4,051,677	\$ 3,858,281	\$ 4,008,448	\$ 3,930,548	\$ 3,751,960	\$ 3,841,505	\$ 3,941,859
Contributions as a percentage of covered-employee payroll	34.31%	33.99%	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%

The amounts presented for each fiscal year were determined as of the end of the current fiscal year.

Eastern Center for Arts and Technology
Schedule of the Center's Proportionate Share of the Net OPEB Liability
Health Insurance Premium Assistance Plan
Last Seven Fiscal Years

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Center's proportion of the net OPEB liability	0.0309%	0.0318%	0.0289%	0.0287%	0.0298%	0.0295%	0.0290%
Center's proportionate share of the net OPEB liability	\$ 569,000	\$ 753,000	\$ 624,000	\$ 610,000	\$ 621,000	\$ 601,000	\$ 625,000
Center's covered-employee payroll	\$ 4,540,492	\$ 4,506,732	\$ 4,051,677	\$ 3,858,281	\$ 4,008,448	\$ 3,930,548	\$ 3,751,960
Center's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	12.53%	16.71%	15.40%	15.81%	15.49%	15.29%	16.66%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

The amounts presented for each fiscal year were determined as of the end of the previous fiscal year.

Eastern Center for Arts and Technology
Schedule of the Center's OPEB Contributions
Health Insurance Premium Assistance Plan
Last Seven Fiscal Years

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Contractually required contribution	\$ 36,490	\$ 36,324	\$ 36,955	\$ 34,034	\$ 32,024	\$ 33,270	\$ 32,624
Contributions in relation to the contractually-required contribution	<u>(36,490)</u>	<u>(36,324)</u>	<u>(36,955)</u>	<u>(34,034)</u>	<u>(32,024)</u>	<u>(33,270)</u>	<u>(32,624)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's covered-employee payroll	\$ 4,865,385	\$ 4,540,492	\$ 4,506,732	\$ 4,051,677	\$ 3,858,281	\$ 4,008,448	\$ 3,930,548
Contributions as a percentage of covered-employee payroll	0.75%	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%

The amounts presented for each fiscal year were determined as of the end of the current fiscal year.

Eastern Center for Arts and Technology
Budgetary Comparison Schedule - General Fund
Secondary Operations
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Budgetary Fund Balance - July 1, 2022, As Restated</u>	\$ 4,317,843	\$ 4,317,843	\$ 2,712,537	\$ (1,605,306)
<u>Resources (Inflows)</u>				
Local sources				
Receipts from member districts	7,237,020	7,237,020	7,237,020	-
Other	85,000	85,000	223,692	138,692
State sources	1,274,580	1,274,580	1,487,244	212,664
Federal sources	250,000	250,000	295,438	45,438
Proceeds from sale of capital assets	1,000	1,000	-	(1,000)
Insurance Recoveries	-	-	26,376	26,376
	<u>13,165,443</u>	<u>13,165,443</u>	<u>11,982,307</u>	<u>(1,183,136)</u>
<u>Amounts Available for Appropriation</u>				
<u>Charges to Appropriations (Outflows)</u>				
Instruction				
Special programs	527,374	527,618	515,247	12,371
Vocational education	4,226,149	4,200,449	4,074,141	126,308
Summer programs	47,199	47,199	25,472	21,727
	<u>4,800,722</u>	<u>4,775,266</u>	<u>4,614,860</u>	<u>160,406</u>
Support Services				
Pupil personnel services	715,251	715,040	574,741	140,299
Instructional staff services	67,794	78,231	69,482	8,749
Administrative services	1,161,459	1,166,126	1,112,754	53,372
Pupil health	48,631	50,342	78,912	(28,570)
Business services	564,543	564,543	802,890	(238,347)
Operation and maintenance of plant services	1,044,784	999,348	924,572	74,776
Central services	853,037	890,604	723,573	167,031
	<u>4,455,499</u>	<u>4,464,234</u>	<u>4,286,924</u>	<u>177,310</u>
Operation of Non-instructional Services				
Student activities	24,630	32,130	44,249	(12,119)
Scholarships and Awards	-	5,000	5,000	-
	<u>24,630</u>	<u>37,130</u>	<u>49,249</u>	<u>(12,119)</u>
Building improvement services	10,000	14,221	14,221	-
Debt service	-	-	13,724	(13,724)
Transfers to other funds	-	-	288,356	(288,356)
Budgetary reserve	50,000	50,000	-	50,000
	<u>9,340,851</u>	<u>9,340,851</u>	<u>9,267,334</u>	<u>73,517</u>
<u>Total Charges to Appropriations</u>				
<u>Budgetary Fund Balance - June 30, 2023</u>	<u>\$ 3,824,592</u>	<u>\$ 3,824,592</u>	<u>\$ 2,714,973</u>	<u>\$ (1,109,619)</u>

Eastern Center for Arts and Technology
Budgetary Comparison Schedule - General Fund
Continuing Education
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Budgetary Fund Balance - July 1, 2022</u>	\$ -	\$ -	\$ 58,926	\$ 58,926
<u>Resources (Inflows)</u>				
Local sources	103,000	103,000	87,256	(15,744)
State sources	17,000	17,000	11,243	(5,757)
	<u>120,000</u>	<u>120,000</u>	<u>157,425</u>	<u>37,425</u>
<u>Amounts Available for Appropriation</u>				
<u>Charges to Appropriations (Outflows)</u>				
Post-secondary education	68,110	68,110	35,345	32,765
Support services - instructional staff	300	300	-	300
Office of assistant director	51,590	51,590	50,751	839
	<u>120,000</u>	<u>120,000</u>	<u>86,096</u>	<u>33,904</u>
<u>Total Charges to Appropriations</u>				
<u>Budgetary Fund Balance - June 30, 2023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,329</u>	<u>\$ 71,329</u>

Eastern Center for Arts and Technology
Budgetary Comparison Schedule - General Fund
Practical Nursing
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Budgetary Fund Balance - July 1, 2022</u>	\$ -	\$ -	\$ 1,575,775	\$ 1,575,775
<u>Resources (Inflows)</u>				
Local sources	336,850	336,850	199,512	(137,338)
State sources	389,090	389,090	365,952	(23,138)
Federal sources	960,060	960,060	1,246,706	286,646
	<u>1,686,000</u>	<u>1,686,000</u>	<u>3,387,945</u>	<u>1,701,945</u>
<u>Amounts Available for Appropriation</u>				
<u>Charges to Appropriations (Outflows)</u>				
Practical nursing instructional	1,005,052	1,005,052	821,516	183,536
Office of assistant director - PN	533,898	533,898	657,765	(123,867)
Pupil health	-	-	-	-
Business services	42,753	42,753	42,687	66
Operation of building services	61,100	61,100	8,913	52,187
Information services - PN	49,946	49,946	60,398	(10,452)
Refund of prior year revenues	-	-	11,945	(11,945)
	<u>1,692,749</u>	<u>1,692,749</u>	<u>1,603,224</u>	<u>89,525</u>
<u>Total Charges to Appropriations</u>				
<u>Budgetary Fund Balance - June 30, 2023</u>	<u>\$ (6,749)</u>	<u>\$ (6,749)</u>	<u>\$ 1,784,721</u>	<u>\$ 1,791,470</u>

Eastern Center for Arts and Technology
Schedule of Changes in Fund Balances - General Fund
For the Year Ended June 30, 2023

	<u>Secondary Operations</u>	<u>Continuing Education</u>	<u>Practical Nursing</u>	<u>Totals</u>
<u>Fund Balances - Beginning of Year</u>	\$ 2,712,537	\$ 58,926	\$ 1,575,775	\$ 4,347,238
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>2,436</u>	<u>12,403</u>	<u>208,946</u>	<u>223,785</u>
<u>Fund Balances - End of Year</u>	<u>\$ 2,714,973</u>	<u>\$ 71,329</u>	<u>\$ 1,784,721</u>	<u>\$ 4,571,023</u>



Independent Auditor's 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*

To the Members of the Joint Operating Committee
Eastern Center for Arts and Technology
Willow Grove, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eastern Center for Arts and Technology, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Eastern Center for Arts and Technology's basic financial statements, and have issued our report thereon dated November 27, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Barz Gowie Amon & Fultz, LLC

Media, Pennsylvania
November 27, 2023



Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance

To the Members of the Joint Operating Committee
Eastern Center for Arts and Technology
Willow Grove, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Eastern Center for Arts and Technology's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Eastern Center for Arts and Technology's major federal programs for the year ended June 30, 2023. Eastern Center for Arts and Technology's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Eastern Center for Arts and Technology complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Eastern Center for Arts and Technology and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Eastern Center for Arts and Technology's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Eastern Center for Arts and Technology's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Eastern Center for Arts and Technology's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Eastern Center for Arts and Technology's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Eastern Center for Arts and Technology's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Eastern Center for Arts and Technology's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Eastern Center for Arts and Technology's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Barsz Gowie Amon & Fultz, LLC

Media, Pennsylvania
November 27, 2023

Eastern Center for Arts and Technology
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards:

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of Major Federal Programs:

<u>Federal Grantor / Program Title</u>	<u>Federal AL Number</u>	<u>Expenditures of Federal Awards</u>
<u>U.S. Department of Education</u>		
Federal Pell Grant Program	84.063	\$ 373,889
Federal Direct Student Loans	84.268	<u>762,141</u>
<u>Total - Student Financial Assistance Program Cluster</u>		<u>1,136,030</u>
<u>Total - Major Programs</u>		<u><u>\$ 1,136,030</u></u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low risk auditee?	No

Eastern Center for Arts and Technology
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section II – Financial Statement Findings

Status of Prior-Year Findings:

2022-001 Recognition of Federal Grant Revenue

Condition: There were two instances in which federal grant revenues did not agree to the related expenditures of federal awards.

Criteria: Eastern Center for Arts and Technology’s policy is to recognize revenue from nonexchange transactions such as grants in the year in which the related expenditures have been incurred and all eligibility requirements have been satisfied.

Cause: Internal controls were not in place to ensure that expenditures of federal awards are segregated from other expenditures in the accounting records and to ensure that federal grant revenues are recognized in an amount equal to the related expenditures of federal awards.

Effect: Material audit adjustments were required to adjust federal grant revenues to agree to the total of the related expenditures of federal awards.

Context: Audit procedures performed related to the audit of the financial statements revealed that HEERF grant revenue was overstated by \$354,139 and ARP ESSER grant revenue was understated by \$272,627.

Prior-Year Recommendation: Management should ensure that all expenditures of federal awards are segregated from other expenditures in the accounting records. In addition, management should ensure that federal grant revenues are recognized in the year in which the related expenditures are incurred and all eligibility requirements have been satisfied.

Status: Management implemented a procedure whereby expenditures of federal awards are segregated by using unique expenditure accounts that contain a field for funding source. In addition, management compares revenues earned to the underlying expenditures for agreement. This finding has been resolved.

Current-year findings:

None.

Eastern Center for Arts and Technology
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs

Status of Prior-Year Findings:

U.S. Department of Education

2022-002 HEERF Institutional Aid Portion – Assistance Listing No. 84.425F, Grant Period May 20, 2020 through May 11, 2022; and Higher Education Emergency Relief Fund (HEERF) Student Aid Portion – Assistance Listing No. 84.425E, grant period April 25, 2020 through May 11, 2022

Condition: During the year ended June 30, 2022, Eastern Center for Arts and Technology received HEERF grant funds totaling \$726,580, of which \$720,080 was received in July 2021. However, funds totaling \$110,676 remained unexpended as of June 30, 2022.

Criteria: Non-federal entities must minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and disbursement by the non-federal entity for direct program or project costs and the proportionate share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means (2 CFR section 200.305(b)).

Cause: Eastern Center for Arts and Technology did not adequately monitor the amount and the timing of the expenditure of the federal funds received.

Effect: Eastern Center for Arts and Technology did not minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement for program costs and, therefore, did not comply with the Cash Management compliance requirement.

Questioned Costs: None.

Context: The financial accounting records reflected that federal funds totaling \$726,580 were received during the year ended June 30, 2022 and that \$110,676 remained unexpended as of June 30, 2022.

Prior-Year Recommendation: Eastern Center for Arts and Technology should more closely monitor the timing of the expenditure of federal funds received. In addition, Eastern Center for Arts and Technology should return unexpended funds once the grant period has ended.

Status: The Center expended the remaining federal funds totaling \$110,676 during the year ended June 30, 2023. This finding has been resolved.

Eastern Center for Arts and Technology
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs (Continued)

Status of Prior-Year Findings (Continued):

U.S. Department of Education

2022-003 HEERF Institutional Aid Portion – Assistance Listing No. 84.425F, Grant Period May 20, 2020 through May 11, 2022; and Higher Education Emergency Relief Fund (HEERF) Student Aid Portion – Assistance Listing No. 84.425E, grant period April 25, 2020 through May 11, 2022

Condition: The “Quarterly Budget and Expenditure Reporting for HEERF I, II, and III” form (OMB Control Number 1840-0849) for the fourth quarter 2021 was posted on Eastern Center for Arts and Technology’s website. However, quarterly reports for the quarters ended March 31, 2022 and June 30, 2022 had not been posted to the Organization’s website.

Criteria: Quarterly Public Reporting Forms are required to be completed and conspicuously posted on the institution’s website.

Cause: Eastern Center for Arts and Technology removed the quarterly reports from the website at the end of the 2021-22 school year since management believed the reports no longer needed to be posted.

Effect: Eastern Center for Arts and Technology was not in compliance with the reporting requirements for these grants.

Questioned Costs: None.

Context: As part of testing compliance with the reporting compliance requirement, the auditor observed the Organization’s website to determine whether the Quarterly Public Reporting Forms were conspicuously posted.

Prior-Year Recommendation: Eastern Center for Arts and Technology should complete and post to the Organization’s website the Quarterly Public Reporting Forms referenced above and ensure that all applicable future reports are posted.

Status: No Quarterly Public Reporting Forms have been posted on the Organization’s website since the posting of the report for the quarter ended December 31, 2021. Eastern Center for Arts and Technology is not in compliance with the reporting requirements for these grants.

Current-year findings and questioned costs:

None.

Eastern Center for Arts and Technology
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title / Name of Grant	Source Code	Federal AL Number	Pass-through Grantor's Identifying Number	Grant Period	Total Received	Accrued Revenue 6/30/22	Accrued Revenue 6/30/23	Revenue Recognized	Expenditures	Paid to Sub- Recipients
U.S. DEPARTMENT OF EDUCATION										
<u>Direct grant</u>										
Federal Pell Grant Program	D	84.063	N/A	7/1/22 - 6/30/23	\$ 373,889	\$ -	\$ -	\$ 373,889	\$ 373,889	\$ -
Totals - AL # 84.063					<u>373,889</u>	<u>-</u>	<u>-</u>	<u>373,889</u>	<u>373,889</u>	<u>-</u>
<u>Direct grant</u>										
Federal Direct Student Loans	D	84.268	N/A	7/1/22 - 6/30/23	762,141	-	-	762,141	762,141	-
Totals - AL # 84.268					<u>762,141</u>	<u>-</u>	<u>-</u>	<u>762,141</u>	<u>762,141</u>	<u>-</u>
Totals - Student Financial Assistance Program Cluster					<u>1,136,030</u>	<u>-</u>	<u>-</u>	<u>1,136,030</u>	<u>1,136,030</u>	<u>-</u>
<u>Passed through PA Department of Education</u>										
Career and Technical Education - Basic Grants to States / Perkins Grant Consortium	I	84.048	380-21-0031	7/1/22 - 6/30/23	295,438	-	-	295,438	295,438	-
Totals - AL # 84.048					<u>295,438</u>	<u>-</u>	<u>-</u>	<u>295,438</u>	<u>295,438</u>	<u>-</u>
<u>Passed through PA Department of Education</u>										
ARP ESSER	I	84.425U	224-21-1157	3/13/20 - 9/30/24	272,627	272,627	-	-	-	-
Totals - AL # 84.425U					<u>272,627</u>	<u>272,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Direct grant</u>										
HEERF Institutional Portion	D	84.425F	P425F203319	5/20/20 - 5/11/22	-	(110,676)	-	110,676	110,676	-
Totals - AL # 84.425F					<u>-</u>	<u>(110,676)</u>	<u>-</u>	<u>110,676</u>	<u>110,676</u>	<u>-</u>
Totals - AL # 84.425 - Education Stabilization Fund					<u>272,627</u>	<u>161,951</u>	<u>-</u>	<u>110,676</u>	<u>110,676</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF EDUCATION					<u>1,704,095</u>	<u>161,951</u>	<u>-</u>	<u>1,542,144</u>	<u>1,542,144</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
<u>Passed through Commonwealth of Pennsylvania</u>										
COVID-19 Public Health Workforce Supplemental Funding Grant	I	93.354	160-23-0000	7/1/22 - 6/30/24	51,326	-	(51,326)	-	-	-
Totals - AL # 21.019					<u>51,326</u>	<u>-</u>	<u>(51,326)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					<u>51,326</u>	<u>-</u>	<u>(51,326)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE					<u>\$ 1,755,421</u>	<u>\$ 161,951</u>	<u>\$ (51,326)</u>	<u>\$ 1,542,144</u>	<u>\$ 1,542,144</u>	<u>\$ -</u>

SOURCE CODES:

D = Direct Funding
I = Indirect Funding

Eastern Center for Arts and Technology
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1 **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Eastern Center for Arts and Technology under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Eastern Center for Arts and Technology, it is not intended to and does not present the financial position or changes in net position of Eastern Center for Arts and Technology.

Note 2 **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Eastern Center for Arts and Technology did not elect to use the 10% *de minimis* indirect cost rate.