

Sterling College

Working Hands. Working Minds.

FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020



STERLING COLLEGE
FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' AUDIT REPORT

To the Board of Trustees of
Sterling College
Craftsbury Common, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of Sterling College (a non-profit organization), which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sterling College as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



To the Board of Trustees of
Sterling College
Craftsbury Common, Vermont
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Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021 on our consideration of Sterling College's internal control over financial reporting and on our tests of its compliance with certain provision 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 College'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 Sterling College's internal control over financial reporting and compliance.

Davis & Holyday Accountants C.P.A.s. P.C.

Williston, Vermont
January 27, 2021

STERLING COLLEGE

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,400,856	\$ 840,302
Accounts receivable, net	300,681	61,848
Grants receivable, current portion	1,251,352	1,317,598
Promises to give, current portion	332,560	279,335
Prepaid expenses	<u>10,340</u>	<u>46,141</u>
Total current assets	<u>3,295,789</u>	<u>2,545,224</u>
PROPERTY AND EQUIPMENT, net	<u>3,074,950</u>	<u>3,059,662</u>
OTHER ASSETS		
Construction in progress	358,096	162,248
Grants receivable, net of current portion	600,000	1,700,000
Promises to give, net of current portion	361,090	237,052
Investments	<u>1,248,156</u>	<u>1,063,733</u>
Total other assets	<u>2,567,342</u>	<u>3,163,033</u>
Total assets	<u>\$ 8,938,081</u>	<u>\$ 8,767,919</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 205,605	\$ 207,620
Accrued expenses	206,358	228,932
Deferred tuition and fee revenue	187,953	207,954
Refundable advance - HEERF	2,129	83,862
Current portion of long-term debt	<u>192,257</u>	<u>43,233</u>
Total current liabilities	794,302	771,601
NON-CURRENT LIABILITIES		
Long-term debt, net of current portion	1,712,793	1,681,119
Refundable advance - PPP	<u>--</u>	<u>163,263</u>
Total non-current liabilities	<u>1,712,793</u>	<u>1,844,382</u>
Total liabilities	<u>2,507,095</u>	<u>2,615,983</u>
NET ASSETS		
Without donor restrictions	971,410	739,795
With donor restrictions	<u>5,459,576</u>	<u>5,412,141</u>
Total net assets	<u>6,430,986</u>	<u>6,151,936</u>
Total liabilities and net assets	<u>\$ 8,938,081</u>	<u>\$ 8,767,919</u>

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

STERLING COLLEGE

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2021**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2021 <u>Totals</u>
OPERATING SUPPORT AND REVENUE			
Tuition and fees	\$ 4,949,801	\$ --	\$ 4,949,801
Less financial aid	<u>(4,017,859)</u>	<u>--</u>	<u>(4,017,859)</u>
Net tuition and fees	931,942	--	931,942
Auxiliary enterprises	947,666	--	947,666
Contributions	713,191	700,260	1,413,451
Grants	1,705,012	635,768	2,340,780
Other income	<u>20,947</u>	<u>--</u>	<u>20,947</u>
Total operating support and revenue	4,318,758	1,336,028	5,654,786
Net assets released from restrictions	<u>1,472,814</u>	<u>(1,472,814)</u>	<u>--</u>
Total support, revenue and reclassifications	<u>5,791,572</u>	<u>(136,786)</u>	<u>5,654,786</u>
OPERATING EXPENSES			
Program services			
Instruction	2,213,668	--	2,213,668
Academic support	65,811	--	65,811
Student services	624,634	--	624,634
Auxiliary enterprises	<u>364,524</u>	<u>--</u>	<u>364,524</u>
Total program services	<u>3,268,637</u>	<u>--</u>	<u>3,268,637</u>
Supporting activities			
Institutional support	1,879,064	--	1,879,064
Fundraising	<u>416,034</u>	<u>--</u>	<u>416,034</u>
Total supporting activities	<u>2,295,098</u>	<u>--</u>	<u>2,295,098</u>
Total operating expenses	<u>5,563,735</u>	<u>--</u>	<u>5,563,735</u>
Change in net assets from operations	<u>227,837</u>	<u>(136,786)</u>	<u>91,051</u>
NON-OPERATING ACTIVITIES			
Investment income	2,190	185,809	187,999
Net assets released from restrictions	<u>1,588</u>	<u>(1,588)</u>	<u>--</u>
Total non-operating activities	<u>3,778</u>	<u>184,221</u>	<u>187,999</u>
Change in net assets	231,615	47,435	279,050
Net assets, beginning of year	<u>739,795</u>	<u>5,412,141</u>	<u>6,151,936</u>
Net assets, end of year	<u>\$ 971,410</u>	<u>\$ 5,459,576</u>	<u>\$ 6,430,986</u>

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

STERLING COLLEGE

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2020**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2020 <u>Totals</u>
OPERATING SUPPORT AND REVENUE			
Tuition and fees	\$ 4,895,534	\$ --	\$ 4,895,534
Less financial aid	<u>(3,912,216)</u>	<u>--</u>	<u>(3,912,216)</u>
Net tuition and fees	983,318	--	983,318
Auxiliary enterprises	987,536	--	987,536
Contributions	1,432,300	319,536	1,751,836
Grants	830,460	1,647,800	2,478,260
Other income	<u>33,187</u>	<u>--</u>	<u>33,187</u>
Total operating support and revenue	4,266,801	1,967,336	6,234,137
Net assets released from restrictions	<u>1,037,072</u>	<u>(1,037,072)</u>	<u>--</u>
Total support, revenue and reclassifications	<u>5,303,873</u>	<u>930,264</u>	<u>6,234,137</u>
OPERATING EXPENSES			
Program services			
Instruction	2,314,610	--	2,314,610
Academic support	75,875	--	75,875
Student services	519,098	--	519,098
Auxiliary enterprises	<u>378,568</u>	<u>--</u>	<u>378,568</u>
Total program services	<u>3,288,151</u>	<u>--</u>	<u>3,288,151</u>
Supporting activities			
Institutional support	1,709,311	--	1,709,311
Fundraising	<u>393,808</u>	<u>--</u>	<u>393,808</u>
Total supporting activities	<u>2,103,119</u>	<u>--</u>	<u>2,103,119</u>
Total operating expenses	<u>5,391,270</u>	<u>--</u>	<u>5,391,270</u>
Change in net assets from operations	<u>(87,397)</u>	<u>930,264</u>	<u>842,867</u>
NON-OPERATING ACTIVITIES			
Investment income	1,144	36,074	37,218
Net assets released from restrictions	<u>50,937</u>	<u>(50,937)</u>	<u>--</u>
Total non-operating activities	<u>52,081</u>	<u>(14,863)</u>	<u>37,218</u>
Change in net assets	(35,316)	915,401	880,085
Net assets, beginning of year	<u>775,111</u>	<u>4,496,740</u>	<u>5,271,851</u>
Net assets, end of year	<u>\$ 739,795</u>	<u>\$ 5,412,141</u>	<u>\$ 6,151,936</u>

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

STERLING COLLEGE

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021**

	Program Services				Total Program Services	Supporting Activities		Total Supporting Activities	2021 Total
	Instruction	Academic Support	Student Services	Auxiliary Enterprises		Institutional Support	Fundraising		
Compensation									
Salaries and wages	\$1,475,183	\$ 31,264	\$ 348,530	\$ 156,839	\$ 2,011,816	\$ 614,590	\$ 193,482	\$ 808,072	\$ 2,819,888
Payroll taxes	129,950	2,754	30,702	13,816	177,222	54,140	17,044	71,184	248,406
Employee benefits	14,693	311	3,471	1,562	20,037	6,123	1,927	8,050	28,087
Retirement plan	73,161	1,551	17,285	7,778	99,775	30,480	9,596	40,076	139,851
Total compensation	<u>1,692,987</u>	<u>35,880</u>	<u>399,988</u>	<u>179,995</u>	<u>2,308,850</u>	<u>705,333</u>	<u>222,049</u>	<u>927,382</u>	<u>3,236,232</u>
Occupancy	4,522	--	--	1,147	5,669	306,062	--	306,062	311,731
Travel	18,782	--	7,610	--	26,392	10,663	575	11,238	37,630
Professional fees	--	--	4,159	--	4,159	44,154	--	44,154	48,313
Depreciation	--	6,568	--	--	6,568	210,731	--	210,731	217,299
Dining services	7,232	--	299	182,045	189,576	--	--	--	189,576
Interest	--	--	--	--	--	99,843	--	99,843	99,843
Meetings and conferences	--	--	152	--	152	732	2,276	3,008	3,160
Contracted services	229,502	5,492	64,593	--	299,587	138,999	65,051	204,050	503,637
Bank fees	253	--	29	--	282	60,094	--	60,094	60,376
Supplies	114,334	216	33,923	696	149,169	77,204	30,987	108,191	257,360
Insurance	--	--	68,695	--	68,695	167,482	--	167,482	236,177
Course costs	95,571	--	--	--	95,571	--	--	--	95,571
Bad debt	12,540	--	--	--	12,540	--	--	--	12,540
Miscellaneous	13,898	--	516	40	14,454	6,737	9,680	16,417	30,871
Equipment and repairs	--	--	--	385	385	18,496	--	18,496	18,881
Memberships	11,269	--	39,139	--	50,408	17,995	10,351	28,346	78,754
Periodicals and subscriptions	1,954	17,655	--	216	19,825	1,235	197	1,432	21,257
Recruitment	4,759	--	5,531	--	10,290	4,085	--	4,085	14,375
Marketing and advertising	--	--	--	--	--	8,689	74,868	83,557	83,557
Honoraria	6,065	--	--	--	6,065	--	--	--	6,065
Information technology	--	--	--	--	--	530	--	530	530
Total expenses	<u>\$2,213,668</u>	<u>\$ 65,811</u>	<u>\$ 624,634</u>	<u>\$ 364,524</u>	<u>\$ 3,268,637</u>	<u>\$ 1,879,064</u>	<u>\$ 416,034</u>	<u>\$ 2,295,098</u>	<u>\$ 5,563,735</u>

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

STERLING COLLEGE

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020**

	Program Services				Total Program Services	Supporting Activities		Total Supporting Activities	2020 Total
	Instruction	Academic Support	Student Services	Auxiliary Enterprises		Institutional Support	Fundraising		
Compensation									
Salaries and wages	\$1,381,157	\$ 41,548	\$ 236,868	\$ 149,849	\$ 1,809,422	\$ 504,887	\$ 192,975	\$ 697,862	\$ 2,507,284
Payroll taxes	105,214	3,146	17,936	11,347	137,643	38,407	14,680	53,087	190,730
Employee benefits	8,988	270	1,541	975	11,774	3,286	1,256	4,542	16,316
Retirement plan	53,676	1,615	9,205	5,824	70,320	19,621	7,500	27,121	97,441
Total compensation	<u>1,549,035</u>	<u>46,579</u>	<u>265,550</u>	<u>167,995</u>	<u>2,029,159</u>	<u>566,201</u>	<u>216,411</u>	<u>782,612</u>	<u>2,811,771</u>
Occupancy	863	--	134	1,948	2,945	274,450	--	274,450	277,395
Travel	139,195	--	11,984	--	151,179	15,670	42,602	58,272	209,451
Professional fees	--	--	3,320	--	3,320	31,788	--	31,788	35,108
Depreciation	--	4,673	--	--	4,673	279,587	--	279,587	284,260
Dining services	8,451	--	4,038	204,441	216,930	198	858	1,056	217,986
Interest	--	--	--	--	--	82,838	--	82,838	82,838
Meetings and conferences	--	--	1,190	--	1,190	3,400	3,987	7,387	8,577
Contracted services	228,659	5,492	54,479	--	288,630	139,277	30,181	169,458	458,088
Bank fees	574	--	135	--	709	36,321	--	36,321	37,030
Supplies	110,202	42	54,407	3,799	168,450	55,789	39,102	94,891	263,341
Insurance	--	--	98,611	--	98,611	155,731	--	155,731	254,342
Course costs	91,541	--	--	--	91,541	--	--	--	91,541
Bad debt	153,990	--	--	--	153,990	--	--	--	153,990
Miscellaneous	5,116	--	6,540	385	12,041	8,352	16,086	24,438	36,479
Memberships	11,537	399	14,131	--	26,067	21,231	10,351	31,582	57,649
Periodicals and subscriptions	5,132	18,690	--	--	23,822	784	--	784	24,606
Recruitment	--	--	1,770	--	1,770	15,095	--	15,095	16,865
Marketing and advertising	100	--	2,809	--	2,909	5,176	34,230	39,406	42,315
Honoraria	10,215	--	--	--	10,215	--	--	--	10,215
Information technology	--	--	--	--	--	17,423	--	17,423	17,423
Total expenses	<u>\$2,314,610</u>	<u>\$ 75,875</u>	<u>\$ 519,098</u>	<u>\$ 378,568</u>	<u>\$ 3,288,151</u>	<u>\$ 1,709,311</u>	<u>\$ 393,808</u>	<u>\$ 2,103,119</u>	<u>\$ 5,391,270</u>

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

STERLING COLLEGE

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 279,050	\$ 880,085
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	217,299	284,260
Donated property and equipment	--	(500)
Net unrealized and realized gain on investments	(180,433)	(28,334)
Investment income reinvested	(5,378)	(7,739)
PPP loan forgiveness	(163,263)	(361,937)
HEERF grant revenue	(83,862)	--
Changes in:		
Accounts receivable, net	(238,833)	90,605
Grants receivable	1,166,246	(630,598)
Promises to give	(177,263)	16,158
Prepaid expenses	35,801	(41,101)
Accounts payable	(2,015)	(86,374)
Accrued expenses	(22,574)	22,017
Deferred tuition and fee revenue	(20,001)	(12,735)
Refundable advance - HEERF	<u>2,129</u>	<u>83,862</u>
Net cash provided by operating activities	<u>806,903</u>	<u>207,669</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress	(195,848)	(20,240)
Purchase of property and equipment	(232,587)	(50,689)
Net investment withdrawals	<u>1,388</u>	<u>50,937</u>
Net cash used by investing activities	<u>(427,047)</u>	<u>(19,992)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on line of credit	--	(399,432)
Refundable advance - PPP	--	525,200
Proceeds from borrowing on long-term debt	212,000	175,740
Principal payments on long-term debt	<u>(31,302)</u>	<u>(62,326)</u>
Net cash provided by financing activities	<u>180,698</u>	<u>239,182</u>
Net change in cash	560,554	426,859
Cash and cash equivalents, beginning of year	<u>840,302</u>	<u>413,443</u>
Cash and cash equivalents, end of year	<u>\$ 1,400,856</u>	<u>\$ 840,302</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 99,843</u>	<u>\$ 82,838</u>

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS June 30, 2021 and 2020

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

Sterling College (the College) was incorporated as an educational not-for-profit organization in 1958. The College's mission is to advance ecological thinking and action through affordable experiential learning that prepares people to be knowledgeable, skilled, and responsible leaders in the communities in which they live. The College offers a four-year baccalaureate degree program.

For more information, see the College's website at www.sterlingcollege.edu.

A summary of the College's significant accounting policies follows:

Basis of accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Use of estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Basis of presentation

The College's financial statement presentation is as required by the Not-for-Profit Topic of the Codified FASB Accounting Standards. Accordingly, the College is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represent resources restricted by donors as to purpose or by the passage of time and resources whose use by the College is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the College. Sterling College had \$5,459,576 and \$5,412,141 of net assets with donor restrictions at June 30, 2021 and 2020, respectively.

Recently issued accounting standards

In June, 2018, FASB issued Accounting Standards Update (ASU) 2018-08, Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605), with the intention to address the diversity in practice among not-for-profit organizations for grant and contribution accounting. The College has adopted Topic 605 as management believes the standard improves the usefulness and understandability of the College's financial reporting. The adoption of the standard did not have an impact on the College's financial statements. There was no cumulative effect of adoption of the standard.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS June 30, 2021 and 2020

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Recently issued accounting standards (continued)

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry and transaction specific requirements, and expands disclosure requirements. Effective July 1, 2019, the College adopted the standard using the modified retrospective method, under which prior year results are not restated, but supplemental information is provided for any material impacts of the standard on the June 30, 2019 results. The adoption of the standard did not have an impact on the College's financial statements. There was no cumulative effect of adoption of the standard. The College did not elect any practical expedients that require disclosure.

In November 2016, FASB issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The standard amends the presentation of restricted cash within the statements of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statements of cash flows. Effective July 1, 2019, the College adopted the standard using the retrospective method and the adoption of the standard did not have an impact on the College's financial statements.

In August 2018, FASB issued Accounting Standards Update (ASU) 2016-01, Financial Instruments – Overall (Topic 825-10), Recognition of Measurement of Financial Assets and Financial Liabilities and Accounting Standards Update (ASU) 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework – Changes to the Disclosure Requirement for Fair Value Measurement. These standards modify or remove certain disclosures that were previously required. The adoption of these standards did not have a material impact on the College's financial statements.

Cash and cash equivalents

The College considers all investments with an original maturity of three months or less to be cash and cash equivalents.

Receivables and allowance for doubtful accounts

Accounts receivable consist of amounts due for tuition and fees for current and formally enrolled students. The College extends unsecured credit to students in connection with their studies. Accounts receivable is stated at the amount management expects to collect from outstanding balances.

It is the policy of management to review the outstanding receivables at year end, as well as the bad debt write offs experienced in the past and establish an allowance for doubtful accounts for uncollectible amounts. The allowance for doubtful accounts totaled \$12,500 at June 30, 2021, while there was no allowance for doubtful accounts at June 30, 2020.

Grants receivable

Grants receivable consist primarily of amounts due from grantors to fund future programs and capital improvements.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS June 30, 2021 and 2020

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Promises to give

The College records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities.

The College determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. There was no allowance for uncollectible promises to give at June 30, 2021 and 2020.

Investments

Investments consist of cash, fixed income securities and equities that have been designated for long-term investment by the College.

Fair value measurements

Professional literature defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance states that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions market participants would use in pricing the asset or liability under current market conditions at the measurement date. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that is based on the subjectivity of inputs.

It distinguishes between observable inputs (Levels 1 and 2) which are either observable from market data or corroborated by observable market data and those that are unobservable (Level 3).

Three levels of inputs that may be used to measure fair value are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs include quoted prices (interest rates, yield curves, etc.) or inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. Government and agency mortgage-backed debt securities and alternative investments using net asset value (NAV) per share for which the College has the ability to redeem its investment at or close to the measurement date.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS June 30, 2021 and 2020

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Fair value measurements (continued)

Level 3 – Inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the College's assumptions based on the best information available in the circumstances. This category generally includes certain private debt and equity instruments, alternative investments where the investee at NAV per share or the redemption date is not close to the measurement date. This category also includes investments held in trust where the College is not the trustee and the beneficial interest is in perpetual trust.

All long-term investments (see Note 9.) have been valued in accordance with the definition of Level 1 inputs as described above.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although the College's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the assets' estimated useful lives. Additions and betterments with a value in excess of \$2,000 are capitalized, and expenditures for repairs and maintenance are expensed when incurred. Upon the sale or retirement, the costs and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the accompanying Statements of Activities and Changes in Net Assets.

Accrued compensated absences

The College provides each employee with paid time off compensation hours, which are accumulated on a pro-rata basis as actual hours are worked. Compensated absences accrue when amounts can reasonably be estimated, and payment of compensation is probable.

Deferred tuition and fee revenue

The College collects tuition and fees prior to the services being provided. The revenues associated with these programs are recognized in the period in which the program occurs and accordingly, amounts received for programs that have not yet occurred are classified as deferred tuition and fee revenue.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS June 30, 2021 and 2020

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Net asset classification

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operation and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Support and revenue

The College records contributions as net assets without donor restrictions and net assets with donor restrictions depending on the existence or nature of donor restrictions. Unconditional promises to give are recorded as promises to give. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

The College reports contributions of land, buildings or equipment as net assets without donor restrictions unless the donor places restrictions on their use.

Dividends, interest and net gains on investments of endowments and similar funds are reported as a) as increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of a permanent endowment fund or the gift imposes restrictions on the current use of income or net gains; and b) as increases in net assets without donor restrictions in all other cases.

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restriction.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS June 30, 2021 and 2020

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Support and revenue (continued)

Contributions of non-cash assets are recorded at their fair values in the period received. Contributions of services that create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated investments are also reported at fair value at the date of receipt, which is then treated as the College's cost basis. Property donated with covenants where the College can sell the property and use the funds as they see fit are recorded as net assets without donor restrictions.

Individual grant arrangements have been evaluated and most have been determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution, i.e., when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. Grants that have been determined to be reciprocal fall under the scope of ASC Topic 606 and are recognized as the performance obligations are satisfied.

Other income is recognized when earned.

Revenue recognition - tuition and fee revenue

The College derives its student tuition and fee revenues from degree programs. Tuition and fee revenue is recorded at the College's established rates, net of institutional, state and federal financial aid administered directly by the College. Payments for tuition and fees are due prior to the start of the academic semester in accordance with the College's due dates. Payments received in advance of performance obligations being satisfied are categorized as student deposits and deferred revenue in the Statements of Financial Position and then recorded over time as the performance obligation is satisfied. The performance obligation relating to tuition and fee revenue is the delivery of educational services. Students are typically entitled to a partial refund through a specific point in the academic term, after which no refunds are due upon withdrawal. Refunds issued reduce the amount of revenue recognized. Discounts provided to employees are considered part of fringe benefits within operating expenses and are recorded over time.

Revenue recognition - auxiliary enterprises

Revenue for auxiliary enterprises primarily consists of fees for student housing and dining services. Fees charged for auxiliary enterprises are priced to offset the cost of the services. Payments for these services are due prior to the start of the academic semester in accordance with the College's due dates, and payments received in advance of performance obligations being satisfied are categorized as student deposits and deferred revenue in the Statements of Financial Position. The performance obligation for auxiliary enterprises is the delivery of student housing and dining services and revenue is recognized over time as the performance obligation is satisfied.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS June 30, 2021 and 2020

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Income taxes

The College is a not-for-profit corporation, exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and none of its present or anticipated future activities are subject to taxation as unrelated business income; therefore, no provision for income taxes has been made in the accompanying financial statements.

The College annually files an IRS Form 990, *Return of Organization Exempt From Income Tax*, tax return in the U.S. Federal jurisdiction. The College is no longer subject to U.S. Federal income tax examination by tax authorities for the years prior to June 30, 2018. In the normal course of business, the College is subject to examination by various taxing authorities. Although the outcome of tax audits is always uncertain, the management of the College believes that there are no significant unrecognized tax liabilities at June 30, 2021 and 2020.

Expense allocation

The costs of providing various programs and other supporting activities have been summarized on a functional basis in the Statements of Functional Expenses. The Statements of Functional Expenses present the natural classification of expenses by function. In categories recommended by the National Association of College and University Business Officers. The College's primary program service is instruction. Expenses reported as academic support, student services, auxiliary enterprises, institutional support, and fundraising, are incurred in support of this primary program service. Accordingly, certain costs have been allocated among the programs and supporting services benefited. This allocation was based upon employee time dedicated to particular programs or the benefit received based upon the recognition of expenditures incurred.

Advertising

Advertising costs are expensed as incurred and totaled \$83,557 and \$42,315 for the years ended June 30, 2021 and 2020, respectively.

Concentration of credit risks

Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC). At various times during the year the College may maintain its cash balance with one financial institution in excess of the federally insured limit.

Endowment policies

The College has adopted the Codified FASB Accounting Standards that provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Codified Accounting Standards also improve disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS June 30, 2021 and 2020

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Endowment policies (continued)

The State of Vermont adopted UPMIFA effective May 5, 2009. The College adopted the Codified FASB Accounting Standards beginning with the year ended June 30, 2009. Management has determined that the majority of the College's net assets do not meet the definition of endowment under UPMIFA or the Codified FASB Accounting Standards. The College is governed subject to the governing documents for the College and most contributions are subject to the terms of these governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the College.

Under the terms of the College's governing documents and in the absence of overriding, explicit donor stipulations, the Board of Trustees has the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as restricted are classified as net assets without donor restrictions for financial statement purposes.

Net assets with donor restrictions may consist of irrevocable charitable trusts, lead trusts, restricted contributions receivable, and the remaining portion of donor-restricted endowment funds. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received from donors with restrictions that are satisfied in the same fiscal year are reported as restricted revenues and as net assets released from restriction.

Net assets with donor restrictions of a permanent nature represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

Endowment policies - Interpretation of relevant law

The Board of Trustees of Sterling College has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is reclassified as net assets without donor restrictions once those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by SPMIFA and any explicit donor stipulations.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS June 30, 2021 and 2020

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Endowment policies - Interpretation of relevant law (continued)

In accordance with SPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the organization.
- The investment policies of the organization.

Endowment investment and spending policies

The purpose of the College's endowment fund is to provide a reserve of assets that may be used for unexpected financial needs that cannot be met by other means. The fund can provide some flexibility in development of new initiatives that will enhance the future of the College. The fund can provide limited support for annual operations, including supplementing Sterling Grants.

Investment guidelines for the College's endowment fund include:

- Generation of a reasonable rate of return within prudent risk parameters.
- Maintaining a diversified portfolio of investments.
- Awareness of how investments conform to the College's values.

The desired allocation of investments for the endowment fund is 60% for a diversified portfolio of equities, 35% for interest yielding, investment grade notes and bonds, and 5% for highly liquid, highly rated short-term investments.

The Board of Trustees sets the policies for withdrawal of monies from the endowment fund. Currently, the board may elect to approve up to 6% per year of a rolling three-year average of fund balances to support current operational needs.

Reclassifications

Certain amounts for the year ended June 30, 2020 have been reclassified for comparative purposes to conform to the presentation used in the June 30, 2021 financial statements. The reclassifications have no effect on net assets for the year ended June 30, 2020.

Subsequent events

Subsequent events have been evaluated through January 27, 2021, which is the date the financial statements were issued.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 2. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Statements of Financial Position, comprise the following at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets, at year end:		
Cash and cash equivalents	\$ 1,400,856	\$ 840,302
Accounts receivable, net	300,681	61,848
Grants receivable	1,251,352	1,317,598
Promises to give, current portion	<u>332,560</u>	<u>279,335</u>
Total financial assets available within one year	3,285,449	2,499,083
Liquidity resources:		
Investments	1,248,156	1,063,733
Line of credit (Note 11.)	<u>500,000</u>	<u>500,000</u>
Total financial assets available and liquidity resources available within one year	<u>\$ 5,033,605</u>	<u>\$ 4,062,816</u>

The College is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the College must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year of the balance sheet date. The College has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to these financial assets available within one year of the balance sheet date, the College has \$611,559 of investments that could be released as deemed necessary. As more fully described in Note 11., the College also has continued lines of credit with \$500,000 available as of June 30, 2021, which it could draw upon in the event of an unanticipated liquidity need.

Note 3. Revenue from Contracts with Customers

Performance obligations

Performance obligations are determined based on the nature of the services provided by the College and, in general, performance obligations satisfied over time relate to students receiving their education as part of the various degree programs, including auxiliary services such as room and board, and leasing space to outside organizations. The College measures this performance obligation from the commencement of the program to the point when it is no longer required to provide a service to that student, which is typically the length of the program. For this performance obligation, control transfers to the student over time as the service is provided (see Note 1.).

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 3. Revenue from Contracts with Customers (continued)

Transaction prices and variable consideration

The College determines transaction prices based on established charges for services to be provided and for goods to be sold, reduced by explicit price concessions (i.e. discounts) provided by the College. The College determines its estimates for explicit price concessions related to discounts based on contractual agreements, discount policies and historical experience. Further, estimates for implicit price concessions are based on historical experience with students.

The nature of the College's business gives rise to variable consideration, including the withdrawal of students from degree programs. These variable amounts are generally credited to the student, based on timing of cancellation, on a prorated basis.

Disaggregation of revenue from contracts with customers

The College's revenue based on the satisfaction of performance obligations over time totaled \$1,879,608 and \$1,970,854 for the years ended June 30, 2021 and 2020, respectively.

Note 4. Accounts Receivable

Accounts receivable consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 313,181	\$ 61,848
Estimated allowance for doubtful accounts	<u>(12,500)</u>	<u>--</u>
Accounts receivable, net	<u>\$ 300,681</u>	<u>\$ 61,848</u>

Note 5. Grants Receivable

Grants receivable consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
To support the Wendell Berry Farming Program	\$ 1,000,000	\$ 1,500,000
To support capital projects	150,000	300,000
HEERF CARES Act 18004(a)(3) funding	--	217,598
HEERF CARES Act 18004(a)(1) funding	201,352	--
To support the EcoGather online platform/network	<u>500,000</u>	<u>1,000,000</u>
Total grants receivable	1,851,352	3,017,598
Less current portion	<u>(1,251,352)</u>	<u>(1,317,598)</u>
Total non-current grants receivable	<u>\$ 600,000</u>	<u>\$ 1,700,000</u>

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 5. Grants Receivable (continued)

Grants receivable are expected to be collected as follows:

	2022	\$ 1,251,352
	2023	<u>600,000</u>
Total		<u>\$ 1,851,352</u>

Substantially all grants receivable at year-end are collectible over the next two years.

Note 6. Promises to Give

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 332,560	\$ 279,335
Receivable in one to four years	<u>363,776</u>	<u>239,500</u>
Total contributions receivable	696,336	518,835
Less discounts to net present value	<u>(2,686)</u>	<u>(2,448)</u>
Net unconditional promises to give	693,650	516,387
Less current portion	<u>(332,560)</u>	<u>(279,335)</u>
Net non-current unconditional promises to give	<u>\$ 361,090</u>	<u>\$ 237,052</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.73%. Unconditional promises to give are expected to be collected as follows:

	2022	\$ 332,560
	2023	203,776
	2024	<u>160,000</u>
Total		<u>\$ 696,336</u>

Substantially all promises to give at year-end are collectible over the next four years.

The College has received promises to give that are conditional on the College raising matching funds. The promise to give changes to an unconditional promise once the conditions are met. The College has received notice of conditional promises to give totaling \$446,000 and \$969,000 at June 30, 2021 and 2020, respectively.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 7. Property and Equipment

Property and equipment consisted of the following at June 30:

	Useful Life (Years)	<u>2021</u>	<u>2020</u>
Land and buildings	10-45	\$ 5,298,917	\$ 5,295,605
Equipment	5-15	966,160	812,021
Motor vehicles	5-8	192,327	223,701
Livestock and equipment	7	19,446	--
Library	10	<u>226,685</u>	<u>225,303</u>
Total property and equipment		6,703,535	6,556,630
Less accumulated depreciation		<u>(3,628,585)</u>	<u>(3,496,968)</u>
Property and equipment, net		<u>\$ 3,074,950</u>	<u>\$ 3,059,662</u>

Depreciation expense totaled \$217,299 and \$284,260 for the years ended June 30, 2021 and 2020, respectively.

Note 8. Construction in Progress

Construction in progress consisted of building restoration projects and totaled \$358,096 and \$162,248 at June 30, 2021 and 2020, respectively.

Note 9. Investments

Investments are presented at fair value based on quoted prices in active markets for identical assets (Level 1 as described in Note 1.). The investment balance is comprised of endowment funds and restricted cash from a stock clearing account and consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash and equivalents	\$ 98,335	\$ 83,915
Common stock	735,869	626,133
Fixed income mutual funds	156,616	128,638
Exchange traded funds	239,694	207,550
Bond funds	12,634	12,858
Other assets	<u>5,008</u>	<u>4,639</u>
Total investments	<u>\$ 1,248,156</u>	<u>\$ 1,063,733</u>

Realized and unrealized gains and losses are reflected in the Statements of Activities and Changes in Net Assets. Most long-term investments are held in the investment pool for permanent endowments.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 9. Investments (continued)

The following table provides additional information regarding the aggregate changes in Level 1 investments for the year ended June 30:

	<u>2021</u>	<u>2020</u>
Investments, beginning of year	\$ 1,063,733	\$ 1,078,597
Contributions	200	--
Purchases, transfers and withdrawals, net	(1,588)	(50,937)
Investment returns		
Dividends and interest	5,378	7,739
Realized and unrealized gains	<u>180,433</u>	<u>28,334</u>
Total return on investments	<u>185,811</u>	<u>36,073</u>
Investments, end of year	<u>\$ 1,248,156</u>	<u>\$ 1,063,733</u>

Note 10. Accrued Expenses

Accrued expenses consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Abandoned property payable	\$ 22,237	\$ 27,155
Student deposits payable	44,598	26,855
Accrued payroll and related liabilities	<u>139,523</u>	<u>174,922</u>
Total accrued expenses	<u>\$ 206,358</u>	<u>\$ 228,932</u>

Note 11. Line of Credit

The College has a line of credit with the Union Bank in the amount of \$500,000. The line carries a variable rate of interest payable monthly at the Wall Street Journal prime rate, plus 1% adjusted daily (4.25% at June 30, 2021). The note is secured by real estate and investments. There was no outstanding balance on the line at June 30, 2021 and 2020.

Note 12. Capital Lease Commitments

The College leases certain equipment under capital lease obligations. The capital lease with GM Financial has an interest rate of 8.60% due in monthly installments of \$531 through August 2024. The capital lease with Bancorp Bank has an interest rate of 2.00% due in monthly installments of \$322 through September 2023. Details of these leases are included within Note 13.

Property held under capital lease obligations consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Leased property - capital lease	\$ 42,081	\$ 42,081
Less accumulated depreciation	<u>(18,856)</u>	<u>(10,422)</u>
Property under capital lease, net	<u>\$ 23,225</u>	<u>\$ 31,659</u>

STERLING COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 12. Capital Lease Commitments (continued)

The minimum required payments on the above capital leases are as follows:

2022	\$	8,468
2023		9,176
2024		6,962
2025		1,054
2026		<u> --</u>
Total minimum lease payments		25,660
Less current portion		<u> 8,468</u>
Capital lease obligation, net of current portion	\$	<u> 17,192</u>

Depreciation expense on assets held under capital lease totaled \$8,434 and \$7,986 for the years ended June 30, 2021 and 2020, respectively.

Note 13. Long-term Debt

Long-term debt consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Note payable, Union Bank, interest rate of 5.00%, monthly payments of principal and interest of \$8,070 through December, 2022, then monthly payments of \$8,206 through June, 2038. Union Bank deferred all payments from May, 2020 through October, 2020.	\$ 1,123,209	\$ 1,127,866
Note payable, Union Bank, interest rate of 6.00%, monthly payments of principal and interest of \$3,395 commencing June, 2019 through December, 2034. Union Bank deferred all payments from May, 2020 through October, 2020.	373,043	384,855
Note payable, Union Bank, interest rate of 5.00%, monthly payments of principal and interest of \$945, through June, 2023. Union Bank deferred all payments from May, 2020 through October, 2020.	21,020	28,256

(continued on next page)

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 13. Long-term Debt (continued)

	<u>2021</u>	<u>2020</u>
Note payable, Small Business Administration, Economic Injury Disaster Loan, interest rate of 2.75%, secured by property and equipment, monthly payments of principal and interest of \$641 commencing June, 2021, through April, 2049.	149,703	149,900
Capital lease payable, GM Financial, interest rate of 8.60%, secured by vehicle, monthly payments of principal and interest of \$531, through August, 2024.	17,919	22,265
Capital lease payable, Bancorp Bank, imputed interest rate of 2.00%, secured by vehicle, monthly payments of principal and interest of \$322, through September, 2023.	8,174	11,210
 Note payable, Community National Bank, interest rate based on the Prime rate plus 1.5% (initial rate of 4.750%), secured by property and equipment, one principal payment in the amount of \$106,000 is payable on January 12, 2022 and one principal payment is payable in the amount of \$105,982 on January 15, 2023.	 <u>211,982</u>	 <u>--</u>
Total long-term debt	1,905,050	1,724,352
Less current portion	<u>(192,257)</u>	<u>(43,233)</u>
Long-term debt, net of current	<u>\$ 1,712,793</u>	<u>\$ 1,681,119</u>

Aggregate maturities for the above notes are as follows:

2022	\$ 192,257
2023	83,116
2024	88,151
2024	78,092
2025	75,954
Thereafter	<u>1,387,480</u>
Total	<u>\$ 1,905,050</u>

The documents governing the College's loan arrangements with Union Bank require, among other things, that the College meet a minimum debt service coverage test as of June 30th of each year. As of June 30, 2021, the College maintained the minimum debt service coverage of 1.10.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 14. Refundable Advances – PPP

On April 13, 2020, the College received loan proceeds in the amount of \$525,200 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and interest are forgivable after eight or 24 weeks, as decided by the organization, as long as the borrower uses the loan proceeds for eligible purposes, including payroll benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the forgiveness period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months after the forgiveness period ends. This loan was forgiven in March 2021.

The College used the proceeds for purposes consistent with the PPP. It met the PPP loan eligibility criteria and concluded that the PPP loan represents, in substance, a grant that has been forgiven. The Organization may account for the PPP loan, in accordance with FASB ASC 958-605, Not-for-Profit Entities: Revenue Recognition, as a conditional contribution and accounted for the portion of the loan proceeds for which it incurred qualifying expenses prior to June 30, 2020 as grant revenue on the accompanying Statement of Activities and Changes in Net Assets for the year ended June 30, 2020 and the portion of the loan proceeds that it had not recognized as revenue for the year ended June 30, 2020 as a refundable advance on the accompanying Statement of Financial Position. The portion recorded as a refundable advance at June 30, 2020 was recognized as grant revenue on the accompanying Statement of Activities and Changes in Net Assets for the year ended June 30, 2021.

Note 15. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Wendell Berry Farming Program	\$ 1,504,513	\$ 1,884,271
Construction and improvements	736,253	754,540
Student aid and academic support	611,559	427,337
Continuing education	1,167,027	1,410,088
Program support	795,777	291,658
Woodworking equipment	7,850	7,850
Endowment net assets	<u>636,597</u>	<u>636,397</u>
Net assets with donor restrictions	<u>\$ 5,459,576</u>	<u>\$ 5,412,141</u>

Note 16. Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, for the years ended June 30, 2021 and 2020.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 16. Net Assets Released From Restrictions (continued)

Purpose restrictions accomplished are as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Program support	\$ 321,656	\$ 101,288
Construction and improvements	295,339	45,589
Renewable energy	--	6,068
Endowment spending release	1,588	50,937
Student relief	--	5,565
Wendell Berry Farming Program	612,758	788,650
Continuing education	<u>243,061</u>	<u>89,912</u>
Total restrictions released	<u>\$ 1,474,402</u>	<u>\$ 1,088,009</u>
	<u>2021</u>	<u>2020</u>
Restrictions released for operations	\$ 1,472,814	\$ 1,037,072
Restrictions released for other activities	<u>1,588</u>	<u>50,937</u>
Total restrictions released	<u>\$ 1,474,402</u>	<u>\$ 1,088,009</u>

Note 17. Endowment Net Assets

Endowment net assets are restricted to investment in perpetuity, the income from which becomes restricted support for the program in which the endowment was established. The income is included in net assets with donor restrictions on the accompanying Statements of Activities and Changes in Net Assets. Endowment net assets in perpetuity include the following at June 30:

	<u>2021</u>	<u>2020</u>
Student aid	\$ 620,347	\$ 620,147
Academic support	<u>16,250</u>	<u>16,250</u>
Permanently restricted endowment net assets	<u>\$ 636,597</u>	<u>\$ 636,397</u>

Endowment net assets consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
DeWitt Wallace	\$ 321,693	\$ 321,693
Arthur Ashley Williams	75,000	75,000
Trustees awards	8,750	8,750
Tyler Rigg	20,666	20,666
Rahn Fund	16,250	16,250
Gladys Brooks Thayer	47,230	47,230
Gladys Brooks	100,000	100,000
William Parkinson Scholarship	<u>47,008</u>	<u>46,808</u>
Permanently restricted endowment net assets	<u>\$ 636,597</u>	<u>\$ 636,397</u>

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 17. Endowment Net Assets (continued)

Changes in endowment net assets for the years ending June 30, 2021 are as follows:

	Accumulated Endowment <u>Earnings</u>	<u>Endowment</u>
Endowment net assets, beginning of year	\$ 427,336	\$ 636,397
Contributions	--	200
Investment expenses	(5,423)	--
Interest and dividends	10,799	--
Net realized and unrealized gains	<u>180,435</u>	<u>--</u>
Change in endowment net assets	185,811	200
Amounts appropriated for expenditure	<u>(1,588)</u>	<u>--</u>
Endowment net assets, end of year	<u>\$ 611,559</u>	<u>\$ 636,597</u>

Changes in endowment net assets for the years ending June 30, 2020 are as follows:

	Accumulated Endowment <u>Earnings</u>	<u>Endowment</u>
Endowment net assets, beginning of year	\$ 442,200	\$ 636,397
Contributions	--	--
Investment expenses	(8,703)	--
Interest and dividends	16,442	--
Net realized and unrealized gains	<u>28,334</u>	<u>--</u>
Change in endowment net assets	36,073	--
Amounts appropriated for expenditure	<u>(50,937)</u>	<u>--</u>
Endowment net assets, end of year	<u>\$ 427,336</u>	<u>\$ 636,397</u>

Note 18. Intentions to Give

The College has received planned giving bequests from donors who have named Sterling College in their wills. Planned giving bequests are considered intentions to give that do not represent binding promises to give, but rather current intentions on the part of the donor and as such they are not recognized as contributions until they become unconditional promises to give. Bequests included in wills are intentions to give because the donor has the right to modify or change the will. The intention to give changes to an unconditional promise if the pledge to give is irrevocable or when the will is validated after the donor's death. The College has received notice of intentions to give totaling \$2,285,000 at June 30, 2021 and 2020.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS June 30, 2021 and 2020

Note 19. Retirement Plan

The employees of the College participate in the Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA/CREF). This is a defined contribution pension plan open to participation by all full-time employees having completed one year of service. This is a multiple-employer plan in which the accumulated benefits and plan assets are not determined by an individual employer. The College currently contributes 5% of the participating employee's regular salary. Retirement plan expense totaled \$139,851 and \$97,441 for the years ended June 30, 2021 and 2020, respectively.

Note 20. Commitments and Contingencies

Grants and contracts require the fulfillment of certain conditions set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the possibility remains, management deems the contingency remote, as by accepting awards and their terms, it has accommodated the objectives of the organization to the provisions of the grant.

During the fiscal year ended June 30, 2021, the College received notice from the Internal Revenue Service (IRS) regarding potential penalties relating to a failure to file certain forms relating to being an Applicable Large Employer required under the Affordable Care Act. Management has appealed these penalties as they believe the College does not meet the specific reporting requirements indicated in the notice. As of the date of issuance of these financial statements, a final resolution has not been met and no potential impact from any possible resolution has been recorded in the financial statements.

Note 21. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The spread of COVID-19, a novel strain of coronavirus, appears to be altering the behavior of businesses and people in a manner that is having negative effects on local, regional, and global economies. During the years ended June 30, 2021 and 2020, COVID-19 impacted the College in a number of ways, including the transition to remote learning in March 2020, the refund of approximately \$200,000 of room and board revenue. The extent to which COVID-19 will impact operations of the College in the future will depend on subsequent developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, the actions taken to contain COVID-19 or treat its impact, and the impact of each of these items on the economies and financial markets in the United States of America. In particular, the continued spread of COVID-19 could adversely impact the College's operations, including among others, contributions, grants, and daily operations, and may have a material adverse effect on the financial condition of the College.

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 21. COVID-19 (continued)

The College received funding from the Federal government through several grants under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) as part of the Higher Education Emergency Relief Fund (HEERF). The total amount of the initial grant was \$129,712 and includes a requirement that the College use no less than 50% of the funds for emergency financial aid grants to students and the remainder for institutional expenses. In June 2020, the College distributed \$45,890 of the funds for student financial aid grants to students. The College did not expend the remaining \$18,999 in emergency financial aid grants or the \$64,856 by June 30, 2020. As a result, the remaining amount of \$83,862 is included as a refundable advance in the accompanying Statements of Financial Position at June 30, 2020. The College expended an additional \$16,870 in student financial aid grants to students and the remaining \$64,856 of the institutional grant by June 30, 2021. The remaining \$2,129 is included as a refundable advance in the accompanying Statements of Financial Position at June 30, 2021.

At various times from October, 2020 through May, 2021, the College was allocated an additional \$1,010,993 in HEERF funds. These funds are subject to the same conditions of the first award. The College recognized \$659,411 and \$217,598 of these funds as grant revenue during the years ended June 30, 2021 and 2020, respectively.

In December 2020, the College was awarded \$650,000 as pass-through funds from the State of Vermont as part of the Coronavirus Relief Fund (CRF). The College recognized \$650,000 of these funds as grant revenue during the year ended June 30, 2021.

Note 22. Other Financial Statement Details as Required by the U.S. Department of Education

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Federal Title IV regulations. Additional disclosures are as follows:

Property, plant and equipment, net

Pre-implementation property, plant and equipment, net from June 30, 2019 financial statements less subsequent depreciation and disposal	\$ 2,804,893
Post-implementation property, plant and equipment, net with outstanding debt for original purchase subsequent to June 30, 2019	15,927
Post-implementation property, plant and equipment, net acquired without debt subsequent to June 30, 2019	<u>254,130</u>
Total property, plant and equipment, net - June 30, 2021	<u>\$ 3,074,950</u>

STERLING COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

**Note 22. Other Financial Statement Details as Required by the U.S. Department of Education
(continued)**

Debt to be excluded from expendable net assets

Pre-implementation long-term debt from June 30, 2019 less repayments	\$ 1,517,272
Long-term debt not for the purchase of property and equipment or liability greater than assets value	--
Allowable post-implementation long-term debt	<u>387,778</u>
Total debt obtained for long-term purposes	<u><u>\$ 1,905,050</u></u>

SUPPLEMENTAL INFORMATION

STERLING COLLEGE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021**

<u>Pass Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Grant #</u>	<u>Expenditures</u>
U.S. Department of Education - Direct			
Student Financial Assistance Cluster -			
Federal Work-Study Program	84.033	P033A206392	\$ 232,331
Federal Supplemental Education Opportunity Grants (FSEOG)	84.007	P007A206392	17,042
Federal Pell Grant Program	84.063	P063P203812	318,282
Federal Direct Student Loans	84.268	P268K213812	<u>502,542</u>
Total Student Financial Assistance Cluster			1,070,197
Education Stabilization Fund - CARES	84.425E	P425E203534	67,370
Education Stabilization Fund - CARES	84.425F	P425F203534	429,699
Education Stabilization Fund - CARES	84.425M	P425M203534	16,089
Education Stabilization Fund - CARES	84.425N	P425N200304	<u>146,253</u>
Total U.S. Department of Education			<u>1,729,608</u>
Total direct awards			<u>1,729,608</u>
Pass-through the State of Vermont			
U.S. Department of the Treasury			
Coronavirus Relief Fund	21.019	ACT 154 - VT	<u>650,000</u>
Total U.S. Department of the Treasury			<u>650,000</u>
Total pass-through the State of Vermont			<u>650,000</u>
Total expenditures of federal awards			<u>\$ 2,379,608</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

STERLING COLLEGE

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sterling College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior year. Pass-through entity identifying numbers are presented where available. Sterling College has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Note 3. Federal Direct Student Loans

The Federal Direct Student Loan program makes interest subsidized or unsubsidized Stafford loans available to students, or PLUS loans to parents of dependent students, to pay for the cost of attending postsecondary educational institutions. Direct Loans are made by the Secretary of Education. The student's Student Aid Report (SAR) and/or the Institutional Student Informational Record (ISIR), along with other information, is used by the College to originate (for Direct Loan) a student's loan. The financial aid administrator is also required to provide and confirm certain information.

Note 4. Higher Education Emergency Relief Fund

The College received funds for student and institutional purposes under the Higher Education Emergency Relief Fund (HEERF). These funds are administered directly by the College. HEERF activity for the year ended June 30, 2021 consisted of:

<u>HEERF Program</u>	<u>Federal CFDA #</u>	<u>Amount Awarded</u>	<u>Amount Drawn</u>	<u>FY 2020 Amount Expended</u>	<u>FY 2021 Amount Expended</u>	<u>Amount Awarded, Not Yet Expended</u>
Student	84.425E	331,066	115,356	45,890	67,370	217,806
Institutional	84.425F	429,699	228,347	--	429,699	--
Strengthening Institutions Program	84.425M	16,089	16,089	--	16,089	--
Improvement of Postsecondary Education	84.425N	363,851	363,851	217,598	146,253	--

STERLING COLLEGE

**SCHEDULE OF ADDITIONAL INFORMATION AS REQUIRED UNDER THE
U.S. DEPARTMENT OF EDUCATION FINANCIAL RESPONSIBILITY STANDARDS
For the Year Ended June 30, 2021**

<u>Ratio Element</u>	<u>Reference to Financial Statements and/or Notes</u>	<u>Amount</u>
Primary Reserve Ratio		
Expendable Net Assets		
Net assets without donor restrictions	Statement of Financial Position	\$ 971,410
Net assets with donor restrictions	Statement of Financial Position	5,459,576
Net assets with donor restrictions, restricted in perpetuity	Note disclosure 17	636,597
Annuities with donor restrictions	Not applicable	--
Term endowments with donor restrictions	Not applicable	--
Life income funds with donor restrictions	Not applicable	--
Secured and unsecured related party receivable	Not applicable	--
Intangible assets, net	Not applicable	--
Property and equipment pre-implementation	Note disclosure 22	2,804,893
Property and equipment post-implementation with outstanding debt for original purchase	Note disclosure 22	15,927
Property and equipment post-implementation without outstanding debt for original purchase	Note disclosure 22	254,130
Construction in progress	Note disclosure 8	358,096
Bond/loan funds held by trustee	Not applicable	--
Debt obtained for long-term purposes (pre-implementation)	Note disclosures 13 & 22	1,517,272
Debt obtained for long-term purposes (post-implementation)	Note disclosures 13 & 22	387,778
Federal student loan obligations	Not applicable	--
Post-employment and retirement liabilities	Not applicable	--
Expendable Net Assets		<u>\$ 4,266,393</u>
Total Expenditures and Losses - Without Donor Restrictions		
Total expenses without donor restrictions	Statement of Activities	\$ 5,563,735
Non-operating expenses and losses	Statement of Activities	--
Total Expenditures and Losses - Without Donor Restrictions		<u>\$ 5,563,735</u>
Primary Reserve Ratio		<u><u>0.77</u></u>

STERLING COLLEGE

**SCHEDULE OF ADDITIONAL INFORMATION AS REQUIRED UNDER THE
U.S. DEPARTMENT OF EDUCATION FINANCIAL RESPONSIBILITY STANDARDS
For the Year Ended June 30, 2021**

<u>Ratio Element</u>	<u>Reference to Financial Statements and/or Notes</u>	<u>Amount</u>
Equity Ratio		
Modified Net Assets		
Net assets without donor restrictions	Statement of Financial Position	\$ 971,410
Net assets with donor restrictions	Statement of Financial Position	5,459,576
Intangible assets, net	Not applicable	--
Unsecured related party receivables	Not applicable	--
Total Modified Net Assets		<u>\$ 6,430,986</u>
Modified Assets		
Total assets	Statement of Financial Position	8,938,081
Intangible assets, net	Statement of Financial Position	--
Unsecured related party receivables	Not applicable	--
Total Modified Assets		<u>\$ 8,938,081</u>
Equity Ratio		<u>0.72</u>

STERLING COLLEGE

**SCHEDULE OF ADDITIONAL INFORMATION AS REQUIRED UNDER THE
U.S. DEPARTMENT OF EDUCATION FINANCIAL RESPONSIBILITY STANDARDS
For the Year Ended June 30, 2021**

<u>Ratio Element</u>	<u>Reference to Financial Statements and/or Notes</u>	<u>Amount</u>
Net Income Ratio		
Change in net assets without donor restrictions	Statement of Activities	<u>\$ 231,615</u>
Total Revenue and Gains - Without Donor Restrictions		
Total operating revenue without donor restrictions	Statement of Activities	\$ 5,791,572
Non-operating net assets released from donor restrictions	Statement of Activities	1,588
Non-operating contributions without donor restrictions	Not applicable	--
Non-operating gains without donor restrictions	Statement of Activities	<u>2,190</u>
Total Revenue and Gains - Without Donor Restrictions		<u>\$ 5,795,350</u>
Net Income Ratio		<u>0.04</u>

STERLING COLLEGE

**SCHEDULE OF ADDITIONAL INFORMATION AS REQUIRED UNDER THE
U.S. DEPARTMENT OF EDUCATION FINANCIAL RESPONSIBILITY STANDARDS
For the Year Ended June 30, 2021**

<u>Total Composite Score</u>	<u>Ratio</u>	<u>Income Algorithm</u>	<u>Strength Factor</u>	<u>Weights</u>	<u>Composite Scores</u>
Primary Reserve Ratio	0.77		3.0000	30%	0.9
Equity Ratio	0.72		3.0000	40%	1.2
Net Income Ratio	0.04	1	2.3309	30%	<u>0.7</u>
Equity Ratio					<u>2.8</u>



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Sterling College
Craftsbury Common, Vermont

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 Sterling College (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sterling College'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 Sterling College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sterling College'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*.



To the Board of Trustees of
Sterling College
Craftsbury Common, Vermont
Page 2

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Davis & Hoyle Amurto CPAs, PLLC

Williston, Vermont
January 27, 2021





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

To the Board of Trustees of
Sterling College
Craftsbury Common, Vermont

Report on Compliance for Major Federal Program

We have audited Sterling College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sterling College's major federal programs for the year ended June 30, 2021. Sterling College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sterling College's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sterling College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sterling College's compliance.

Opinion on Each Major Federal Program

In our opinion, Sterling College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Sterling College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.



To the Board of Trustees of
Sterling College
Craftsbury Common, Vermont
Page 2

In planning and performing our audit of compliance, we considered Sterling College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sterling College's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

A handwritten signature in black ink that reads "Davis & Helgala Accountants CPAs, PLLC". The signature is written in a cursive, flowing style.

Williston, Vermont
January 27, 2021

STERLING COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency identified not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	No
Significant deficiency identified not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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Section II--Financial Statement Findings

None

Section III--Federal Award Findings and Questioned Costs

No Federal award findings or questioned costs were reported.