

Erie County Community College of Pennsylvania
(A Component Unit of Erie County)

Financial Statements and
Required Supplementary Information

Year Ended June 30, 2024
with Independent Auditor's Reports

MaherDuessel

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ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

YEAR ENDED JUNE 30, 2024

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Independent Auditor's Report

**Board of Trustees
Erie County Community College of Pennsylvania**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Erie County Community College of Pennsylvania (EC3), a component unit of Erie County, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise EC3's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of EC3, as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of EC3 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EC3'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EC3'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 EC3'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic

financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior Year Comparative Information

We have previously audited EC3's fiscal year-end 2023 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 18, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2024 on our consideration of EC3'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 EC3's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EC3's internal control over financial reporting and compliance.



Pittsburgh, Pennsylvania
November 19, 2024

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS **FOR THE YEAR ENDED JUNE 30, 2024**

The following presents management's discussion and analysis of Erie County Community College of Pennsylvania's (EC3) financial and operational activity during the fiscal year ended June 30, 2024. We intend for this management's discussion and analysis to provide the reader with information that will assist in understanding our Financial Statements, the changes in key items in those Financial Statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our Financial Statements. This analysis reflects on current activities, resulting changes, and currently known facts, and should be read in conjunction with EC3's Financial Statements, including the notes accompanying these Financial Statements. Responsibility for the completeness and fairness of this information rests with EC3 management.

On July 8, 2020, the Pennsylvania State Board of Education approved the County of Erie's (EC3) Community College Plan to establish EC3. Since receiving approval, the County prioritized taking the necessary steps to open the new community college for the inaugural 2021-2022 school year. Fiscal year 2023-2024 represents the results from the third year of operations for EC3.

Using This Annual Report

The financial statement format focuses on the College as a whole. The Financial Statements are designed to emulate business presentation models, whereby all EC3 activities are consolidated. The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross costs and the net costs of EC3 activities that are supported mainly by State Appropriations, Local Sponsor Appropriations, and Tuition and Fees. This approach is intended to summarize and simplify the user's analysis of both the revenues and the costs of various EC3 services to students and the public. The Statement of Net Position is prepared on the accrual basis and presents all assets, deferred outflows of resources, deferred inflows of resources, and liabilities of EC3, both financial and capital, and classified between short- and long-term.

Financial Highlights

As of June 30, 2024, the College's Net Position increased to \$5.5 million from \$4.8 million at June 30, 2023. As EC3 grew, there were increases throughout the various categories of Revenues and Expenses. Overall, the total revenues of the College were greater than the total expenses. Total Revenues for the 2023-2024 fiscal year were \$8.6 million, and total expenses were \$7.9 million. This contributed to a \$.7 million increase in the Net Position, which included operating and nonoperating activities. Primary revenue sources for EC3 for the year ended June 30, 2024 were County and State appropriations, totaling \$8.2 million. In addition, student tuition and fees revenue totaled \$0.2 million.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

	Net Position		
	As of June 30		
	2024	2023	Increase (Decrease)
	<u>2024</u>	<u>2023</u>	<u>(Decrease)</u>
Current Assets	\$ 6,192,287	\$ 5,704,739	\$ 487,548
Non-Current Assets:			
Capital Assets, Net of Depreciation	2,573,345	2,530,995	42,350
Right-of-use asset - lease, net	4,796,911	5,066,264	(269,353)
 Total Assets	<u>\$ 13,562,543</u>	<u>\$ 13,301,998</u>	<u>\$ 260,545</u>
 Current Liabilities	\$ 3,368,915	\$ 2,793,559	\$ 575,356
Non-Current Liabilities	4,631,036	5,661,410	(1,030,374)
 Total Liabilities	<u>\$ 7,999,951</u>	<u>\$ 8,454,969</u>	<u>\$ (455,018)</u>
 Net Position:			
Investment in Capital Assets	\$ 1,757,183	\$ 980,959	\$ 776,224
Restricted - Expendable	15,000	15,000	-
Unrestricted	3,790,409	3,851,070	(60,661)
 Total Net Position	<u>\$ 5,562,592</u>	<u>\$ 4,847,029</u>	<u>\$ 715,563</u>

Fiscal year 2024 versus 2023

Current assets of EC3 include cash and cash equivalents, student accounts receivable, grants receivable, security deposit, and prepaid expenses. The excess of current assets over current liabilities of approximately \$3.0 million reflects the ability of EC3 to meet its short-term obligations. Total current assets increased approximately \$.5 million from fiscal year 2023, primarily due to increases in cash. Noncurrent assets related to right-of-use asset - leases decreased by approximately \$.2 million, primarily due to amortization expense associated with the Government Accounting Standards Board (GASB) Statement No. 87 on Leases. Capital assets, net of depreciation for fiscal year 2024 decreased by \$0.04 million.

Current liabilities of EC3 include accounts payable, payroll liabilities, unearned revenue, and the current portion of lease liabilities. Total current liabilities increased by \$.5 million from fiscal year 2023. This increase primarily relates to a \$.2 million increase in unearned revenue for grants that were received but not fully spent as of year-end, and a \$.3 million increase in accounts payable due to overpayments of capital expenses owed to the Commonwealth of Pennsylvania.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

Noncurrent liabilities decreased by \$1 million from fiscal year 2023. Noncurrent portion of lease liabilities associated with GASB No. 87 decreased by \$.3 million and noncurrent portion of subscription liabilities associated with GASB No. 96 decreased by \$.6 million.

EC3's total Net Position increased by \$.7 million in fiscal year 2024 to approximately \$5.5 million. Approximately \$.7 million is due to the increase in the Net Investment in Capital Assets. The unrestricted net position decreased by \$.06 million. \$15,000 is restricted – expendable.

	Net Position		
	As of June 30		
	2023	2022 (Restated)	Increase (Decrease)
Current Assets	\$ 5,704,739	\$ 5,014,215	\$ 690,524
Non-Current Assets:			
Capital Assets, Net of Depreciation	2,530,995	3,533,142	(1,002,147)
Right-of-use asset - lease, net	5,066,264	101,022	4,965,242
 Total Assets	 \$ 13,301,998	 \$ 8,648,379	 \$ 4,653,619
 Current Liabilities	 \$ 2,793,559	 \$ 3,380,001	 \$ (586,442)
Non-Current Liabilities	5,661,410	1,227,662	4,433,748
 Total Liabilities	 \$ 8,454,969	 \$ 4,607,663	 \$ 3,847,306
 Net Position:			
Investment in Capital Assets	\$ 980,959	\$ 1,739,452	\$ (758,493)
Restricted - Expendable	15,000	15,000	-
Unrestricted	3,851,070	2,286,264	1,564,806
 Total Net Position	 \$ 4,847,029	 \$ 4,040,716	 \$ 806,313

Fiscal year 2023 versus 2022

Current assets of EC3 include cash and cash equivalents, student accounts receivable, grants receivable, security deposit, and prepaid expenses. The excess of current assets over current liabilities of approximately \$3.0 million reflects the ability of EC3 to meet its short-term obligations. Total current assets increased approximately \$.7 million from fiscal year 2022, primarily due to increases in cash, grants receivable from the state and other receivables. Noncurrent assets relating to capital assets increased approximately \$4.0. The College, in fiscal year 2022, adopted Government Accounting Standards Board (GASB) Statement No. 87 relating to Leases. This resulted in the creation of a Right to Use Lease Asset in fiscal year 2023 of \$5.1

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

million for the Villa Maria Cathedral Preparatory Catholic School. Capital assets, net of depreciation for fiscal year 2023 decreased by \$1.0 million.

EC3 also implemented Government Accounting Standards Board (GASB) Statement No. 96 in fiscal year 2023, "*Subscription Based Information Technology Arrangements*" (SBITAs).

Current liabilities of EC3 include accounts payable, payroll liabilities, unearned revenue, and the current portion of lease liabilities. Total current liabilities decreased \$.6 million from fiscal year 2022. This reduction primarily relates to a \$.9 million decrease in unearned revenue for grants that were received but not fully spent as of year-end and an increase in the current portion of lease and subscription liabilities.

Noncurrent liabilities increased by \$4.5 million from fiscal year 2022. Lease liabilities associated with GASB No. 87 increased by \$4.8 million and Subscription liabilities associated with GASB No. 96 decreased by \$.6 million.

EC3's total Net Position increased by \$.8 million in fiscal year 2023 to approximately \$4.8 million. Approximately \$1.5 million is due to the increase in the unrestricted net position. The Net Investment in Capital Assets decreased by \$.6 million. \$15,000 is restricted – expendable.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

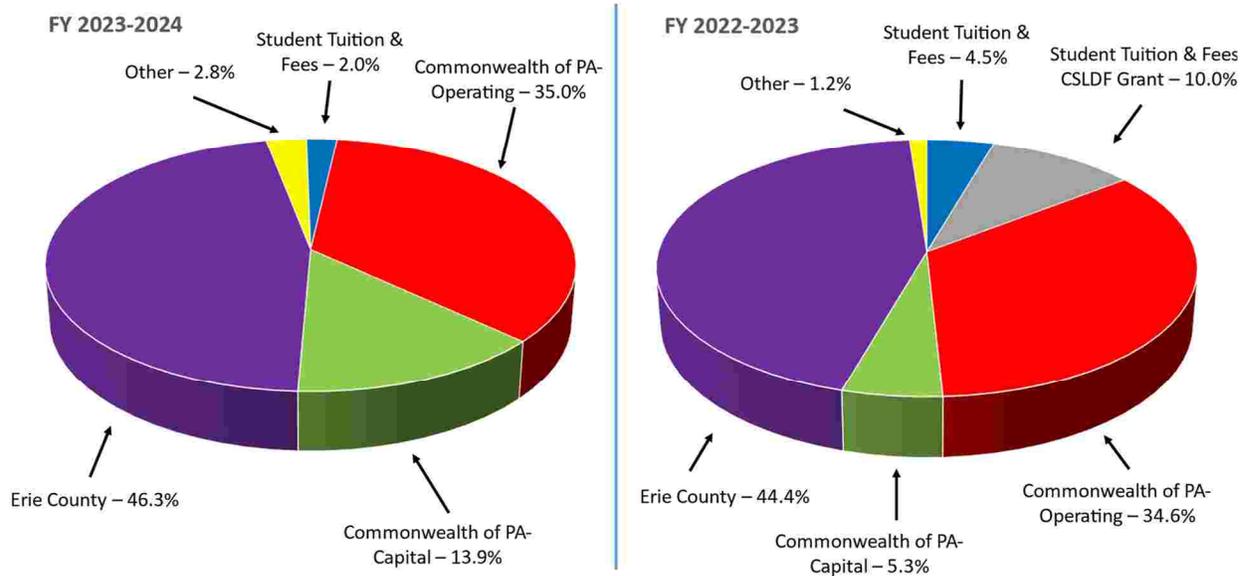
Operating Results
For the Years Ended June 30,

	2024	2023	Increase (Decrease)
Operating Revenues			
Student Tuition and Fees	\$ 180,016	\$ 395,170	\$ (215,154)
Student Tuition and Fees - Count CSLFRF grant	-	877,375	(877,375)
Support and grant agreement	73,249	-	73,249
Other Operating	25,164	59,229	(34,065)
Total Operating Revenues	<u>278,429</u>	<u>1,331,774</u>	<u>(1,053,345)</u>
Less: Operating Expenses	<u>7,900,762</u>	<u>7,930,648</u>	<u>(29,886)</u>
Operating Loss	<u>(7,622,333)</u>	<u>(6,598,874)</u>	<u>(1,023,459)</u>
Nonoperating Revenues (Expenses):			
State Appropriations	3,024,180	3,022,426	1,754
Local Appropriations	4,000,000	3,875,000	125,000
Investment Income	140,474	42,299	98,175
Loss on disposition of asset	(26,418)	-	(26,418)
Total Nonoperating Revenues (Expenses)	<u>7,138,236</u>	<u>6,939,725</u>	<u>198,511</u>
State appropriations and grants - capital	<u>1,199,660</u>	<u>465,462</u>	<u>734,198</u>
Change in Net Position	715,563	806,313	(89,645)
Net Position - Beginning of year	<u>4,847,029</u>	<u>4,040,716</u>	<u>806,313</u>
Net Position - End of year	<u>\$ 5,562,592</u>	<u>\$ 4,847,029</u>	<u>\$ 715,563</u>

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

Sources of Revenues – Operating & Capital



Fiscal year 2024 versus 2023

For fiscal year 2024, operating revenues decreased approximately \$1.0 million, operating expenses stayed consistent, nonoperating revenues (expenses) stayed consistent, and state appropriations and grants – capital increased \$.7 million.

The most significant operating revenues for EC3 relate to student tuition and fees payments. Nonoperating revenues increased by \$0.2 million. The largest increase of \$0.1 million was from local operating appropriations. State appropriations stayed consistent with 2023.

Fiscal year 2023 versus 2022

For fiscal year 2023, operating revenues increased approximately \$.6 million, operating expenses increased approximately \$3.0 million, nonoperating revenues (expenses) increased approximately \$2.1 million, and state appropriations and grants – capital decreased \$1.2 million as less initial start-up capital was expended.

The most significant operating revenues for EC3 relate to student tuition and fees were received both from student payments and from the CSLFRF grant received from the County to cover in-county student tuition. As fiscal year 2023 was the second year of student enrollment, student tuition and fees grew by \$.6 million or 88%.

Nonoperating revenues increased by \$2.1 million. The largest increase of \$2.0 million was from State operating appropriations. Local appropriations increased by \$.4 million, and grants

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

decreased by \$.3 million with the elimination of a fiscal year 2022 CSLFRF grant from Erie County to cover laptop purchases.

Operating Results			
For the Years Ended June 30,			
	2023	2022 (Restated)	Increase (Decrease)
	<u>2023</u>	<u>2022 (Restated)</u>	<u>(Decrease)</u>
Operating Revenues			
Student Tuition and Fees	\$ 395,170	\$ 179,179	\$ 215,991
Student Tuition and Fees - Count CSLFRF grant	877,375	510,621	366,754
Other Operating	59,229	19,248	39,981
Total Operating Revenues	<u>1,331,774</u>	<u>709,048</u>	<u>622,726</u>
Less: Operating Expenses	<u>7,930,648</u>	<u>4,918,710</u>	<u>3,011,938</u>
Operating Loss	<u>(6,598,874)</u>	<u>(4,209,662)</u>	<u>(2,389,212)</u>
Nonoperating Revenues (Expenses):			
State Appropriations	3,022,426	961,244	2,061,182
Local Appropriations	3,875,000	3,500,362	374,638
County CSLFRF Grant	-	362,004	(362,004)
Investment Income	42,299	4,097	38,202
Total Nonoperating Revenues (Expenses)	<u>6,939,725</u>	<u>4,827,707</u>	<u>2,112,018</u>
State appropriations and grants - capital	<u>465,462</u>	<u>1,690,737</u>	<u>(1,225,275)</u>
Change in Net Position	806,313	2,308,782	(1,502,469)
Net Position - Beginning of year, as restated	<u>4,040,716</u>	<u>1,731,934</u>	<u>2,308,782</u>
Net Position - End of year	<u>\$ 4,847,029</u>	<u>\$ 4,040,716</u>	<u>\$ 806,313</u>

Fiscal Outlook

EC3 is projecting to be eligible to participate in Title IV, Federal Financial Aid Programs at some point in fiscal year 2025-2026. EC3 has achieved Candidacy Status with the Middle States Commission on Higher Education (MSCHE) and is aligning operational and program plans with the “Standards for Accreditation and Requirements of Affiliation.” EC3 has achieved the minimum time a college must successfully operate a collegiate degree program acceptable to MSCHE. Candidacy Status is required before students will be eligible for receiving Title IV Financial Aid from the U.S. Department of Education. EC3 intends to do everything within its ability to achieve that status in the 2025–2026 Academic Year and, thereby, enable its students to qualify for federal financial aid.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

During the 2024–2025 Academic Year, the absence of access to federal financial aid will continue to be offset by budgeted internal resources equivalent to the projected need-based aid for which the students would normally be eligible.

State appropriations, County appropriations, and student tuition and fees are expected to compose EC3's principal revenue sources for the 2024-2025 Academic Year. The viability of each of these three critical revenue components is highly dependent on variables external to EC3 such as enrollment trends, local and state economic conditions, federal, state, and local legislative actions, and others. EC3's Leadership Team and its Board of Trustees are confident that they have put in place a management team that possess the skills and capabilities to manage the fluctuations within these revenue sources and bring the Community College to a successful accreditation of the College.

Four months into fiscal year 2024-2025 finds the College on target for a balanced budget. Fall student headcount and FTEs were above target. College management continues prudent fiscal management in the growth of expenses. The College is currently reviewing the fiscal year 2024-2025 operating budget and results from operations in preparation of developing the annual operating budget for fiscal year 2025-2026. The College expects to present a balanced budget to the Board of Directors for the fiscal year 2025-2026.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

STATEMENT OF NET POSITION

JUNE 30, 2024

(With Comparative Totals at June 30, 2023)

	2024	2023
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 4,991,730	\$ 4,457,012
Student accounts receivable	86,867	33,460
Grants receivable	1,003,678	1,000,000
Other receivable	36,319	122,425
Security deposit	15,000	15,000
Prepaid expenses	58,693	76,842
	<u>6,192,287</u>	<u>5,704,739</u>
Total current assets		
Noncurrent assets:		
Capital assets, net	2,573,345	2,530,995
Right-of-use asset - lease, net	4,796,911	5,066,264
	<u>7,370,256</u>	<u>7,597,259</u>
Total noncurrent assets		
Total Assets	13,562,543	13,301,998
Liabilities		
<hr/>		
Current liabilities:		
Accounts payable	366,976	106,548
Payroll liabilities	141,645	108,201
Unearned revenues	1,740,017	1,527,645
Financed purchase payable, current portion	112,367	94,070
Lease liability, current portion	392,241	338,635
Subscription liability, current portion	615,669	618,460
	<u>3,368,915</u>	<u>2,793,559</u>
Total current liabilities		
Noncurrent liabilities:		
Financed purchase payable	88,126	200,493
Lease liability	4,542,910	4,823,904
Subscription liability	-	637,013
	<u>4,631,036</u>	<u>5,661,410</u>
Total noncurrent liabilities		
Total Liabilities	7,999,951	8,454,969
Net Position		
<hr/>		
Net investment in capital assets	1,757,183	980,959
Restricted:		
Expendable	15,000	15,000
Unrestricted	3,790,409	3,851,070
	<u>5,562,592</u>	<u>4,847,029</u>
Total Net Position	\$ 5,562,592	\$ 4,847,029

See accompanying notes to financial statements.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2024
(With Comparative Totals for Year Ended June 30, 2023)

	2024	2023
Operating Revenues:		
Student tuition and fees	\$ 180,016	\$ 395,170
Student tuition and fees - County CSLRF grant	-	877,375
Support and grant agreement	73,249	-
Other operating income	25,164	59,229
	<u>278,429</u>	<u>1,331,774</u>
Expenses:		
Educational and general:		
Instruction - credit	1,318,600	840,658
Instruction - noncredit	259,242	197,563
Academic support	9,858	3,126
Student services	343,134	272,654
Institutional support	3,410,847	3,993,255
Operation and facilities	732,513	679,278
Scholarships and program	2,283	158,779
Depreciation/amortization	1,518,105	1,432,009
Interest expense - leases and subscriptions	306,180	353,326
	<u>7,900,762</u>	<u>7,930,648</u>
Operating Income (Loss)	<u>(7,622,333)</u>	<u>(6,598,874)</u>
Nonoperating Revenues (Expenses):		
State appropriations	3,024,180	3,022,426
Local appropriations	4,000,000	3,875,000
Investment income	140,474	42,299
Loss on disposition of asset	(26,418)	-
	<u>7,138,236</u>	<u>6,939,725</u>
Net nonoperating revenues (expenses)	<u>7,138,236</u>	<u>6,939,725</u>
State appropriations and grants - capital	<u>1,199,660</u>	<u>465,462</u>
Change in Net Position	<u>715,563</u>	<u>806,313</u>
Net position - beginning of year	<u>4,847,029</u>	<u>4,040,716</u>
Net position - end of year	<u>\$ 5,562,592</u>	<u>\$ 4,847,029</u>

See accompanying notes to financial statements.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2024

(With Comparative Totals for Year Ended June 30, 2023)

	2024	2023
Cash Flows From Operating Activities:		
Payments received for grants and contracts	\$ 281,943	\$ (877,375)
Payments received for tuition and fees	126,609	1,335,062
Payments to suppliers	(3,043,394)	(3,521,984)
Payments to utilities	(160,753)	(66,959)
Payments to employees	(2,917,145)	(2,470,825)
Payments on leases	(204,087)	(342,011)
Payments of grants and scholarships	(2,283)	(158,779)
Other receipts	111,270	(63,196)
Net cash provided by (used in) operating activities	(5,807,840)	(6,166,067)
Cash Flows From Noncapital Financing Activities:		
State appropriations	3,024,180	3,959,926
Local appropriations	4,000,000	2,875,000
Net cash provided by (used in) noncapital financing activities	7,024,180	6,834,926
Cash Flows From Capital and Related Financing Activities:		
State appropriations	1,456,686	465,462
Proceeds from financed purchase	-	302,099
Principal paid on financed purchase	(94,070)	(7,536)
Purchases of capital assets	(1,110,000)	(403,398)
Loss on disposition of assets	-	518,751
Proceeds for sale of capital assets	397	-
Principal paid on lease	(435,305)	(400,996)
Principal paid on subscription liability	(639,804)	(600,446)
Net cash provided by (used in) capital and related financing activities	(822,096)	(126,064)
Cash Flows From Investing Activities:		
Investment income	140,474	42,299
Net cash provided by (used in) investing activities	140,474	42,299
Net Increase (Decrease) in Cash and Cash Equivalents	534,718	585,094
Cash and Cash Equivalents:		
Beginning of year	4,457,012	3,871,918
End of year	\$ 4,991,730	\$ 4,457,012

(Continued)

See accompanying notes to financial statements.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2024

(With Comparative Totals for Year Ended June 30, 2023)

(Continued)

	2024	2023
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ (7,622,333)	\$ (6,598,874)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation/amortization	1,518,105	1,432,009
Change in assets and liabilities:		
Receivables, net	29,021	(59,908)
Prepaid expenses	18,149	16,978
Accounts payable, net of capital asset payables	3,402	10,432
Payroll liabilities	33,444	(89,329)
Unearned revenues	212,372	(877,375)
Total adjustments	1,814,493	432,807
Net cash provided by (used in) operating activities	\$ (5,807,840)	\$ (6,166,067)

(Concluded)

See accompanying notes to financial statements.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

1. Organization

Erie County Community College of Pennsylvania (EC3), a component unit of Erie County, established in 2020, offers associate's degrees and technical skills certificate programs that provide education and training at an affordable price to residents of the County of Erie (County) and the surrounding area for available and emerging jobs that do not require a baccalaureate degree. In addition, EC3 provides the education many students need to succeed in a four-year program, as well as an affordable option for the first two years of college for those seeking a bachelor's degree. EC3 is a component unit in the governmental reporting entity of the County. EC3 is a legally separate organization for which the nature and significance of the relationship with the County is such that exclusion from the audited financials of the County would cause the financials of the County to be misleading or incomplete. As a result, EC3 's financial statements will be included in the County's December 31, 2024 Annual Comprehensive Financial Report.

EC3 is operated by a nine-member Board of Trustees (Board), who are appointed by the County Council of the County. Board members can be reappointed to six-year terms and are limited to serving no more than two successive terms including any initially appointed term. The Board has decision-making responsibility to significantly influence operations and primary accountability for fiscal matters. The County also appropriates and disburses funds to EC3 that are utilized in the operation of EC3.

Classes are offered at four locations across Erie, Pennsylvania. Primary revenue sources for EC3 for the year ended June 30, 2024 are County and state appropriations, local grants, and tuition and fees. State appropriations are to fund allowable operating and capital costs based upon formulas set by the Pennsylvania Department of Education. The County, as a local sponsor of EC3, contributes to the operating and capital costs of EC3. EC3 enrolled students for the inaugural class in July 2021.

As defined by accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists solely of EC3, as there are no component units.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

2. Summary of Significant Accounting Policies

Basis of Presentation

EC3 is a special-purpose government entity engaged in business-type activities. Accordingly, the financial statements have been prepared in accordance with GAAP, using the economic measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when incurred. EC3 follows accounting principles issued by the GASB. The presentation provides a comprehensive entity-wide perspective of EC3's assets, liabilities, net position, revenues, expenses, and changes in net position, and the direct method of cash flow presentation.

Prior-Year Comparative Information

The financial statements include summarized prior year comparative information. Such information does not include the prior year footnote disclosures and, thus, does not include all of the information required for a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with EC3's financial information for the year-end June 30, 2023 from which the summarized information was derived.

Use of Estimates

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

Cash and Cash Equivalents

Liquid investments with maturities of three months or less are considered to be cash equivalents and are stated at fair value. Cash and cash equivalents that are restricted classified as current assets and designated as a security deposit.

Grants Receivable

Grants receivable consists of amounts due for contracts from local governments, or private sources, made in accordance with agreements. No uncollectible amounts have been reserved based on the outstanding balance of the receivables for the year ended June 30, 2024, and all amounts are expected to be collected within one year.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

Capital Assets

Acquired capital assets are stated at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. The assets are being depreciated by the straight-line method over their estimated useful lives. The measurement of intangible right-to-use subscription assets is discussed under subscription liabilities below. Depreciation/amortization is included as a separate functional expense category in the statement of revenues, expenses, and changes in net position. Depreciation on assets has been provided using the straight-line method over the estimated useful lives, as follows:

Improvements	15 years
Equipment and furniture	7 years
Software costs	5 years
Computer equipment	3 years

Expenses for maintenance, repairs, and betterments that do not materially extend the useful life of an asset are charged to operations as incurred. Renewals and betterments that substantially extend an asset's useful life and are greater than \$4,000 are capitalized.

Leases

Commencing with fiscal year end June 30, 2022, EC3 lease agreements are recognized as a lease liability and an intangible right-to-use lease asset (lease asset) at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term, less any lease incentives. The lease asset is measured at the amount of the initial measurement of the lease liability, adjusted for any payments made to the lessor at or before the commencement of the lease term plus certain initial direct costs. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is amortized on the straight-line method over the shorter of the lease term or the useful life of the underlying asset. Short-term leases are defined as leases that, at the commencement of the lease term, have a maximum possible term under the lease contract of 12 months or less, including any options to extend, regardless of their probability of being exercised. Short-term lease payments are recognized as expenditures based on the payment provisions of the lease contract. An asset is recognized if payments are made in advance or a liability for rent due if payments are to be made subsequent to the reporting period.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

Key estimates and judgments related to leases include how EC3 determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- EC3 uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, EC3 generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that EC3 is reasonably certain to exercise.

EC3 monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Leases are reported as right of use asset - leases and lease liability on the statement of net position.

Subscription Liabilities

EC3 is a lessee for noncancellable software subscriptions. EC3 recognizes a subscription liability and an intangible right-to use subscription asset (subscription asset) as part of capital assets, net of accumulated depreciation on the Statement of Net Position.

At the commencement of a subscription, EC3 initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on the straight-line basis over its useful life.

Key estimates and judgements related to subscription liabilities include how EC3 determines (1) the discount rate it uses to discount the expected contract payments to present value, (2) subscription term, and (3) subscription payments.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

- EC3 uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, EC3 generally uses its estimated incremental borrowing rate as the discount rate for subscription contracts.
- The subscription term includes the noncancellable period of the subscription. If a subscription automatically renews after the initial term, EC3 uses a period of 3 years to record the subscription liability for automatic renewals. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that EC3 is reasonably certain to exercise.

EC3 monitors changes in circumstances that would require remeasurement of its subscription liability and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with capital assets and subscription liabilities are reported as a current and non-current liability on the Statement of Net Position.

Compensated Absences

Beginning in fiscal year 2022, employees of EC3 are entitled to paid vacation, paid sick days, and personal days off, depending on length of service. As paid time off is a “use-it-or-lose-it” policy, there was no compensated absence liability as of June 30, 2024.

Unearned Revenues

Advance payments received for grant funding are deferred and recorded as revenues are earned.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources is a separate financial statement element that represents a consumption of net position that applies to future periods; therefore, it will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources is a separate financial statement element that represents an acquisition of net position that applies to future periods; therefore, it will not be recognized as an inflow of resources (revenue) until then. There are no deferred inflows or outflows of resources at June 30, 2024.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

Net Position

Net position is classified into three major categories:

- Net investment in capital assets - This category includes all of EC3's capital assets, net of accumulated depreciation, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets are also included in this component of net position.
- Restricted – The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Two categories are used to further describe restricted net position:
 - Expendable - can be expended in compliance with the external restriction
 - Nonexpendable – net position that is required to be retained in perpetuity
- Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Use of Restricted Net Position

When an expense is incurred that can be paid using either restricted or unrestricted resources, EC3's policy is to use restricted resources, when available, before using unrestricted resources to pay expenses.

Classification of Revenue

Revenue is classified as either operating or non-operating:

- Operating revenue includes revenue from activities that have characteristics similar to exchange transactions. These include student tuition and fees (net of scholarship discounts), certain federal, state, local, and private grants, and contracts.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

- Non-operating revenue includes revenue from activities that have the characteristics of non-exchange transactions, such as appropriations and certain federal, state, and local grants. The implication is that such revenues are derived from more passive efforts related to the acquisition of the revenue, rather than the earning of it.

Income Taxes

EC3 is exempt from federal income taxes under Section 115 of the Internal Revenue Code (IRC).

Adopted Pronouncements

The following GASB Statement was adopted for the year ended June 30, 2024: Statement No. 100 (Accounting Changes and Error Corrections). This statement had no significant impact on EC3's financial statements for the year ended June 30, 2024.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 101 (Compensated Absences), 102 (Certain Risk Disclosures), 103 (Financial Reporting Model Improvements), and 104, Disclosure of Certain Capital Assets. Management has not yet determined the impact of these statements on the financial statements.

Reclassification

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

3. Deposits and Cash Equivalents

Deposits

Under Section 440.1 of the Pennsylvania Public School Code for 1949, as amended, and PA Act 10 of 2016, EC3 is permitted to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, are pledged by the depository.

Custodial Credit Risk – deposits. The aggregate bank balance of EC3's cash and cash equivalents was \$5,149,530 at June 30, 2024. Of these balances, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and the remaining balances were secured by pledged bank collateral under the pooled collateral agreement described in Pennsylvania Act 72. EC3 does not carry any bank balance over and above the insured and secured amounts.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

4. Capital Assets

	Balance at July 1, 2023	Additions	Transfers	Deletions	Balance at June 30, 2024
Capital assets, not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	9,375	-	-	9,375
	-	9,375	-	-	9,375
Total capital assets, not being depreciated	-	9,375	-	-	9,375
Capital assets, being depreciated:					
Improvements	27,479	87,663	-	-	115,142
Equipment and furniture	413,616	981,321	-	(8,500)	1,386,437
Hardware and software costs	935,127	31,641	-	(20,139)	946,629
Subscription asset	2,966,331	-	-	-	2,966,331
	4,342,553	1,100,625	-	(28,639)	5,414,539
Total capital assets, being depreciated/amortized	4,342,553	1,100,625	-	(28,639)	5,414,539
Less total accumulated depreciation/amortization	1,811,558	1,040,833	-	(1,822)	2,850,569
	2,530,995	59,792	-	(26,817)	2,563,970
Net capital assets, being depreciated	2,530,995	59,792	-	(26,817)	2,563,970
Net capital assets	\$ 2,530,995	\$ 69,167	\$ -	\$ (26,817)	\$ 2,573,345

5. Financed Purchases

EC3 entered into a financed purchase during 2023 in the amount of \$302,099 for instructional equipment. The financed purchase commenced in May 2023 and has a term of 36 months with an interest rate of 7.26%. The following represents changes in EC3's financed purchase liability during the fiscal year:

	June 30, 2023	Additions	Deletions	June 30, 2024	Due within one year
Financed Purchase	\$ 294,563	\$ -	\$ (94,070)	\$ 200,493	\$ 112,367

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

6. Leases

EC3 has entered into various leases for buildings. It is expected that in the normal course of business, such leases will continue to be required. The following lease is recognized as a lease liability and lease asset at the commencement of the lease term:

In December 2021, EC3 entered into a lease agreement for classroom and office space in Erie County at the Corry Higher Education Council Building. The terms of the lease began January 1, 2022 for a period of 12 months with one option to extend for an additional 12 months through December of 2023. In January of 2023, EC3 entered into an agreement for the extension option for calendar year 2023 with a one-year option to extend through 2024, which EC3 exercised. An initial lease liability was recorded in the amount of \$68,163 during fiscal year 2022 and an additional liability of \$28,571 was recorded in fiscal year 2023. As of June 30, 2024, the value of the lease liability was \$14,285. EC3 was required to make annual payments of \$30,000. The incremental borrowing rate for the lease is 5%. The value of the right-of-use asset as of the end of the current fiscal year was \$96,734 and had accumulated amortization of \$82,108.

In July 2021, EC3 entered into a lease agreement for space and parking in Erie County at the Saint Benedict Education Center. The terms of the lease began July 1, 2021 for a period of 12 months with one option to extend for an additional six months through December of 2022, which was exercised. In November 2022, the lease was amended to include January 1, 2023 for 12 months with two additional one year options to extend. EC3 agreed to extend the first option during 2023. An initial lease liability was recorded during fiscal year 2022 in the amount of \$143,421 for the first 12 months and \$73,131 for the additional six months. An additional liability in the amount of \$150,688 was recorded in fiscal year 2023. As of June 30, 2024, the value of the lease liability was \$31,851. EC3 was required to make payments totaling \$77,400 during fiscal year 2024. The incremental borrowing rate for the first 12 months of the lease is 3% and 5% for the additional six months and November 2022 amendment. The value of the right-of-use asset as of the end of the current fiscal year was \$367,240 and had accumulated amortization of \$291,896.

In June 2022, EC3 entered into a lease agreement for classroom and office space in Erie County at the Villa Maria Cathedral Preparatory Catholic School with access to the building beginning in fiscal year 2023. The terms of the lease began July 1, 2022 for a period of 15 years. An initial lease liability was recorded in the amount of \$5,268,969 during fiscal year 2023. As of June 30, 2024, the value of the lease liability was \$4,750,704. EC3 was required to make annual payments of \$500,000. The incremental borrowing rate for the lease is 5%.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

The value of the right-of-use asset as of the end of the current fiscal year was \$5,268,969 and had accumulated amortization of \$702,529.

In March 2023, EC3 entered into a lease agreement for classroom and office space at Northern Pennsylvania Regional College, with access to the building beginning March 1, 2024. The terms of the lease began March 1, 2024 for a period of 20 months. An initial lease liability was recorded in the amount of \$64,893 during fiscal year 2024. As of June 30, 2024, the value of the lease liability was \$49,439. EC3 was required to make annual payments of \$13,180 during fiscal year 2024. The incremental borrowing rate for the lease is 4%. The value of the right-of-use asset as of the end of the current fiscal year was \$64,893 and had accumulated amortization of \$12,979.

In September 2023, EC3 entered into a lease agreement for the Regional Skill Center Building spaces at the Erie County Technical School. The terms of the lease began July 1, 2023 for a period of 12 months with two options to extend for five years each. In October 2023, the lease was amended to include to provide the Precision Machining and the Uniquely Abled Program at the Erie County Technical School, effective July 1, 2023. Included in the amendment is a non-lease component for course instructors for \$29,640 for the year. EC3 agreed to extend the first option during 2024 for a nine-month period of January 1, 2024 through March 31, 2024. An initial lease liability was recorded during fiscal year 2024 in the amount of \$95,264. As of June 30, 2024, the value of the lease liability was \$41,112. EC3 was required to make payments totaling \$55,200 during fiscal year 2024. The incremental borrowing rate for the lease is 4%. The value of the right-of-use asset as of the end of the current fiscal year was \$95,264 and had accumulated amortization of \$54,437.

In March 2024, EC3 entered into a lease agreement for classroom and office space with access to the building beginning July 1, 2024. The terms of the lease begin July 1, 2024 for a period of 12 months with one option extend for 12 months. An initial lease liability was recorded in the amount of \$47,760 during fiscal year 2024. As of June 30, 2024, the value of the lease liability was \$47,760. The incremental borrowing rate for the lease is 4%. The value of the right-of-use asset as of the end of the current fiscal year was \$47,760 and had accumulated amortization of \$0.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

The right-of-use asset at June 30, 2024 consists of the following:

	June 30, 2023	Additions	Deletions	June 30, 2024
Right-of-use asset	\$ 5,732,943	\$ 207,917	\$ -	\$ 5,940,860
Accumulated amortization	(666,679)	(477,270)	-	(1,143,949)
Net right-of-use asset	\$ 5,066,264	\$ (269,353)	\$ -	\$ 4,796,911

The lease liability at June 30, 2024 consists of the following:

	June 30, 2023	Additions	Deletions	June 30, 2024	Due within one year
Lease liability	\$ 5,162,539	\$ 207,917	\$ (435,305)	\$ 4,935,151	\$ 392,241

Future minimum lease payments on the leases are as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 392,241	\$ 215,338	\$ 607,579
2026	319,005	219,576	538,581
2027	295,514	204,486	500,000
2028	310,635	189,365	500,000
2029	326,528	173,472	500,000
Thereafter	3,291,228	708,772	4,000,000
	\$ 4,935,151	\$ 1,711,009	\$ 6,646,160

7. Subscription Based Information Technology Arrangements (SBITAs)

EC3 has certain software as a service noncancelable agreements. EC3 recognizes an intangible subscription asset and subscription obligation in the financial statements.

In April 2021, EC3 entered into a five-year subscription for the use of enterprise-wide accounting software. An initial subscription liability was recorded in the amount of \$2,904,102. As of June 30, 2024, the value of the subscription liability is \$615,669. EC3 is required to make annual payments. The discount rate used for the subscription was EC3's applicable incremental borrowing rate of 3.0%. The value of the intangible subscription asset as of June 30, 2024 was \$2,904,102, with accumulated amortization of \$1,839,265.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

On August 2022, EC3 entered into a 3-year subscription for the use of student engagement software. As of June 30, 2024, the value of the subscription liability is \$0. EC3 is required to make annual payments. The discount rate used for the subscription was EC3's applicable incremental borrowing rate of 3.0%. The value of the intangible subscription asset as of June 30, 2024 was \$62,229, with accumulated amortization of \$41,486.

Changes in the subscription obligation for the year ended June 30, 2024 are as follows:

	<u>2024</u>
Beginning balance	\$ 1,255,473
Additions	-
Reductions	<u>(639,804)</u>
Ending balance	615,669
Amount due withing one year	<u><u>\$ 615,669</u></u>

The following is a schedule of future minimum subscription obligation payments for subscription liabilities as of June 30, 2024:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	<u>\$ 615,669</u>	<u>\$ 19,111</u>	<u>\$ 634,780</u>

8. Unearned Revenue

Unearned revenue consists of grant funding received in advance of the period in which it relates. At June 30, 2024, the unearned revenue balance includes \$1,527,645 of funding from one grant that is to be utilized to provide support to EC3 in the capacity deemed necessary by the Board and \$212,372 of funding from one grant to be utilized in EC3's Construction Training Program.

9. Risk Management and Contingencies

EC3 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. These risks are covered by commercial insurance purchased from independent third parties. Management believes the insurance coverage is sufficient to cover EC3 against potential losses.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

The tuition and fees for the in-county and out-of-county class of students for the academic year 2023 to 2024 (fiscal year ended June 30, 2024) are being funded by student payments and EC3 operations. For EC3 to continue to evolve, it must gain full accreditation including the ability to distribute federal student financial aid. Management believes those goals will be achieved. Candidacy for accreditation is anticipated for fiscal year-end June 30, 2025 with the process for full accreditation to follow.

10. Employee Benefit Plan

EC3 has established a 403(b) defined contribution pension plan. The plan covers all employees as of their hire date who work greater than 20 hours per week. The amount of EC3's discretionary matching contribution will be determined each year and is to be equal to a uniform percentage or dollar amount of elective deferrals. For the year ended June 30, 2024, EC3 contributed approximately \$213,000 to the plan.

Erie County Community College of Pennsylvania
(A Component Unit of Erie County)

Independent Auditor's Report
In Accordance with
Government Auditing Standards

Year Ended June 30, 2024

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

**Board of Trustees
Erie County Community College of 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 business-type activities of Erie County Community College (EC3), a component unit of Erie County, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise EC3’s basic financial statements, and have issued our report thereon dated November 19, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered EC3’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EC3’s internal control. Accordingly, we do not express an opinion on the effectiveness of EC3’s internal control.

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

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

Board of Trustees
Erie County Community College of Pennsylvania
Independent Auditor's Report on Internal Control over
Financial Reporting and Other Matters

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether EC3'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pittsburgh, Pennsylvania
November 19, 2024

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2024

Finding 2023-001: Segregation of Duties Over Cash Receipt Processes

Condition: During the audit process, we noted EC3 did not have sufficient controls in place over the process of cash receipts and a lack of segregation of duties exists. The majority of all accounting functions during the year were the sole primary responsibility of one Finance office employee.

Current Status: Corrective action has been implemented.