

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

Single Audit

Years Ended June 30, 2023
with Independent Auditor's Reports

MaherDuessel

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ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

YEAR ENDED JUNE 30, 2023

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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, 2023, 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, 2023, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, EC3 adopted Governmental Accounting Standards Board (GASB) Statement No. 96, "*Subscription-Based Information Technology Arrangements*." Our opinion is not modified with respect to this matter. Changes were adopted to conform to the provisions of this statement and were applied retroactively to July 1, 2021. Therefore, as further described in Note 2, EC3's prior-year comparative Statements of Net Position and Cash Flows required restatements and the Statement of Revenues, Expenses, and Changes in Net Position required reclassification due to the implementation of this standard.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise EC3's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

We have previously audited EC3's fiscal year-end 2022 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived, other than as relates to the implementation of GASB Statement No. 96 as described in Note 2.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2023 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
December 18, 2023

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS **FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023. 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 2022-2023 represents the results from the second 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, 2023, the College's Net Position increased to \$4.8 million from \$4.0 million at June 30, 2022. 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 2022-2023 fiscal year were \$8.7 million, and total expenses were \$7.9 million. This contributed to a \$.8 million increase in the Net Position, which included operating and nonoperating activities. Primary revenue sources for EC3 for the year ended June 30, 2023, were County and State appropriations, totaling \$7.3 million. In addition, student tuition and fees revenue was received both from student payments and from the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) grant from Erie County which covered in-county students.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

	Net Position		
	As of June 30		
	2023	2022 (Restated)	Increase (Decrease)
	<u> </u>	<u> </u>	<u> </u>
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
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 13,301,998</u>	<u>\$ 8,648,379</u>	<u>\$ 4,653,619</u>
Current Liabilities	\$ 2,699,489	\$ 3,380,001	\$ (680,512)
Non-Current Liabilities	5,755,480	1,227,662	4,527,818
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 8,454,969</u>	<u>\$ 4,607,663</u>	<u>\$ 3,847,306</u>
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
	<u> </u>	<u> </u>	<u> </u>
Total Net Position	<u>\$ 4,847,029</u>	<u>\$ 4,040,716</u>	<u>\$ 806,313</u>

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 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).

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

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.

	Net Position		
	As of June 30		
	<u>2022 (Restated)</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Current Assets	\$ 5,014,215	\$ 1,702,215	\$ 3,312,000
Non-Current Assets:			
Capital Assets, Net of Depreciation	3,533,142	371,620	3,161,522
Right-of-use asset - lease, net	101,022	-	101,022
 Total Assets	 <u>\$ 8,648,379</u>	 <u>\$ 2,073,835</u>	 <u>\$ 6,574,544</u>
 Current Liabilities	 \$ 3,380,001	 \$ 263,661	 \$ 3,116,340
Non-Current Liabilities	<u>1,227,662</u>	<u>-</u>	<u>1,227,662</u>
 Total Liabilities	 <u>\$ 4,607,663</u>	 <u>\$ 263,661</u>	 <u>\$ 4,344,002</u>
 Net Position:			
Investment in Capital Assets	\$ 1,739,452	\$ 371,620	\$ 1,367,832
Restricted - Expendable	15,000	15,000	-
Unrestricted	<u>2,286,264</u>	<u>1,423,554</u>	<u>862,710</u>
 Total Net Position	 <u>\$ 4,040,716</u>	 <u>\$ 1,810,174</u>	 <u>\$ 2,230,542</u>

Fiscal year 2022 versus 2021

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 \$1.6 million reflects the ability of EC3 to meet its short-term

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

obligations. Total current assets increased approximately \$3.3 million, primarily due to increases in cash and grants receivable from the state. Noncurrent assets relating to capital assets increased approximately \$3.2 million due to capital additions for equipment and hardware/software costs. The right of use asset – lease increased approximately \$.1 million relating to multiple leases during the year that applied to the GASB 87 lease standard implementation.

Current liabilities of EC3 include accounts payable, payroll liabilities, unearned revenue, and the current portion of lease liabilities. Total current liabilities increased \$3.1 million which primarily relates to a \$2.4 million increase in unearned revenue for two grants that were received but not fully spent as of year-end and implementation of GASB No. 87.

Non-current liabilities increased by \$1.2 million from fiscal year 2022. Lease liabilities associated with GASB No. 87 increased by \$1.2 million.

EC3's total Net Position increased in fiscal year 2022 to approximately \$4.0 million. Approximately \$1.7 million is the value of the Net Investment in Capital Assets; \$15,000 is restricted – expendable; and approximately \$2.3 million is classified as Unrestricted. The net investment in capital assets increased by approximately \$1.4 million and unrestricted net position increased by approximately \$.9 million.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

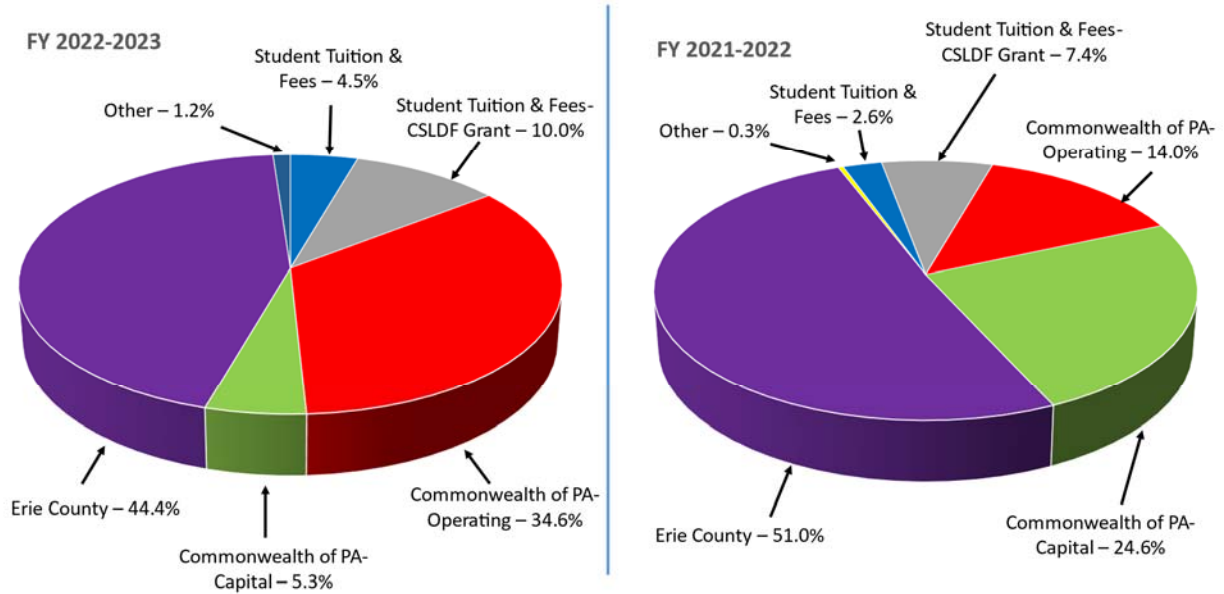
Operating Results
For the Years Ended June 30,

	<u>2023</u>	<u>2022 (Restated)</u>	<u>Increase (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>

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Sources of Revenues – Operating & Capital



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

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Operating Results
For the Years Ended June 30,

	<u>2022 (Restated)</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Operating Revenues			
Student Tuition and Fees	\$ 179,179	\$ -	\$ 179,179
Student Tuition and Fees - Count CSLFRF grant	510,621	-	510,621
Other Operating	19,248	-	19,248
Total Operating Revenues	<u>709,048</u>	<u>-</u>	<u>709,048</u>
Less: Operating Expenses	<u>4,918,710</u>	<u>853,422</u>	<u>4,065,288</u>
Operating Loss	<u>(4,209,662)</u>	<u>(853,422)</u>	<u>(3,356,240)</u>
Nonoperating Revenues (Expenses):			
State Appropriations	961,244	423,756	537,488
Local Appropriations	3,500,362	2,239,840	1,260,522
County CSLFRF Grant	362,004	-	362,004
Investment Income	4,097	-	4,097
Total Nonoperating Revenues (Expenses)	<u>4,827,707</u>	<u>2,663,596</u>	<u>2,164,111</u>
State appropriations and grants - capital	<u>1,690,737</u>	<u>-</u>	<u>1,690,737</u>
Change in Net Position	2,308,782	1,810,174	498,608
Net Position - Beginning of year, as restated	<u>1,731,934</u>	<u>-</u>	<u>1,731,934</u>
Net Position - End of year	<u>\$ 4,040,716</u>	<u>\$ 1,731,934</u>	<u>\$ 2,308,782</u>

Fiscal year 2022 versus 2021

For fiscal year 2022, operating revenues increased approximately \$.7 million, operating expenses increased approximately \$4 million, nonoperating revenues (expenses) increased approximately \$2.2 million, and state appropriations and grants – capital increased approximately \$1.7 million.

The most significant operating revenues for EC3 relate to student tuition and fees that were received both from student payments and from the CSLFRF grant received from the County to cover in-county student tuition. As fiscal year 2022 was the first year of student enrollment, it was accordingly the first year of receiving these revenues. Similarly, the significant increase in operating costs from 2021, primarily in academic support and institutional support, relates to the full year of operations with student enrollment for the college.

Nonoperating revenue increases primarily relate to additional state and local appropriations as well as approximately \$.3 million of the CSLFRF grant from Erie County to cover a laptop purchase.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Fiscal Outlook

EC3 will not be eligible to participate in Title IV, Federal Financial Aid Programs, until it has achieved Candidacy Status with a qualified Higher Education Accrediting Agency. EC3 has started developing a relationship with the Middle States Commission on Higher Education (MSCHE) and is aligning our operational and program plan with its “Standards for Accreditation and Requirements of Affiliation.” The minimum time EC3 must successfully operate a collegiate degree program acceptable to MSCHE is one academic year before applying for Candidacy Status. 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 2024–2025 Academic Year and, thereby, enable its students to qualify for federal financial aid.

During the 2023–2024 Academic Year, the absence of access to federal financial aid will be offset by budgeted scholarship resources equivalent to the projected need-based aid for which the students would normally be eligible. EC3 has budgeted enough scholarship support to equate to 100% of the tuition level for all full-time students.

State appropriations, County appropriations, and student tuition and fees are expected to compose EC3's principal revenue sources for the 2023-2024 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 its primary goal of a successful accreditation of the College.

Five months into fiscal year 2023-2024 finds the College on target for a balanced budget. Fall student headcount and FTEs were on target. College management continues prudent fiscal management in the growth of expenses. The College is currently reviewing the fiscal year 2023-2024 operating budget in preparation of preparing the annual operating budget for fiscal year 2024-2025. The College expects to present a balanced budget to the Board of Directors for the fiscal year 2024-2025.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

STATEMENT OF NET POSITION

JUNE 30, 2023

(With Comparative Totals at June 30, 2022)

	2023	Restated 2022
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 4,457,012	\$ 3,871,918
Student accounts receivable	33,460	95,977
Grants receivable	1,000,000	937,500
Other receivable	122,425	-
Security deposit	15,000	15,000
Prepaid expenses	76,842	93,820
Total current assets	5,704,739	5,014,215
Noncurrent assets:		
Capital assets, net	2,530,995	3,533,142
Right-of-use asset - lease, net	5,066,264	101,022
Total noncurrent assets	7,597,259	3,634,164
Total Assets	13,301,998	8,648,379
Liabilities		
<hr/>		
Current liabilities:		
Accounts payable	106,548	96,116
Payroll liabilities	108,201	197,530
Unearned revenues	1,527,645	2,405,020
Financed purchase payable, current portion	94,070	-
Lease liability, current portion	338,635	101,022
Subscription liability, current portion	618,460	580,313
Total current liabilities	2,793,559	3,380,001
Noncurrent liabilities:		
Financed purchase payable	200,493	-
Lease liability	4,823,904	14,285
Subscription liability	637,013	1,213,377
Total noncurrent liabilities	5,661,410	1,227,662
Total Liabilities	8,454,969	4,607,663
Net Position		
<hr/>		
Net investment in capital assets	1,075,029	1,739,452
Restricted:		
Expendable	15,000	15,000
Unrestricted	3,757,000	2,286,264
Total Net Position	\$ 4,847,029	\$ 4,040,716

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, 2023
(With Comparative Totals for Year Ended June 30, 2022)

	2023	Restated 2022
Operating Revenues:		
Student tuition and fees	\$ 395,170	\$ 179,179
Student tuition and fees - County CSLRF grant	877,375	510,621
Support and grant agreement	-	3,000
Other operating income	59,229	16,248
	<u>1,331,774</u>	<u>709,048</u>
Expenses:		
Educational and general:		
Instruction	164,108	76,616
Academic support	649,565	250,975
Institutional support	4,763,892	3,188,538
Operation and facilities	410,798	172,575
Scholarships and program	158,779	48,692
Depreciation/amortization	1,432,009	1,079,112
Interest expense - leases and subscriptions	351,497	102,202
	<u>7,930,648</u>	<u>4,918,710</u>
	(6,598,874)	(4,209,662)
Nonoperating Revenues (Expenses):		
State appropriations	3,022,426	961,244
Local appropriations	3,875,000	3,500,362
County CSLFR grant	-	362,004
Investment income	42,299	4,097
	<u>6,939,725</u>	<u>4,827,707</u>
Net nonoperating revenues (expenses)	<u>6,939,725</u>	<u>4,827,707</u>
State appropriations and grants - capital	465,462	1,690,737
	<u>806,313</u>	<u>2,308,782</u>
Change in Net Position	806,313	2,308,782
Net position - beginning of year, as restated	4,040,716	1,731,934
Net position - end of year	<u>\$ 4,847,029</u>	<u>\$ 4,040,716</u>

See accompanying notes to financial statements.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

(With Comparative Totals for Year Ended June 30, 2022)

	2023	Restated 2022
Cash Flows From Operating Activities:		
Payments received for grants and contracts	\$ (877,375)	\$ 2,408,020
Payments received for tuition and fees	1,335,062	593,823
Payments for Security deposit	-	-
Payments to suppliers	(3,521,984)	(2,000,024)
Payments to utilities	(66,959)	(57,881)
Payments to employees	(2,470,825)	(1,517,107)
Payments on leases	(342,011)	(114,694)
Payments of grants and scholarships	(158,779)	(48,692)
Other receipts	(63,196)	54,295
Net cash provided by (used in) operating activities	(6,166,067)	(682,260)
Cash Flows From Noncapital Financing Activities:		
State appropriations	3,959,926	1,385,000
Local appropriations	2,875,000	2,562,862
County CSLRF grant	-	362,004
Net cash provided by (used in) noncapital financing activities	6,834,926	4,309,866
Cash Flows From Capital and Related Financing Activities:		
State appropriations	465,462	1,690,737
Proceeds from financed purchase	302,099	-
Principal paid on financed purchase	(7,536)	-
Purchases of capital assets	(403,398)	(1,357,939)
Loss on disposition of assets	518,751	-
Principal paid on lease	(400,996)	(169,408)
Principal paid on subscription liability	(600,446)	(563,411)
Net cash provided by (used in) capital and related financing activities	(126,064)	(400,021)
Cash Flows From Investing Activities:		
Investment income	42,299	4,097
Net cash provided by (used in) investing activities	42,299	4,097
Net Increase (Decrease) in Cash and Cash Equivalents	585,094	3,231,682
Cash and Cash Equivalents:		
Beginning of year	3,871,918	640,236
End of year	\$ 4,457,012	\$ 3,871,918

(Continued)

See accompanying notes to financial statements.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023
 (With Comparative Totals for Year Ended June 30, 2022)
 (Continued)

	2023	Restated 2022
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ (6,598,874)	\$ (4,209,662)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation/amortization	1,432,009	1,079,112
Change in assets and liabilities:		
Receivables, net	(59,908)	(57,930)
Security deposit	-	-
Prepaid expenses	16,978	(37,082)
Accounts payable	10,432	(42,701)
Payroll liabilities	(89,329)	180,983
Unearned revenues	(877,375)	2,405,020
Total adjustments	432,807	3,527,402
Net cash provided by (used in) operating activities	\$ (6,166,067)	\$ (682,260)
Supplementary Information:		
Accrued expenses related to capital financing activities	\$ -	\$ -

(Concluded)

See accompanying notes to financial statements.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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, 2023 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, 2023 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, 2023

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, 2022 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, 2023, 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, 2023

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, 2023

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, 2023

- 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, 2023.

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, 2023.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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, 2023

- 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

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*," provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users and requires recognition of certain subscription assets and liabilities based on the contract provisions. The adoption resulted in the restatement of the net position for the year ended June 30, 2022 due to the inclusion of a right-of-use subscription asset, subscription liability, and prior year impacts as well as the required current year impacts for the year ended June 30, 2023. The adoption also resulted in reclassifications of the June 30, 2022 comparative statement of revenues, expenses, and changes in net position which resulted in restatement of cash flows as cash flows moved from operating activities to capital and related financing activities.

The following GASB Statements were also adopted for the year ended June 30, 2023: Statement Nos. 91 (Conduit Debt Obligations) and 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements). These statements had no significant impact on EC3's financial statements for the year ended June 30, 2023.

Pending Pronouncements

GASB has issued statements that will become effective in future years including 100 (Accounting Changes and Error Corrections) and 101 (Compensated Absences). Management has not yet determined the impact of these statements on the financial statements.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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 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 \$4,630,369 at June 30, 2023. Of these balances, \$279,729 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, 2023

4. Capital Assets

	Balance at July 1, 2022	Additions	Transfers	Deletions	Balance at June 30, 2023
Capital assets, not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	-	-	-	-	-
Capital assets, being depreciated:					
Improvements	27,479	-	-	-	27,479
Equipment and furniture	61,631	351,985	-	-	413,616
Hardware and software costs	1,532,152	51,413	-	(648,438)	935,127
Subscription asset	2,904,102	62,229	-	-	2,966,331
Total capital assets, being depreciated/amortized	4,525,364	465,627	-	(648,438)	4,342,553
Less total accumulated depreciation/amortization	992,222	949,023	-	(129,687)	1,811,558
Net capital assets, being depreciated	3,533,142	(483,396)	-	(518,751)	2,530,995
Net capital assets	\$ 3,533,142	\$ (483,396)	\$ -	\$ (518,751)	\$ 2,530,995

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, 2022	Additions	Deletions	June 30, 2023	Due within one year
Financed Purchase	\$ -	\$ 302,099	\$ (7,536)	\$ 294,563	\$ 94,070

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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 has determined will be 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, 2023, the value of the lease liability was \$42,857. EC3 was required to make annual payments of \$30,000. The incremental borrowing rate for the lease is 5%. The value of the right-to-use asset as of the end of the current fiscal year was \$96,734 and had accumulated amortization of \$61,190.

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 6 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 is reasonably certain that the first option to extend will be exercised. 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 6 months. An additional liability in the amount of \$150,688 was recorded in fiscal year 2023. As of June 30, 2023, the value of the lease liability was \$113,486. EC3 was required to make payments totaling \$77,400 during fiscal year 2023. The incremental borrowing rate for the first 12 months of the lease is 3% and 5% for the additional 6 months and November 2022 amendment. The value of the right-to-use asset as of the end of the current fiscal year was \$367,240 and had accumulated amortization of \$254,224.

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, 2023, the value of the lease liability was \$5,006,196. 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, 2023

The value of the right-to-use asset as of the end of the current fiscal year was \$5,268,969 and had accumulated amortization of \$351,265.

The right of use asset at June 30, 2023 consists of the following:

	June 30, 2022	Additions	Deletions	June 30, 2023
Right of use asset	\$ 284,715	\$ 5,448,228	\$ -	\$ 5,732,943
Accumulated amortization	(183,693)	(482,986)	-	(666,679)
Net right to use asset	\$ 101,022	\$ 4,965,242	\$ -	\$ 5,066,264

The lease liability at June 30, 2023 consists of the following:

	June 30, 2022	Additions	Deletions	June 30, 2023	Due within one year
Lease liability	\$ 115,307	\$ 5,448,228	\$ (400,996)	\$ 5,162,539	\$ 338,635

Future minimum lease payments on the leases are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 338,635	\$ 249,052	\$ 587,687
2025	319,877	234,764	554,641
2026	281,131	218,869	500,000
2027	295,514	204,486	500,000
2028	310,635	189,365	500,000
Thereafter	3,616,747	882,244	4,498,991
	\$ 5,162,539	\$ 1,978,780	\$ 7,141,319

7. Subscription Based Information Technology Arrangements (SBITAs)

EC3 has certain software as a service noncancelable agreements. Consistent with the implementation of GASB Standard No. 96 as discussed in Note 2, EC3 now recognizes an intangible subscription asset and subscription obligation in the financial statements.

In April 2021, EC3 entered into a 5-year subscription for the use of enterprise-wide accounting software. An initial subscription liability was recorded in the amount of

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

\$2,904,102. As of June 30, 2023, the value of the subscription liability is \$1,213,377. 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, 2023 was \$2,904,102, with accumulated amortization of \$1,258,444.

On August 2022, EC3 entered into a 3-year subscription for the use of student engagement software. An initial subscription liability was recorded in the amount of \$62,229. As of June 30, 2023, the value of the subscription liability is \$42,096. 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, 2023 was \$62,229, with accumulated amortization of \$20,743.

Changes in the subscription obligation for the year ended June 30, 2023 are as follows:

	<u>2023</u>
Beginning balance	\$ 1,793,690
Additions	62,229
Reductions	<u>(600,446)</u>
Ending balance	1,255,473
Amount due withing one year	<u>618,460</u>
Noncurrent subscription obligations	<u><u>\$ 637,013</u></u>

The following is a schedule of future minimum subscription obligation payments for subscription liabilities as of June 30, 2023:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 618,460	\$ 57,138	\$ 675,598
2025	<u>637,013</u>	<u>39,829</u>	<u>676,842</u>
	<u><u>\$ 1,255,473</u></u>	<u><u>\$ 96,967</u></u>	<u><u>\$ 1,352,440</u></u>

8. Unearned Revenue

Unearned revenue consists of grant funding received in advance of the period in which it relates. At June 30, 2023, the unearned revenue balance of \$1,527,645 includes funding

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

from one grant that is to be utilized to provide support to EC3 in the capacity deemed necessary by the Board.

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.

The tuition and fees for the in-county class of students for the academic year 2022 to 2023 (fiscal year ended June 30, 2023) are being funded by student payments and Erie County. 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.

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, 2023, EC3 contributed approximately \$264,000 to the plan.

SUPPLEMENTARY INFORMATION

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Federal ALN</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of the Treasury:					
Passed through Erie County:					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	CSLFRF.FY2021.09	12/1/21-12/31/24	\$ 877,375	\$ -
Total U.S. Department of the Treasury				<u>877,375</u>	<u>-</u>
Total Expenditures of Federal Awards				<u>\$ 877,375</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Erie County Community College (EC3), a component unit of Erie County, under programs of the federal government for the year ended June 30, 2023. 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of EC3, it is not intended to and does not present the financial position or changes in net position of EC3.

2. Summary of Significant Accounting Policies

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

EC3 has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

Independent Auditor's Reports
Required by
the Uniform Guidance

Year Ended June 30, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise EC3’s basic financial statements, and have issued our report thereon dated December 18, 2023.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

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*.

EC3's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on EC3's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. EC3's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
December 18, 2023

Independent Auditor’s Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for The Major Federal Program

Opinion on the Major Federal Program

We have audited Erie County Community College of Pennsylvania’s (EC3), a component unit of Erie County, 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 EC3’s major federal program for the year ended June 30, 2023. EC3’s major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

In our opinion, EC3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2023.

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

We are required to be independent of EC3 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 the major federal program. Our audit does not provide a legal determination of EC3’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 EC3'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 EC3's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about EC3's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding EC3'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 EC3'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 EC3's internal control over compliance. Accordingly, no such opinion is expressed.

Board of Trustees
Erie County Community College of Pennsylvania
Independent Auditor's Report on Compliance for the Major
Program and on Internal Control over Compliance

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.

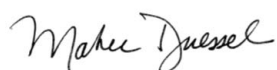
Report on Internal Control over Compliance

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.



Pittsburgh, Pennsylvania
December 18, 2023

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?
 yes none reported

3. Noncompliance material to financial statements noted? yes no

4. Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?
 yes none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no

7. Major Programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

21.027

COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? yes no

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

- II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

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

Criteria: A strong internal control structure requires that duties be segregated so that one person does not control all aspects of an accounting function. The handling of and accounting for cash receipts needs to be segregated if all of the control objectives are to be met. Ideally, those who deposit checks do not have access to cash receipt supporting documents or have control over accounting records and are not involved in reconciling bank accounts.

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.

Cause: The small staff size and lack of policies, procedures, and overall structure within the Finance Office created an improper control environment and made the Finance Office functioning very vulnerable when turnover occurred.

Effect: Due to the majority of all cash receipt accounting functions during the year being the sole primary responsibility of one individual, the potential exists that errors or fraud could occur and not be detected.

Recommendation: We recommend that the cash receipt duties noted above be segregated to the extent possible by utilizing additional Erie County Community College of Pennsylvania (EC3) employees in these processes to build the structure of the Finance Office. In addition, EC3 should develop written policies and procedures for all key financial activities.

View of Responsible Officials and Planned Corrective Action: EC3 agrees with the recommendation of its auditors, Maher Duessel, that the EC3 Finance Department ensure that the cash receipt duties and responsibilities at EC3 must be segregated to the extent possible by utilizing additional EC3 employees in these processes. As of November 2023, the Finance office has segregated the cash receipt function to the Student Support Specialist and admin staff. All security rights of the accounting staff within the Transact/Workday system to process payments have been removed.

In addition, the Finance Department has hired an additional accountant to allow for additional segregation of duties. EC3 will utilize the security profiles and automated business processes within the Transact and Workday systems for all key financial activities. EC3 agrees to provide Maher Duessel the documentation related to the security profiles and business processes that ensure a strong internal control structure.

- III. Findings and questioned costs for federal awards.

No matters were reported.

ERIE COUNTY COMMUNITY COLLEGE OF PENNSYLVANIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2023

Finding 2022-001: Segregation of Duties Over Cash Disbursement and Cash Receipt Processes

Condition: During the audit process, several material adjustments involving capital asset additions, depreciation expense, student tuition and fees, federal and local grant revenue and unearned revenue, leases, prepaids, and payroll liabilities were proposed by the auditors in order that the financial statements could be prepared in accordance with GAAP. Then, using the information provided by management, the auditors prepared the GAAP financial statements, which were subsequently reviewed by management. These adjustments were necessary to properly reflect current year operations and account balances as of the year-end.

Current Status: Corrective action has been implemented for the segregation of duties over cash disbursements processes, but corrective action has not been implemented for the segregation of duties over cash receipts processes.

Finding 2022-002: Internal Control over Financial Reporting and Account Adjustments

Federal Agency: Department of Treasury

Program: Coronavirus State and Local Fiscal Recovery Funds: 21.027

Condition: During the audit process, several material adjustments involving capital asset additions, depreciation expense, student tuition and fees, federal and local grant revenue and unearned revenue, leases, prepaids, and payroll liabilities were proposed by the auditors in order that the financial statements could be prepared in accordance with GAAP. Then, using the information provided by management, the auditors prepared the GAAP financial statements, which were subsequently reviewed by management. These adjustments were necessary to properly reflect current year operations and account balances as of the year-end.

Current Status: Corrective action has been implemented.

Finding 2022-003: Internal Control and Compliance over Procurement

Federal Agency: Department of Treasury

Program: Coronavirus State and Local Fiscal Recovery Funds: 21.027

Condition: EC3 could not provide evidence that the purchase of 300 laptops for an aggregate purchase price of \$362,004 followed formal procurement procedures. The purchase exceeded both the \$30,000 procurement threshold for competitive bids set by EC3's purchasing policy and the Uniform Guidance simplified acquisition threshold of \$250,000. In addition, in accordance with the Uniform Guidance, a purchase price from the Commonwealth of Pennsylvania COSTARS cooperative purchasing program is considered to be only one competitive price proposal and it cannot replace a full procurement process.

Current Status: Corrective action has been implemented.