



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

AUDIT REPORT

JUNE 30, 2025

EASTERN CENTER FOR ARTS AND TECHNOLOGY

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INDEPENDENT AUDITOR'S REPORT

February 10, 2025

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

We have audited the financial statements of the governmental activities and each major fund of the Eastern Center for Arts and Technology ("the Center"), Willow Grove, Pennsylvania, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Eastern Center for Arts and Technology, Willow Grove, Pennsylvania, as of June 30, 2025, and the respective changes in financial position, and the respective budgetary comparison for the general fund 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 ("GAAS") 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 the Center 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

The Center's 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,

To the Members of the Joint Operating Committee
Eastern Center for Arts and Technology

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 the Center'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.

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 GAAS 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 GAAS 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 the Center'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 the Center'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.

To the Members of the Joint Operating Committee
Eastern Center for Arts and Technology

Emphasis of a Matter

As discussed in Notes 2 and 15 to the financial statements, the Center has adopted the requirements of GASB Statement No. 101, "Compensated Absences." The purpose of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, the schedule of the Center's proportionate share of the net pension liability - PSERS, schedule of Center pension contributions - PSERS, schedule of Center's proportionate share of the net OPEB liability - PSERS and schedule of Center OPEB contributions - PSERS on pages 45 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on 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 the Center's basic financial statements. The budgetary comparison schedule - general fund - secondary operations, budgetary comparison schedule - general fund - continuing education, budgetary comparison schedule - general fund - practical nursing, and the schedule of changes in fund balances - general fund on pages 49 through 52 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule expenditures of federal awards on page 58 is presented as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule - general fund - secondary operations, budgetary comparison schedule - general fund - continuing education, budgetary comparison schedule - general fund - practical nursing, schedule of changes in fund balances - general fund, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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

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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 budgetary comparison schedule - general fund - secondary operations, budgetary comparison schedule - general fund - continuing education, budgetary comparison schedule - general fund - practical nursing, schedule of changes in fund balances - general fund, 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 February 10, 2026, on our consideration of the Center'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 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 the Center's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

EASTERN CENTER FOR ARTS AND TECHNOLOGY

MANAGEMENT'S DISCUSSION AND ANALYSIS –UNAUDITED

Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis ("MD&A") – for State and Local Governments," requires an MD&A to precede the basic financial statements as presented in the independent auditor's report. The discussion and analysis of the financial performance of the Eastern Center for Arts and Technology ("the Center") will provide an overall review of the Center's financial performance for the year ended June 30, 2025. Readers also should review the basic financial statements and the notes to the basic financial statements.

OVERVIEW OF THE SCHOOL

The Center was founded in 1965 as an Area Vocational Technical School under the administration of the Montgomery County Intermediate Unit. The Center 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 2024-2025, 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. The Middle States Association of Schools and Colleges accredits the school, and the current accreditation now extends through December 21, 2027.

The Center 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 (9) member districts, governs the school.

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 the Center 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 Center's overall financial status.
- The remaining basic financial statements consist of *fund financial statements*. These statements focus on individual components, or funds, of the Center and provide a more detailed presentation of the Center's operations. The *governmental funds* statements present how services are financed in the short term as well as what remains for future spending.

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MANAGEMENT'S DISCUSSION AND ANALYSIS –UNAUDITED (CONT'D)

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 entity-wide statements report financial information about the Center using accounting methods like the accounting used by private-sector companies. The Statement of Net Position includes all the Center'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 the Center by measuring whether the net position is increasing or decreasing.

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

These two statements report the Center's net position and changes in net position. The Center's net position represents the difference between the Center'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 the Center'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.

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 the Center. Some funds are required to be reported as major funds by state law and by other requirements. The Center's two types of funds that use different accounting approaches:

- ***Governmental funds*** – Most of the Center'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 the Center'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 the Center'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 are the General Fund (required by GASB Statement No. 34 to be reported as a major fund) and the Capital Reserve Fund.

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MANAGEMENT'S DISCUSSION AND ANALYSIS –UNAUDITED (CONT'D)

- **Fiduciary funds** – These funds account for activities for which the Center 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 the Center's operations.

OVERVIEW OF FINANCIAL STATEMENT STRUCTURE AND CONTENTS

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

	Entity-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire Center except fiduciary funds	All Center activities other than fiduciary or proprietary, such as general operating and capital projects	Activities the Center 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 (CONT'D)

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The Center's total net position was \$6,570,327 at June 30, 2025. This is an increase of \$1,475,102 from 2024, with capital projects largely responsible for the increase. Most assets are made up of cash, capital assets, due from other governments, and site improvements. Most liabilities consist of accounts payable, accrued salaries and benefits, net pension liability, and unearned revenues. The following table presents condensed financial information for the net position of the Center as of June 30, 2025 and 2024.

**Table A-1
Net Position
June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Assets:		
Current and other assets	\$ 10,840,603	\$ 9,134,427
Capital assets	10,777,229	10,168,648
Other assets	903,795	616,746
Total Assets	<u>22,521,627</u>	<u>19,919,821</u>
 Deferred outflows of resources	 <u>2,362,154</u>	 <u>3,172,911</u>
Liabilities:		
Current and other liabilities	3,234,940	1,877,706
Long-term liabilities	14,271,514	15,603,801
Total Liabilities	<u>17,506,454</u>	<u>17,481,507</u>
 Deferred inflows of resources	 <u>807,000</u>	 <u>516,000</u>
Net Position:		
Net investment in capital assets	10,763,838	10,142,462
Restricted	2,553,697	2,387,549
Unrestricted (deficit)	<u>(6,747,208)</u>	<u>(7,434,786)</u>
Total Net Position	<u>\$ 6,570,327</u>	<u>\$ 5,095,225</u>

Of the Center's assets and deferred outflows of resources, 43% (\$10,763,838) are invested in capital assets (right-to-use assets, buildings, furniture and equipment) net of related debt. This amount represents the book value of capital assets less depreciation and any related debt outstanding to finance the acquisition of such assets. The remaining balances of net position consist of unrestricted deficit (\$6,747,208) and restricted net position (\$2,553,697), which represents amounts restricted for future capital needs of the Center.

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MANAGEMENT'S DISCUSSION AND ANALYSIS –UNAUDITED (CONT'D)

Changes in Government-wide Net Position

The results of this year's operations are presented in the Center'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 the Center'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.

Table A-2
Changes in Net Position
Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
REVENUES		
Program Revenues:		
Charges for services	\$ 104,091	\$ 142,050
Operating grants and contributions	4,014,151	3,787,775
General Revenues:		
Member districts	8,786,010	8,496,894
Unrestricted grants, subsidies, and contributions	269,389	335,578
Investment earnings	292,060	295,308
Miscellaneous	89,157	46,480
TOTAL REVENUES	<u>13,554,858</u>	<u>13,104,085</u>
EXPENSES		
Instruction	6,460,037	5,684,076
Instructional student support	903,794	815,253
Administrative and financial support	3,792,457	3,312,297
Operation and maintenance of plant services	866,319	1,805,665
Non-instructional services	56,220	48,967
Interest expense	929	1,498
TOTAL EXPENSES	<u>12,079,756</u>	<u>11,667,756</u>
Change in Net Position	1,475,102	1,436,329
Beginning Net Position, Restated	<u>5,095,225</u>	<u>3,658,896</u>
Ending Net Position	<u>\$ 6,570,327</u>	<u>\$ 5,095,225</u>

The largest source of general revenues for the Center consists of fees from member districts. These fees are assessed to each participating district based upon secondary enrollments as specified in the Articles

EASTERN CENTER FOR ARTS AND TECHNOLOGY

MANAGEMENT'S DISCUSSION AND ANALYSIS –UNAUDITED (CONT'D)

of Jointure. This amount accounts for approximately 65% of total revenues and demonstrates the reliance that the Center places on the contributions from member districts.

The largest source of program related grants and subsidies represents the funds received from Pennsylvania's vocational subsidy in the amount of \$961,779. The Center also receives state subsidies for employer-assessed retirement and social security expenses totaling \$1,073,922. Additionally, federal funding from the Carl D. Perkins Vocational and Technical Education grant consists of \$340,404.

Net Cost and Funding of Governmental Activities

The following table represents the Center's expense functions of the governmental activities as well as each function's net costs (total cost less revenues directly generated by the activities). Table A-3 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
Governmental Activities
For the Years Ended June 30, 2025 and 2024**

Functions/Programs	Total Cost of Services		Net (Expense) - Services	
	2025	2024	2025	2024
Instruction	\$ 6,460,037	\$ 5,684,076	\$ (2,842,832)	\$ (2,317,962)
Instructional student support	903,794	815,253	(768,758)	(634,167)
Administrative and financial support services	3,792,457	3,312,297	(3,469,199)	(2,952,633)
Operation and maintenance of plant services	866,319	1,805,665	(831,963)	(1,805,665)
Non-instructional services	56,220	48,967	(47,833)	(26,006)
Interest expense	929	1,498	(929)	(1,498)
Total Governmental Activities	<u>\$12,079,756</u>	<u>\$11,667,756</u>	(7,961,514)	(7,737,931)
Less:				
Unrestricted grants and subsidies			269,389	335,578
Total needs from districts' contributions and other revenues			<u>\$ (7,692,125)</u>	<u>\$ (7,402,353)</u>

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Analysis of Fund Balances

As of June 30, 2025, the Center's governmental funds reported a combined fund balance of \$7,605,663. Of this amount, \$2,553,697 is restricted for the use of capital projects. The following amounts in the general fund are assigned: \$1,582,216 for the practical nursing program, \$66,047 for

EASTERN CENTER FOR ARTS AND TECHNOLOGY

MANAGEMENT'S DISCUSSION AND ANALYSIS –UNAUDITED (CONT'D)

continuing education, and \$850,000 for future capital improvements. In addition, \$375,000 is committed for self-funded medical and PSERS pension benefit contingency, \$61,665 was in non-spendable, and \$2,117,038 was unassigned.

General Fund Budgetary Highlights

The Center's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The most significant fund budget is the General Fund. The final expenditure budget 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, 2025.

The 2024-2025 budgeted revenues were \$11,929,987. Actual revenues for the general fund were \$12,275,417, which was \$345,430 higher than budgeted mainly due to local sources, state sources, and other revenues coming in higher than budgeted. This was offset by federal sources coming in lower than budget.

Actual expenditures came in lower than budgeted in the amount of \$477,398. The variance was due to instruction, support services, and capital outlays coming in lower than budgeted. This was offset by noninstructional activities coming in higher than budgeted.

CAPITAL ASSETS

As of June 30, 2025, the Center had \$10,777,229, net of depreciation and amortization, invested in capital assets representing a net increase of \$608,581 over the balance on June 30, 2024. This increase is primarily due to increased renovation projects during the 2024-2025 school year.

Table A-4
Capital Assets – Net of Depreciation
For the Years Ended June 30, 2025 and 2024

	Total Capital Assets 6/30/2024	Change	Total Capital Assets 6/30/2025
Governmental Activities:			
Land and site improvements, net	\$ 178,188	\$ (2,235)	\$ 175,953
Construction in progress	-	1,544,190	1,544,190
Buildings and building improvement, net	7,889,862	(563,044)	7,326,818
Furniture and equipment, net	2,068,911	(357,806)	1,711,105
Right-to-use asset, net	31,687	(12,524)	19,163
Total Governmental Activities	<u>\$ 10,168,648</u>	<u>\$ 608,581</u>	<u>\$ 10,777,229</u>

EASTERN CENTER FOR ARTS AND TECHNOLOGY

MANAGEMENT'S DISCUSSION AND ANALYSIS –UNAUDITED (CONT'D)

The Center'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. During the 2024-2025 school year, Phase 4 – HVAC Replacement Project and Phase 5 – Culinary Renovation project began in May/June of 2025 to be completed by September of 2025.

The Center is currently leasing equipment under a right-to-use concept in accordance with generally accepted accounting principles. The right-to-use asset is reported in capital assets (net \$19,163), and the related lease liability (\$13,391) is reported in long-term liabilities.

LONG-TERM LIABILITIES

As of June 30, 2025, the Center had long-term liabilities of \$14,271,514 net, of which \$190,185 is recognized as due within one year.

**Table A-5
Long-term Liabilities
For the Years Ended June 30, 2025 and 2024**

	Total Debt 6/30/2024	Change	Total Debt 6/30/2025
Governmental Activities:			
Other liabilities:			
Lease obligation	\$ 26,186	\$ (12,795)	\$ 13,391
Accumulated compensated absences	720,648	48,475	769,123
Other postemployment benefits	589,762	(33,762)	556,000
Net pension liability	14,280,000	(1,347,000)	12,933,000
Total Governmental Activities	<u>\$ 15,616,596</u>	<u>\$ (1,345,082)</u>	<u>\$ 14,271,514</u>

EASTERN CENTER FOR ARTS AND TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS –UNAUDITED (CONT'D)

ADMINISTRATIVE GOALS FOR THE 2025-2026 SCHOOL YEAR

Goal #1

Ensure all Center 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 the Center'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 surveys 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 Center'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
STATEMENT OF NET POSITION
JUNE 30, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS:

Cash and cash equivalents	\$ 9,691,632
Due from other governments	348,811
Accounts receivable	738,179
Other receivables	316
Inventories	31,008
Prepaid expenses	30,657
Land	175,653
Construction in progress	1,544,190
Land improvements (net)	300
Buildings and building improvements (net)	7,326,818
Furniture and equipment (net)	1,711,105
Right-to-use lease assets (net)	19,163
Funds held by Southeastern Pennsylvania Schools Trust	903,795
TOTAL ASSETS	<u>22,521,627</u>

DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows relating to pension	2,245,803
Deferred outflows relating to OPEB	116,351
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,362,154</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 24,883,781

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION (DEFICIT)**

LIABILITIES:

Accounts payable	\$ 1,178,196
Accrued salaries and benefits	984,467
Retainage payable	151,800
Unearned revenue	920,477
Long-term liabilities:	
Portion due or payable within one year:	
Accumulated compensated absences	176,794
Lease obligation	13,391
Portion due or payable after one year:	
Accumulated compensated absences	592,329
Net pension liability	12,933,000
Net OPEB liability	556,000
TOTAL LIABILITIES	<u>17,506,454</u>

DEFERRED INFLOWS OF RESOURCES:

Deferred inflows relating to pension	684,000
Deferred inflows relating to OPEB	123,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>807,000</u>

NET POSITION:

Net investment in capital assets	10,763,838
Restricted for capital projects	2,553,697
Unrestricted (deficit)	(6,747,208)
TOTAL NET POSITION	<u>6,570,327</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION**

\$ 24,883,781

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, 2025**

		Program Revenues			Net Revenue (Expense) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
Instruction	\$ 6,460,037	\$ 95,793	\$ 3,521,412	\$ -	\$ (2,842,832)
Instructional student support	903,794	-	135,036	-	(768,758)
Administrative and financial support services	3,792,457	-	323,258	-	(3,469,199)
Operation and maintenance of plant services	866,319	-	34,356	-	(831,963)
Operation of noninstructional services	56,220	8,298	89	-	(47,833)
Interest expense	929	-	-	-	(929)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 12,079,756</u>	<u>\$ 104,091</u>	<u>\$ 4,014,151</u>	<u>\$ -</u>	<u>(7,961,514)</u>
GENERAL REVENUES					
					8,786,010
					269,389
					292,060
					89,157
					<u>9,436,616</u>
CHANGE IN NET POSITION					
					1,475,102
NET POSITION, BEGINNING OF YEAR, RESTATED					
					<u>5,095,225</u>
NET POSITION, END OF YEAR					
					<u>\$ 6,570,327</u>

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

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund	Capital Reserve Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 5,966,194	\$ 3,725,438	\$ 9,691,632
Due from other funds	4,665	-	4,665
Due from other governments	348,811	-	348,811
Accounts receivable	738,179	-	738,179
Other receivables	316	-	316
Inventories	31,008	-	31,008
Prepaid expenditures	30,657	-	30,657
TOTAL ASSETS	<u><u>\$ 7,119,830</u></u>	<u><u>\$ 3,725,438</u></u>	<u><u>\$ 10,845,268</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 162,920	\$ 1,015,276	\$ 1,178,196
Due to other funds	-	4,665	4,665
Accrued salaries and benefits	984,467	-	984,467
Retainage payable	-	151,800	151,800
Unearned revenues	920,477	-	920,477
TOTAL LIABILITIES	<u><u>2,067,864</u></u>	<u><u>1,171,741</u></u>	<u><u>3,239,605</u></u>
FUND BALANCES:			
Nonspendable	61,665	-	61,665
Restricted	-	2,553,697	2,553,697
Committed	375,000	-	375,000
Assigned	2,498,263	-	2,498,263
Unassigned	2,117,038	-	2,117,038
TOTAL FUND BALANCES	<u><u>5,051,966</u></u>	<u><u>2,553,697</u></u>	<u><u>7,605,663</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 7,119,830</u></u>	<u><u>\$ 3,725,438</u></u>	<u><u>\$ 10,845,268</u></u>

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

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2025**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 7,605,663
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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	\$ 175,653	
Construction in progress	1,544,190	
Land and site improvements, net	300	
Buildings and building improvements, net	7,326,818	
Furniture and equipment, net	1,711,105	
Right-of-use assets, net	<u>19,163</u>	
		10,777,229

Funds held by Southeastern Pennsylvania Schools Trust is not a current financial resources and, therefore, is not reported in the funds.	903,795
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Accumulated compensated absences	(769,123)	
Lease obligation	(13,391)	
Net OPEB liability	(556,000)	
Net pension liability	<u>(12,933,000)</u>	(14,271,514)

Deferred inflows and outflows of resources related to the School's pension plan do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows of resources:		
Deferred outflows related to pension	2,245,803	
Deferred outflows related to OPEB	116,351	
Deferred inflows of resources:		
Deferred inflows related to pension	(684,000)	
Deferred inflows related to OPEB	<u>(123,000)</u>	<u>1,555,154</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 6,570,327</u></u>
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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, 2025**

	General Fund	Capital Reserve Fund	Totals
REVENUES			
Local sources	\$ 8,647,665	\$ 1,109,441	\$ 9,757,106
State sources	2,302,697	170,000	2,472,697
Federal sources	899,446	-	899,446
Other revenues	425,609	-	425,609
TOTAL REVENUES	<u>12,275,417</u>	<u>1,279,441</u>	<u>13,554,858</u>
EXPENDITURES			
Current:			
Instruction	6,178,863	-	6,178,863
Support services	5,385,632	64,567	5,450,199
Operation of noninstructional activities	51,657	-	51,657
Capital outlay	-	1,524,268	1,524,268
Debt service	13,724	-	13,724
TOTAL EXPENDITURES	<u>11,629,876</u>	<u>1,588,835</u>	<u>13,218,711</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>645,541</u>	<u>(309,394)</u>	<u>336,147</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	475,542	475,542
Transfers out	(475,542)	-	(475,542)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(475,542)</u>	<u>475,542</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	169,999	166,148	336,147
FUND BALANCES, BEGINNING OF YEAR	<u>4,881,967</u>	<u>2,387,549</u>	<u>7,269,516</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 5,051,966</u></u>	<u><u>\$ 2,553,697</u></u>	<u><u>\$ 7,605,663</u></u>

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

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 336,147
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/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense and writeoffs in the period.	608,581
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.	287,049
The issuance of long-term debt (e.g. leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	12,795
In the statement of activities, certain operating expenses – compensated absences (vacation and sick leave) – are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(48,475)
Pension and OPEB expenses in the statement of activities differ from the amount reported in the governmental fund because pension and OPEB expenses are recognized in the statement of activities based on the Center's proportionate share of the expenses of the cost-sharing pension and OPEB plans, whereas pension and OPEB expenditures are recognized in the governmental fund when a requirement to remit contributions to the plan exists.	279,005
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,475,102</u>

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, 2025**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 8,211,700	\$ 8,211,700	\$ 8,647,665	\$ 435,965
State sources	1,989,632	1,989,632	2,302,697	313,065
Federal sources	1,485,060	1,485,060	899,446	(585,614)
Other revenue	243,595	243,595	425,609	182,014
TOTAL REVENUES	11,929,987	11,929,987	12,275,417	345,430
EXPENDITURES				
Instruction:				
Special programs	555,539	555,539	500,008	55,531
Vocational programs	5,737,249	5,737,249	5,597,973	139,276
Summer programs	24,265	24,265	24,710	(445)
Adult education programs	63,295	63,295	56,172	7,123
Total Instruction	6,380,348	6,380,348	6,178,863	201,485
Support Services:				
Pupil personnel services	737,364	737,364	692,050	45,314
Instructional staff services	93,571	93,571	55,215	38,356
Administrative services	2,021,771	2,021,771	1,828,876	192,895
Pupil health	97,199	97,199	101,469	(4,270)
Business services	674,917	674,917	609,997	64,920
Operation and maintenance of plant services	1,129,454	1,129,454	1,116,860	12,594
Central services	910,590	910,590	981,165	(70,575)
Total Support Services	5,664,866	5,664,866	5,385,632	279,234
Operation of Noninstructional Activities:				
Student activities	28,336	28,336	43,157	(14,821)
Scholarships and awards	5,000	5,000	8,500	(3,500)
Total Operation of Noninstructional Activities	33,336	33,336	51,657	(18,321)
Capital outlays	15,000	15,000	-	15,000
Debt service	13,724	13,724	13,724	-
TOTAL EXPENDITURES	12,107,274	12,107,274	11,629,876	477,398
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(177,287)	(177,287)	645,541	822,828
OTHER FINANCING USES				
Transfers	-	-	(475,542)	475,542
Budgetary reserve	12,500	12,500	-	(12,500)
TOTAL OTHER FINANCING USES	12,500	12,500	(475,542)	463,042
NET CHANGE IN FUND BALANCE	(164,787)	(164,787)	169,999	1,285,870
FUND BALANCE, BEGINNING OF YEAR	4,881,967	4,881,967	4,881,967	-
FUND BALANCE, END OF YEAR	\$ 4,717,180	\$ 4,717,180	\$ 5,051,966	\$ 1,285,870

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

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2025**

	Custodial Fund
ASSETS	
Cash	\$ 31,059
TOTAL ASSETS	<u>\$ 31,059</u>
LIABILITIES AND NET POSITION	
LIABILITIES:	
Other current liabilities	\$ -
NET POSITION:	
Restricted for student activities	<u>31,059</u>
TOTAL NET POSITION	<u>31,059</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 31,059</u>

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

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Custodial Fund</u>
ADDITIONS	
Student activity receipts	\$ 50,274
Interest income	<u>527</u>
TOTAL ADDITIONS	<u>50,801</u>
DEDUCTIONS	
Student activity disbursements	<u>42,804</u>
TOTAL DEDUCTIONS	<u>42,804</u>
CHANGE IN NET POSITION	7,997
NET POSITION, BEGINNING OF YEAR	<u>23,062</u>
NET POSITION, END OF YEAR	<u><u>\$ 31,059</u></u>

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

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF THE ORGANIZATION

Vocational Technical School

The 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Center have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. GASB has issued a codification of governmental accounting and financial reporting standards.

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Reporting Entity

GASB's *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification") established the criteria for determining the activities, organization, and functions of government to be included in the financial statements of the reporting entity. In evaluating the Center as a reporting entity, management has addressed all potential component units which may or may not fall within the Center's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the Center's reporting entity are financial accountability and the nature and significance of the relationship. The Center is considered to be an independent reporting entity and has no component units.

Basis of Presentation

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 custodial funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the Center and for each governmental function. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Center.

Except for interfund activity and balances between the funds that underlie governmental activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The government-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

reduced by the outstanding balances of borrowing attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from special revenue and capital projects funds. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

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 report detailed information about the Center. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The Center reports the following major governmental funds:

- The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Reserve Fund** is used to account for the acquisition, construction, and renovation of major capital facilities and their related capital assets.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Center considers revenue to be available if it is collected within 60 days of the end of the current period. Revenue from federal, state, and other grants designated for payment of specific Center expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unavailable revenues until earned.

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Liabilities for compensated absences are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Fiduciary Funds

Custodial funds account for the assets held by the Center as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the Center's own programs. The Center accounts for these assets in a private-purpose trust and a custodial fund. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. The custodial fund accounts for funds held on behalf of students of the Center. The measurement focus and basis of accounting for the private-purpose trust and custodial fund is the same as for proprietary funds.

Budgetary Information

Budgets are adopted on a basis consistent with GAAP. An annual budget was only adopted for the general fund.

The budgetary comparison statement represents both the original and final appropriated budget amounts for the reporting period, as there were no amendments. Appropriations lapse at the end of the fiscal year.

Cash and Cash Equivalents

The Center's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the entity-wide financial statements and are not reported in the governmental fund financial statements. Capital assets are defined by the Center as assets with an initial individual cost of more than \$1,000 with an estimated useful life in excess of one year.

Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant, and equipment (net of salvage value) of the Center are depreciated/amortized using the straight-line method over the following estimated useful lives:

Building and improvements	15 - 40 years
Furniture and equipment	5 - 20 years
Right to use lease asset	Lease term

Compensated Absences

Center policies permit employees to accumulate earned but unused vacation and sick days as stipulated in each bargaining unit's contract. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the financial statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. Pension and OPEB contributions made subsequent to the measurement date, and therefore not reflected in the net pension liability and net OPEB liability under full accrual basis reporting, are reported as a deferred outflow of resources on the entity-wide statement of net position. Certain changes to the net pension and OPEB liabilities (and assets) are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide statement of net position.

Fund Equity

Fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – that portion of the fund balance that cannot be spent because it is either in a nonspendable form or legally or contractually required to be maintained intact.

Restricted – that portion of the fund balance that is constrained to be used for a specific purpose in accordance with an external party or law.

Committed – that portion of the balance that is to be used for a specific purpose in accordance with a board of directors' motion. These constraints can be removed or changed by equal level action. Action to constrain resources should occur prior to the fiscal year end. Direction from the Joint Operating Committee can commit specific dollar amounts, percentages, or funds related to a specific activity.

Assigned – that portion of the fund balance that is intended to be used for a specific purpose in accordance with the Executive Director or the Business Manager.

Unassigned – that portion of the fund balance that represents expendable available financial resources. It is the residual after the nonspendable, restricted, committed, and assigned portions are deducted from the total fund balance.

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, Executive Director, or Business Manager have provided otherwise in its commitment or assignment actions.

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Implementation of GASB Statement

During the year ended June 30, 2025, the Center implemented Governmental Accounting Standards Board ("GASB") Statement No. 101, "Compensated Absences." The purpose of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

NOTE 3 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2025, the carrying amount of the Center's deposits was \$9,722,691, and the bank balance was \$9,815,877. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$5,333,772 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 \$4,232,105 of cash deposits of the Center are 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 statistical rating organization, and is subject to an independent annual audit. As of June 30, 2025, PLGIT was rated AAAM by a nationally recognized statistical rating organization.

NOTE 4 RECEIVABLES

Receivables as of June 30, 2025 consist of subsidies from federal, state, and other receivables. A summary of receivables is as follows:

Federal	\$ 22,943
State	325,868
Other	<u>738,495</u>
TOTAL	<u>\$ 1,087,306</u>

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated/ amortized:				
Land	\$ 175,653	\$ -	\$ -	\$ 175,653
Construction in progress	-	1,544,190	-	1,544,190
Total Capital Assets Not Being Depreciated/Amortized	175,653	1,544,190	-	1,719,843
Capital assets being depreciated/ amortized:				
Buildings and improvements	16,347,097	-	-	16,347,097
Land improvements	471,164	-	-	471,164
Right-to-use assets	104,879	-	-	104,879
Furniture and equipment	5,965,308	361,736	171,105	6,155,939
Total Capital Assets Being Depreciated/Amortized	22,888,448	361,736	171,105	23,079,079
Less accumulated depreciation/ amortization for:				
Buildings and improvements	8,457,235	563,044	-	9,020,279
Land improvements	468,629	2,235	-	470,864
Right-to-use assets	73,192	12,524	-	85,716
Furniture and equipment	3,896,397	691,437	143,000	4,444,834
Total accumulated depreciation/ amortization	12,895,453	1,269,240	143,000	14,021,693
Total Capital Assets Being Depreciated/ Amortized, Net	9,992,995	(907,504)	28,105	9,057,386
Governmental Activities Assets, Net	\$ 10,168,648	\$ 636,686	\$ 28,105	\$ 10,777,229

Depreciation expense was charged to functions/programs of the Center as follows:

Governmental Activities:	
Instruction	\$ 677,301
Instructional student support	91,314
Administrative and financial support services	374,905
Operation and maintenance of plant services	120,162
Operation of noninstructional services	5,558
Total Governmental Activities	<u>\$ 1,269,240</u>

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

<u>Receivable to</u>	<u>Amount</u>	<u>Payable from</u>	<u>Amount</u>
General Fund	<u>\$ 4,665</u>	Capital Reserve Fund	<u>\$ 4,665</u>

Interfund balances represent temporary loans. The balances are repaid shortly after year end.

The general fund transferred \$475,542 to the capital reserve fund to support future capital projects.

NOTE 7 FUND BALANCE

As of June 30, 2025, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Totals</u>
Restricted:			
Capital projects	\$ -	\$ 2,553,697	\$ 2,553,697
Committed:			
PSERS rate stabilization	187,500	-	187,500
Self-funded medical stabilization	187,500	-	187,500
Assigned:			
Continuing education	66,047	-	66,047
Practical nursing	1,582,216	-	1,582,216
Future capital improvements	850,000	-	850,000
Nonspendable:			
Inventory	31,008	-	31,008
Prepaid expenditures	30,657	-	30,657
Unassigned	<u>2,117,038</u>	<u>-</u>	<u>2,117,038</u>
Total Fund Balances	<u>\$ 5,051,966</u>	<u>\$ 2,553,697</u>	<u>\$ 7,605,663</u>

NOTE 8 LEASING AGREEMENTS

Equipment Lease

The Center leases equipment under a lease agreement with an expiration date of June 2026. At June 30, 2025, the minimum future rental payment under the leasing arrangement is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	<u>\$ 13,391</u>	<u>\$ 333</u>	<u>\$ 13,724</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 9 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Amounts Due Within One Year
Lease obligation	\$ 26,186	\$ -	\$ (12,795)	\$ 13,391	\$ 13,391
Accumulated compensated absences	720,648	48,475	-	769,123	176,794
Net OPEB liability	589,762	-	(33,762)	556,000	-
Net pension liability	14,280,000	-	(1,347,000)	12,933,000	-
TOTALS	\$ 15,616,596	\$ 48,475	\$ (1,393,557)	\$ 14,271,514	\$ 190,185

Payments of long-term liabilities for governmental activities are expected to be funded by the general fund. Compensated absences changes are reported at net.

NOTE 10 PENSION PLAN

Plan Description

The Center contributes to the Public School Employees' Retirement System ("PSERS"), 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 Center year, and part-time per diem public school employees who render at least 80 days of service in the Center year in any of the reporting entities in Pennsylvania. Benefit terms and contributions may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. The PSERS issues a publicly available annual comprehensive financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.pa.gov/PSERS.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one 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

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NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

reductions for individuals who became 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 three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to 2% or 2½%, depending upon the 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 may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 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 2½%, depending upon the 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 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 contributed 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 at 6.25% (Membership Class T-C) or at 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 at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Membership Class T-D, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011 automatically contribute at the Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Class T-E contribution rate to fluctuate between 7.50% and 9.50%, and Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

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NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

Employer Contributions

The Center's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2025, the rate of the employer contribution was 33.90% of covered payroll, which was comprised of 32.92% for pension contributions, 0.63% for healthcare contributions, and 0.35% for Act 5 defined contributions. The Center's contribution to PSERS for pension contributions for the year ended June 30, 2025 was \$1,730,022.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2025, the Center reported a liability of \$12,933,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 to June 30, 2024. 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. At June 30, 2024, the Center's proportion was 0.0309%, which was a decrease of 0.0012% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Center recognized pension expense of \$1,465,838. At June 30, 2025, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between the School's contributions and proportionate share of total contributions	\$ 35,781	\$ -
Difference between expected and actual experience	-	203,000
Changes in proportions	266,000	481,000
Net difference between projected and actual investment earnings	214,000	-
Contributions subsequent to the date of measurement	1,730,022	-
	<u>\$ 2,245,803</u>	<u>\$ 684,000</u>

Deferred outflows of resources of \$1,730,022, resulting from the Center's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and

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NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2026	\$ (420,073)
2027	354,927
2028	(60,073)
2029	<u>(43,000)</u>
	<u>\$ (168,219)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2024 was determined by rolling forward the system's total pension liability as of the June 30, 2023 actuarial valuation to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 7.00%, including inflation of 2.50%
- Salary increases – effective average of 4.50%, which reflects an allowance for inflation of 2.50%, and 2.00% for real wage growth and 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, 2023 and June 30, 2024.
- 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
 - 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, 2024 valuation were based on the results of an actuarial experience study that was performed for the period ending June 30, 2020.

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NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

The long-term expected rate of return on pension plan investments was determined using the 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 PSERS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	30.0%	4.8%
Private equity	12.0%	6.7%
Fixed income	33.5%	3.9%
Commodities	5.0%	2.5%
Infrastructure	10.0%	6.4%
Real estate	9.5%	5.9%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

Discount Rate

The discount 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 which are 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.

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NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

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.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Center's proportionate share of the net pension liability	\$ 17,037,000	\$ 12,933,000	\$ 9,468,000

Pension Plan Fiduciary Net Position

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

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

The Center contributes to the Health Insurance Premium Assistance Program, which is a governmental cost sharing, multiple-employer other postemployment benefits ("OPEB") plan 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. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. As of June 30, 2024, 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 24½ or more years of service, or
- Are a disability retiree, or

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NOTES TO FINANCIAL STATEMENTS

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

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

- Attain Medicare eligibility with 24½ 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.

OPEB Plan Description

PSERS is a government cost-sharing multiple-employer defined benefit pension and OPEB 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 Center year, and part-time per diem public school employees who render at least 80 days of service in the Center year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.pa.gov/PSERS.

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. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Employer Contributions

The Center's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2025, the rate of the employer contribution was 33.90% of covered payroll, which was comprised of 32.92% for pension contributions, 0.63% for healthcare contributions, and 0.35% for Act 5 defined contributions. The Center's OPEB contribution to PSERS for the year ended June 30, 2025 was \$33,108.

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

At June 30, 2025, the Center reported a liability of \$556,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB

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NOTES TO FINANCIAL STATEMENTS

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

liability used to calculate the net OPEB liability was determined by rolling forward the system's total OPEB liability as of June 30, 2023 to June 30, 2024. The Center's proportion of the net liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the Center's proportion was 0.0313%, which was a decrease of 0.0010% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Center recognized OPEB expense of \$24,049. At June 30, 2025, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,000	\$ 8,000
Changes in assumptions	34,000	85,000
Net difference between projected and actual investment earnings	1,000	-
Changes in proportions	46,000	30,000
Difference between employer contributions and proportionate share of total contributions	243	-
Contributions subsequent to the measurement date	33,108	-
	<u>\$ 116,351</u>	<u>\$ 123,000</u>

Change in Assumption

The discount rate used to measure the total OPEB liability increased from 4.13% as of June 30, 2023 to 4.21% as of June 30, 2024.

An amount of \$33,108 is reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. 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>	
2026	\$ (10,951)
2027	(9,951)
2028	(12,951)
2029	(951)
2030	<u>(4,953)</u>
	<u>\$ (39,757)</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Actuarial Assumptions

The total OPEB liability as of June 30, 2024 was determined by rolling forward the system's total OPEB liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 4.21%, 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%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024.
- 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 – 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 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.

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	<u>100.0%</u>	1.7%
	<u>100.0%</u>	

The above 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, 2024.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.21%. 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 4.21%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2024, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System's 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, 2024, 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, 2024, 92,149 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2024, 489 members were receiving less than the \$1,200 per year cap, is a small percentage of the total population, and has a minimal impact on the healthcare cost trends as depicted below.

The following presents the system's net OPEB liability for June 30, 2024, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Center's proportionate share of the net OPEB liability	\$ 556,000	\$ 556,000	\$ 556,000

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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 4.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.21%) or one percentage point higher (5.21%) than the current rate:

	1% Decrease 3.21%	Current Discount Rate 4.21%	1% Increase 5.21%
Center's proportionate share of the net OPEB liability	\$ 628,000	\$ 556,000	\$ 496,000

OPEB Plan Fiduciary Net Position

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

NOTE 12 COMMITMENTS AND CONTINGENCIES

Government Grants and Awards

The Center participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Center is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Capital Improvement Commitments

As of June 30, 2025, the Center was in the process of several capital projects. Construction commitments completed to date are as follows:

Project	Contract Amount	Completed 6/30/2025	Commitment
Phase 4 - Culinary	\$ 903,562	\$ 348,093	\$ 555,469
Phase 5 - HVAC	2,697,230	802,990	1,894,240
Total	<u>\$ 3,600,792</u>	<u>\$ 1,151,083</u>	<u>\$ 2,449,709</u>

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

NOTE 12 COMMITMENTS AND CONTINGENCIES (cont'd)

Additionally, at June 30, 2025, the Center had \$393,107 in construction in progress not subject to construction commitments.

NOTE 13 RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the Center retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2024-2025 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Center is a member of Southeastern Pennsylvania Schools Trust ("SEPaST"), which was formed for the purpose of providing healthcare benefits to its members. The Center pays insurance premiums to SEPaST, which in turn pays healthcare 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, 2025, the Center's SEPaST member account had a balance of \$903,795 and is reported on the 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 in the governmental fund financial statements. Members' accounts are available to be utilized to fund future claims.

NOTE 14 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$6,747,208 includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, the unamortized portion of contributions made in excess of the Center's share of its proportionate contributions to its pension and OPEB plans, and the deferred outflows resulting from the change in the Center's share of the net pension and OPEB liabilities. This is offset by the Center's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from the differences between projected and actual investment earnings, and between actual and expected experiences.

NOTE 15 CHANGE IN ACCOUNTING PRINCIPLE

The Center has restated its beginning net position due to the implementation of GASB Statement No. 101. The effect of this change resulted in the restatement of beginning net position of the governmental activities as follows:

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

NOTE 15 CHANGE IN ACCOUNTING PRINCIPLE (cont'd)

	06/30/24 as Previously Reported	Change in Accounting Principle	06/30/24 as Restated
Governmental activities	<u>\$ 5,678,704</u>	<u>\$ (583,479)</u>	<u>\$ 5,095,225</u>

The Center has restated its July 1, 2024 net position due to the implementation of GASB Statement No. 101. The effect of this change resulted in the decrease of governmental activities net position by \$583,479.

NOTE 16 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following general fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2025:

Noninstructional Activities \$18,321

The excess of expenditures over appropriations was offset by other expense appropriations coming in lower than budgeted amounts.

NOTE 17 SUBSEQUENT EVENTS

The Center has evaluated all subsequent events through February 10, 2026, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE									
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Center's proportion of the net pension liability	0.0309%	0.0321%	0.0309%	0.0317%	0.0289%	0.0287%	0.0298%	0.0295%	0.0290%	0.0299%
Center's proportion of the net pension liability - dollar value	\$ 12,933,000	\$ 14,280,000	\$ 13,738,000	\$ 13,015,000	\$ 14,230,000	\$ 13,427,000	\$ 14,305,000	\$ 14,570,000	\$ 14,371,000	\$ 12,951,000
Center's covered employee payroll	\$ 4,917,375	\$ 4,950,637	\$ 4,540,492	\$ 4,506,732	\$ 4,051,677	\$ 3,858,281	\$ 4,008,448	\$ 3,930,548	\$ 3,751,960	\$ 3,841,505
Center's proportionate share of the net pension liability as a percentage of its covered employee payroll	263.01%	288.45%	302.57%	288.79%	351.21%	348.00%	356.87%	370.69%	383.03%	337.13%
Plan fiduciary net position as a percentage of the total pension liability	64.63%	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CENTER PENSION CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Contractually required contribution	\$ 1,730,022	\$ 1,627,159	\$ 1,698,564	\$ 1,543,313	\$ 1,510,206	\$ 1,351,639	\$ 1,257,800	\$ 1,272,281	\$ 1,147,720	\$ 937,990
Contributions in relation to the contractually required contribution	<u>1,730,022</u>	<u>1,627,159</u>	<u>1,698,564</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>
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	\$ 5,255,238	\$ 4,917,375	\$ 4,950,637	\$ 4,540,492	\$ 4,506,732	\$ 4,051,677	\$ 3,858,281	\$ 4,008,448	\$ 3,930,548	\$ 3,751,960
Contributions as a percentage of covered employee payroll	32.92%	33.09%	34.31%	33.99%	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE								
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Center's proportion of the net OPEB liability	0.0313%	0.0323%	0.0309%	0.0318%	0.0289%	0.0287%	0.0298%	0.0295%	0.0290%
Center's proportion of the net OPEB liability - dollar value	\$ 556,000	\$ 584,000	\$ 569,000	\$ 753,000	\$ 624,000	\$ 610,000	\$ 621,000	\$ 601,000	\$ 625,000
Center's covered employee payroll	\$ 4,917,375	\$ 4,950,637	\$ 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	11.31%	11.80%	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	7.13%	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CENTER OPEB CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 33,108	\$ 31,471	\$ 37,130	\$ 36,324	\$ 36,955	\$ 34,034	\$ 32,024	\$ 33,270	\$ 32,624
Contributions in relation to the contractually required contribution	<u>33,108</u>	<u>31,471</u>	<u>37,130</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>	<u>\$ -</u>	<u>\$ -</u>
Center's covered employee payroll	\$ 5,255,238	\$ 4,917,375	\$ 4,950,637	\$ 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	0.63%	0.64%	0.75%	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SUPPLEMENTARY INFORMATION

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SECONDARY OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 7,744,769	\$ 7,744,769	\$ 7,898,325	\$ 153,556
State sources	1,608,148	1,608,148	1,941,347	333,199
Federal sources	350,000	350,000	340,404	(9,596)
Other revenue	207,500	207,500	258,593	51,093
TOTAL REVENUES	9,910,417	9,910,417	10,438,669	528,252
EXPENDITURES				
Instruction:				
Special programs	559,249	559,249	500,008	59,241
Vocational programs	4,708,394	4,708,394	4,434,550	273,844
Summer programs	26,015	26,015	24,710	1,305
Total Instruction	<u>5,293,658</u>	<u>5,293,658</u>	<u>4,959,268</u>	<u>334,390</u>
Support Services:				
Pupil personnel services	737,364	737,904	692,050	45,854
Instructional staff services	76,642	76,642	55,215	21,427
Administrative services	1,213,867	1,213,867	1,318,295	(104,428)
Pupil health	97,664	97,664	101,469	(3,805)
Business services	618,669	618,669	554,025	64,644
Operation and maintenance of plant services	1,109,935	1,109,935	1,061,257	48,678
Central services	869,293	869,293	859,694	9,599
Total Support Services	<u>4,723,434</u>	<u>4,723,974</u>	<u>4,642,005</u>	<u>81,969</u>
Operation of Noninstructional Activities:				
Student activities	32,848	32,848	43,157	(10,309)
Scholarships and awards	8,500	8,500	8,500	-
Total Operation of Noninstructional Activities	<u>41,348</u>	<u>41,348</u>	<u>51,657</u>	<u>(10,309)</u>
Capital outlay	15,000	15,000	-	15,000
Debt service	13,724	13,724	13,724	-
TOTAL EXPENDITURES	10,087,164	10,087,704	9,666,654	421,050
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(176,747)	(177,287)	772,015	949,302
OTHER FINANCING USES				
Transfers	-	-	(475,542)	475,542
Budgetary reserve	12,500	12,500	-	(12,500)
TOTAL OTHER FINANCING USES	12,500	12,500	(475,542)	463,042
NET CHANGE IN FUND BALANCE	(164,247)	(164,787)	296,473	1,412,344
FUND BALANCE, BEGINNING OF YEAR	3,055,162	3,055,162	3,055,162	-
FUND BALANCE, END OF YEAR	\$ 2,890,915	\$ 2,890,375	\$ 3,351,635	\$ (461,260)

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

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
CONTINUING EDUCATION
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 128,522	\$ 128,522	\$ 102,088	\$ (26,434)
State sources	14,991	14,991	12,054	(2,937)
TOTAL REVENUES	<u>143,513</u>	<u>143,513</u>	<u>114,142</u>	<u>(29,371)</u>
EXPENDITURES				
Post-secondary education	63,895	63,895	56,172	7,723
Office of assistant director	79,618	79,618	82,474	(2,856)
TOTAL EXPENDITURES	<u>143,513</u>	<u>143,513</u>	<u>138,646</u>	<u>4,867</u>
NET CHANGE IN FUND BALANCE	-	-	(24,504)	(24,504)
FUND BALANCE, BEGINNING OF YEAR	-	-	96,169	96,169
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,665</u>	<u>\$ 71,665</u>

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

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
PRACTICAL NURSING
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 374,504	\$ 374,504	\$ 3,569	\$ (370,935)
State sources	366,493	366,493	389,001	22,508
Federal sources	1,135,060	1,135,060	1,330,036	194,976
TOTAL REVENUES	1,876,057	1,876,057	1,722,606	(153,451)
EXPENDITURES				
Practical nursing instructional	1,204,519	1,204,519	1,163,423	41,096
Office of assistant director - PN	498,314	498,314	428,107	70,207
Business services	53,281	53,281	55,972	(2,691)
Operation of building services	48,618	48,618	55,603	(6,985)
Information services - PN	71,325	71,325	121,471	(50,146)
TOTAL EXPENDITURES	1,876,057	1,876,057	1,824,576	51,481
NET CHANGE IN FUND BALANCE	-	-	(101,970)	(101,970)
FUND BALANCE, BEGINNING OF YEAR	-	-	1,730,636	1,730,636
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 1,628,666	\$ 1,628,666

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

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
SCHEDULE OF CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Secondary Operations</u>	<u>Continuing Education</u>	<u>Practical Nursing</u>	<u>Totals</u>
Fund Balances - Beginning of Year	\$ 3,055,162	\$ 96,169	\$ 1,730,636	\$ 4,881,967
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>296,473</u>	<u>(24,504)</u>	<u>(101,970)</u>	<u>169,999</u>
Fund Balances - End of Year	<u><u>\$ 3,351,635</u></u>	<u><u>\$ 71,665</u></u>	<u><u>\$ 1,628,666</u></u>	<u><u>\$ 5,051,966</u></u>

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

SINGLE AUDIT



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

February 10, 2026

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 and each major fund of the Eastern Center for Arts and Technology ("the Center") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated February 10, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting ("internal control") as a basis for designing 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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center'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.

To the Members of the Joint Operating Committee
Eastern Center for Arts and Technology

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 financial statements. 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 Center'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.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP



INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

February 10, 2026

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Eastern Center for Arts and Technology's ("the Center") 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 the Center's major federal program for the year ended June 30, 2025. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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.

To the Members of the Joint Operating Committee
Eastern Center for Arts and Technology

We are required to be independent of the Center 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 the Center's compliance with the compliance requirements referred to above.

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 the Center'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 the Center'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 GAAS, *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 the Center's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the Center'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 the Center'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 the Center's internal control over compliance. Accordingly, no such opinion is expressed.

To the Members of the Joint Operating Committee
Eastern Center for Arts and Technology

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.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

Grantor Program Title	Source Code	Federal ALN	Pass-Through Grantor's Number	Grant Period Beginning/Ending	Total Received for Year	Accrued (Unearned) Revenue 7/1/2024	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 6/30/2025	Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION										
Student Financial Assistance Cluster										
Federal Pell Grant Program	D	84.063	N/A	07/01/2024-06/30/2025	\$ 504,574	\$ -	\$ 504,574	\$ 504,574	\$ -	\$ -
Federal Direct Student Loans	D	84.268	N/A	07/01/2024-06/30/2025	904,572	-	-	904,572	-	-
Total Student Financial Assistance Cluster (ALN 84.063 and 84.268)					1,409,146	-	504,574	1,409,146	-	-
Passed through Pennsylvania Department of Education										
Career and Technical Education - Basic Grants to States	I	84.048	380-25-0036	07/01/2024-06/30/2025	340,404	-	340,404	340,404	-	-
Total ALN 84.048					340,404	-	340,404	340,404	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION					1,749,550	-	844,978	1,749,550	-	-
U.S. DEPARTMENT OF TREASURY										
Passed through Pennsylvania Commission of Crime and Delinquency										
COVID-SFR School Mental Health Grants	I	21.027	SLFRP1746	01/01/2024-12/31/2025	31,525	-	54,468	54,468	22,943	-
Total ALN 21.027					31,525	-	54,468	54,468	22,943	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
Passed through Commonwealth of Pennsylvania										
COVID-19 Public Health Workforce	I	93.354	160-23-000	07/01/2022-06/30/2024	21,997	21,997	-	-	-	-
Total ALN 93.354					21,997	21,997	-	-	-	-
TOTAL FEDERAL AWARDS					\$ 1,803,072	\$ 21,997	\$ 899,446	\$ 1,804,018	\$ 22,943	\$ -

Source Codes:

D - Direct Funding
I - Indirect Funding

EASTERN CENTER FOR ARTS AND TECHNOLOGY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Center and is presented on the accrual basis of accounting. The information in this schedule is presented 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*.

NOTE C RELATIONSHIP TO FINANCIAL STATEMENTS

The schedule of expenditures of federal awards presents only a selected portion of the activities of the Center. It is not intended to, nor does it, present either the balance sheet, revenue, expenditures, or changes in fund balances of governmental funds. The financial activity for the aforementioned awards is reported in the Center's statement of activities and statement of revenue, expenditures, and changes in fund balance - governmental funds except as disclosed in Note D.

NOTE D LOAN PROGRAM

The Center is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. Accordingly, neither the funds advanced to students nor the value of these outstanding loans are reflected in the Center's financial statements.

NOTE E INDIRECT COST RATE

The Center has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |
| • Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over major program:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

 Yes X No

Identification of major program:

Assistance Listing Numbers

84.063, 84.268

Name of Federal Program or Cluster

Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

EASTERN CENTER FOR ARTS AND TECHNOLOGY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.