Sterling College
Working Hands. Working Minds.

FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

davis & hodgdon
CPAs

STERLING COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2022 and 2021

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sterling College as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. 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 Sterling College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Sterling College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 the Sterling College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sterling College'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.

Supplementary 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*, and schedules of additional information as required under the U.S. Department of Education Financial Responsibility Standards are presented for purposes of additional analysis and are 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 December 30, 2022 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 Sterling 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 & Hodgdon Associates CPAs, PLC

Williston, Vermont
December 30, 2022

STERLING COLLEGE

STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 836,660	$ 1,400,856
Accounts receivable, net	333,182	300,681
Grants receivable, current portion	888,000	1,251,352
Promises to give, current portion	451,070	332,560
Prepaid expenses	32,492	10,340
Total current assets	2,541,404	3,295,789
PROPERTY AND EQUIPMENT, net	3,582,173	3,074,950
OTHER ASSETS		
Construction in progress	82,002	358,096
Grants receivable, net of current portion	363,000	600,000
Promises to give, net of current portion	318,280	361,090
Investments	1,065,705	1,248,156
Total other assets	1,828,987	2,567,342
Total assets	$ 7,952,564	$ 8,938,081
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 188,456	$ 205,605
Accrued expenses	49,334	206,358
Deferred tuition and fee revenue	115,439	187,953
Refundable advance - HEERF	--	2,129
Current portion of long-term debt	103,351	192,257
Total current liabilities	456,580	794,302
NON-CURRENT LIABILITIES		
Long-term debt, net of current portion	1,846,982	1,712,793
Total non-current liabilities	1,846,982	1,712,793
Total liabilities	2,303,562	2,507,095
NET ASSETS		
Without donor restrictions	413,478	971,410
With donor restrictions	5,235,524	5,459,576
Total net assets	5,649,002	6,430,986
Total liabilities and net assets	$ 7,952,564	$ 8,938,081

See Independent Auditor’s Report and Notes to Financial Statements.

STERLING COLLEGE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Totals
OPERATING SUPPORT AND REVENUE			
Tuition and fees	$ 4,454,412	$ --	$ 4,454,412
Less financial aid	(3,710,353)	--	(3,710,353)
Net tuition and fees	744,059	--	744,059
Auxiliary enterprises	1,173,154	--	1,173,154
Contributions	626,143	659,761	1,285,904
Grants	1,133,113	1,121,000	2,254,113
Other income	38,407	--	38,407
Total operating support and revenue	3,714,876	1,780,761	5,495,637
Net assets released from restrictions	1,822,362	(1,822,362)	--
Total support, revenue and reclassifications	5,537,238	(41,601)	5,495,637
OPERATING EXPENSES			
Program services			
Instruction	2,371,259	--	2,371,259
Academic support	34,229	--	34,229
Student services	685,202	--	685,202
Auxiliary enterprises	505,015	--	505,015
Total program services	3,595,705	--	3,595,705
Supporting activities			
Institutional support	2,059,789	--	2,059,789
Fundraising	492,486	--	492,486
Total supporting activities	2,552,275	--	2,552,275
Total operating expenses	6,147,980	--	6,147,980
Change in net assets from operations	(610,742)	(41,601)	(652,343)
NON-OPERATING ACTIVITIES			
Endowment contributions	--	50,000	50,000
Investment income	1,810	(181,451)	(179,641)
Net assets released from restrictions	51,000	(51,000)	--
Total non-operating activities	52,810	(182,451)	(129,641)
Change in net assets	(557,932)	(224,052)	(781,984)
Net assets, beginning of year	971,410	5,459,576	6,430,986
Net assets, end of year	$ 413,478	$ 5,235,524	$ 5,649,002

See Independent Auditor’s 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 Restrictions	With Donor Restrictions	2021 Totals
OPERATING SUPPORT AND REVENUE			
Tuition and fees	$ 4,949,801	$ --	$ 4,949,801
Less financial aid	(4,017,859)	--	(4,017,859)
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	20,947	--	20,947
Total operating support and revenue	4,318,758	1,336,028	5,654,786
Net assets released from restrictions	1,472,814	(1,472,814)	--
Total support, revenue and reclassifications	5,791,572	(136,786)	5,654,786
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	364,524	--	364,524
Total program services	3,268,637	--	3,268,637
Supporting activities			
Institutional support	1,879,064	--	1,879,064
Fundraising	416,034	--	416,034
Total supporting activities	2,295,098	--	2,295,098
Total operating expenses	5,563,735	--	5,563,735
Change in net assets from operations	227,837	(136,786)	91,051
NON-OPERATING ACTIVITIES			
Investment income	2,190	185,809	187,999
Net assets released from restrictions	1,588	(1,588)	--
Total non-operating activities	3,778	184,221	187,999
Change in net assets	231,615	47,435	279,050
Net assets, beginning of year	739,795	5,412,141	6,151,936
Net assets, end of year	$ 971,410	$ 5,459,576	$ 6,430,986

See Independent Auditor's Report and Notes to Financial Statements.

STERLING COLLEGE

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Services					Supporting Activities			
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Total Progam Services	Institutional Support	Fundraising	Total Supporting Activities	2022 Total
Compensation									
Salaries and wages	$1,570,539	$ 8,012	$ 347,788	$ 208,306	$ 2,134,645	$ 490,141	$ 207,488	$ 697,629	$ 2,832,274
Payroll taxes	112,283	573	24,864	14,892	152,612	35,042	14,834	49,876	202,488
Employee benefits	21,203	108	4,695	2,813	28,819	6,617	2,801	9,418	38,237
Retirement plan	53,952	275	11,947	7,156	73,330	16,838	7,128	23,966	97,296
Total compensation	1,757,977	8,968	389,294	233,167	2,389,406	548,638	232,251	780,889	3,170,295
Occupancy	825	--	217	2,430	3,472	356,469	--	356,469	359,941
Travel	51,493	--	23,351	--	74,844	20,835	2,428	23,263	98,107
Professional fees	555	--	788	--	1,343	134,265	--	134,265	135,608
Depreciation	--	4,842	--	--	4,842	155,957	--	155,957	160,799
Dining services	9,914	--	2,627	262,806	275,347	94	--	94	275,441
Interest	--	--	--	--	--	82,198	--	82,198	82,198
Meetings and conferences	2,814	--	3,105	--	5,919	2,646	467	3,113	9,032
Contracted services	258,500	5,587	89,174	--	353,261	365,557	126,132	491,689	844,950
Bank fees	2,827	--	1,134	--	3,961	39,393	--	39,393	43,354
Supplies	107,487	16	57,920	6,187	171,610	109,512	32,824	142,336	313,946
Insurance	4,956	--	72,900	--	77,856	177,249	--	177,249	255,105
Course costs	85,531	248	2,198	--	87,977	--	--	--	87,977
Bad debt	3,207	--	--	--	3,207	--	--	--	3,207
Miscellaneous	51,890	--	16,303	--	68,193	24,697	24,447	49,144	117,337
Equipment and repairs	11,318	--	--	385	11,703	690	--	690	12,393
Memberships	2,175	--	540	--	2,715	20,370	8,663	29,033	31,748
Periodicals and subscriptions	4,549	14,568	--	40	19,157	421	2,213	2,634	21,791
Recruitment	1,622	--	23,379	--	25,001	14,199	--	14,199	39,200
Marketing and advertising	44	--	1,972	--	2,016	4,684	62,870	67,554	69,570
Honoraria	13,575	--	300	--	13,875	--	--	--	13,875
Information technology	--	--	--	--	--	1,915	191	2,106	2,106
Total expenses	$2,371,259	$ 34,229	$ 685,202	$ 505,015	$ 3,595,705	$ 2,059,789	$ 492,486	$ 2,552,275	$ 6,147,980

See Independent Auditor's Report and Notes to Financial Statements.

STERLING COLLEGE

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

	Program Services					Supporting Activities			
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Total Progam Services	Institutional Support	Fundraising	Total Supporting Activities	2021 Total
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	1,692,987	35,880	399,988	179,995	2,308,850	705,333	222,049	927,382	3,236,232
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	30,987	91,081	91,363
Supplies	114,334	216	33,923	696	149,169	77,204	--	77,204	226,373
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	$2,213,668	$ 65,811	$ 624,634	$ 364,524	$ 3,268,637	$ 1,879,064	$ 416,034	$ 2,295,098	$ 5,563,735

See Independent Auditor’s Report and Notes to Financial Statements.

STERLING COLLEGE

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (781,984)	$ 279,050
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	160,799	217,299
Endowment contributions	(50,000)	--
Net unrealized and realized (gain) loss on investments	188,384	(180,433)
Investment income reinvested	(6,933)	(5,378)
PPP loan forgiveness	--	(163,263)
HEERF grant revenue	(2,129)	(83,862)
Changes in:		
Accounts receivable, net	(32,501)	(238,833)
Grants receivable	600,352	1,166,246
Promises to give	(75,700)	(177,263)
Prepaid expenses	(22,152)	35,801
Accounts payable	(17,149)	(2,015)
Accrued expenses	(157,024)	(22,574)
Deferred tuition and fee revenue	(72,514)	(20,001)
Refundable advance - HEERF	--	2,129
Net cash provided (used) by operating activities	(268,551)	806,903
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress	(82,002)	(195,848)
Purchase of property and equipment	(309,926)	(232,587)
Net investment withdrawals	1,000	1,388
Net cash used by investing activities	(390,928)	(427,047)
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment contributions	50,000	--
Proceeds from borrowing on long-term debt	350,000	212,000
Principal payments on long-term debt	(304,717)	(31,302)
Net cash provided by financing activities	95,283	180,698
Net change in cash	(564,196)	560,554
Cash and cash equivalents, beginning of year	1,400,856	840,302
Cash and cash equivalents, end of year	$ 836,660	$ 1,400,856

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 82,198	$ 99,843

See Independent Auditor's Report and Notes to Financial Statements.

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 $5,235,524 and $5,459,576 of net assets with donor restrictions at June 30, 2022 and 2021, respectively.

Recently issued accounting standards

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.

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

Recently adopted accounting standards (continued)

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line on the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. The adoption of these standards did not have an impact on the College’s financial statements.

Recently issued accounting standards

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The standard provides that non-profit entities recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. Effective July 1, 2022, the College will be required to record lease assets and offsetting lease liabilities for all leasing arrangements with a term of more than twelve months. The adoption of this standard is not expected to 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 to establish an allowance for doubtful accounts for uncollectible amounts. The College determines the allowance based on historical experience, an assessment of economic conditions, and a review of subsequent collections The allowance for doubtful accounts totaled $16,500 and $12,500 at June 30, 2022 and 2021, respectively.

Grants receivable

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

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

Promises to give and and allowance for doubtful accounts

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 accompanying Statements of Activities and Changes in Net Assets.

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, 2022 and 2021.

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.

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. Donated property and equipment are recorded at fair value at time of donation. 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.

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.

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

Support and revenue (continued)

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.

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.

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.

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, 2019. 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, 2022 and 2021.

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 $69,570 and $83,557 for the years ended June 30, 2022 and 2021, 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.

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.

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, 2021 have been reclassified for comparative purposes to conform to the presentation used in the June 30, 2022 financial statements. The reclassifications have no effect on net assets for the year ended June 30, 2021.

Subsequent events

Subsequent events have been evaluated through December 30, 2022, which is the date the financial statements were issued.

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:

	2022	2021
Financial assets, at year end:		
Cash and cash equivalents	$ 836,660	$ 1,400,856
Accounts receivable, net	333,182	300,681
Grants receivable	888,000	1,251,352
Promises to give, current portion	451,070	332,560
Total financial assets available within one year	2,508,912	3,285,449
Liquidity resources:		
Investments	1,065,705	1,248,156
Less endowment investments	(686,597)	(636,597)
Investments available within one year	379,108	611,559
Line of credit (Note 11.)	500,000	500,000
Total financial assets available and liquidity resources available within one year	$ 3,388,020	$ 4,397,008

The College has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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. In addition to these financial assets available within one year of the balance sheet date, the College has liquidity resources of $379,108 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, 2022, 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.).

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 $1,917,213 and $1,879,608 for the years ended June 30, 2022 and 2021, respectively.

Note 4. Accounts Receivable

Accounts receivable consisted of the following at June 30:

	2022	2021
Accounts receivable	$ 349,682	$ 313,181
Estimated allowance for doubtful accounts	(16,500)	(12,500)
Accounts receivable, net	$ 333,182	$ 300,681

Note 5. Grants Receivable

Grants receivable is related to payment on various programs and projects and consisted of the following at June 30:

	2022	2021
Wendell Berry Farming Program	$ 500,000	$ 1,000,000
Capital projects	446,000	150,000
Wilderness Field Program	305,000	--
EcoGather online platform/network	--	500,000
HEERF CARES Act 18004(a)(1) funding	--	201,352
Total grants receivable	1,251,000	1,851,352
Less current portion	(888,000)	(1,251,352)
Total non-current grants receivable	$ 363,000	$ 600,000

Grants receivable are expected to be collected as follows:

2023	$ 888,000
2024	363,000
Total	$ 1,251,000

Note 6. Promises to Give

Promises to give consisted of the following at June 30:

	2022	2021
Receivable in less than one year	$ 451,070	$ 332,560
Receivable in one to four years	325,920	363,776
Total contributions receivable	776,990	696,336
Less discounts to net present value	(7,640)	(2,686)
Net unconditional promises to give	769,350	693,650
Less current portion	(451,070)	(332,560)
Net non-current unconditional promises to give	$ 318,280	$ 361,090

Note 6. Promises to Give (continued)

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:

2023	$ 451,070
2024	253,460
2025	68,460
2026	4,000
Total	$ 776,990

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 received notice of conditional promises to give totaling $446,000 at June 30, 2021. The donor eliminated the conditions during the year ended June 30, 2022 and the grant is included in Grants on the Accompanying Statement of Activities and Changes in Net Assets for the year ended June 30, 2022.

Note 7. Property and Equipment

Property and equipment consisted of the following at June 30:

	Useful Life (Years)	2022	2021
Land and buildings	10-45	$ 5,937,500	$ 5,298,917
Equipment	5-15	971,310	966,160
Motor vehicles	5-8	216,615	192,327
Livestock and equipment	7	19,446	19,446
Library	10	226,685	226,685
Total property and equipment		7,371,556	6,703,535
Less accumulated depreciation		(3,789,383)	(3,628,585)
Property and equipment, net		$ 3,582,173	$ 3,074,950

Depreciation expense totaled $160,799 and $217,299 for the years ended June 30, 2022 and 2021, respectively.

Note 8. Construction in Progress

Construction in progress consisted of building restoration projects and totaled $82,002 and $358,096 at June 30, 2022 and 2021, 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:

	2022	2021
Cash and equivalents	$ 48,509	$ 98,335
Common stock	614,013	735,869
Fixed income mutual funds	144,070	156,616
Exchange traded funds	--	239,694
Bond funds	252,314	12,634
Other assets	6,799	5,008
Total investments	$ 1,065,705	$ 1,248,156

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.

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

	2022	2021
Investments, beginning of year	$ 1,248,156	$ 1,063,733
Contributions	50,000	200
Purchases, transfers and withdrawals, net	(51,000)	(1,588)
Investment returns		
Dividends and interest	6,933	5,378
Realized and unrealized gains	(188,384)	180,433
Total return on investments	(181,451)	185,811
Investments, end of year	$ 1,065,705	$ 1,248,156

Note 10. Accrued Expenses

Accrued expenses consisted of the following at June 30:

	2022	2021
Abandoned property payable	$ --	$ 22,237
Student deposits payable	--	44,598
Accrued payroll and related liabilities	49,334	139,523
Total accrued expenses	$ 49,334	$ 206,358

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 (5.75% at June 30, 2022). The note is secured by real estate and investments. There was no outstanding balance on the line at June 30, 2022 and 2021.

Note 12. Capital Lease Commitments

The College leases certain equipment under capital lease obligations (see Note 13.).

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

	2022	2021
Leased property - capital lease	$ 42,081	$ 42,081
Less accumulated depreciation	(27,272)	(18,856)
Property under capital lease, net	$ 14,809	$ 23,225

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

2023	$ 9,176
2024	6,994
2025	1,102
Thereafter	--
Total minimum lease payments	17,272
Less current portion	9,176
Capital lease obligation, net of current portion	$ 8,096

Depreciation expense on assets held under capital lease totaled $11,584 and $8,434 for the years ended June 30, 2022 and 2021, respectively.

Note 13. Long-term Debt

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

	2022	2021
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.	$ 1,082,542	$ 1,123,209
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.	340,312	373,043
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.	10,504	21,020
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 $2,208 commencing December, 2022, through April, 2049.	499,703	149,703
Capital lease payable, GM Financial, interest rate of 8.60%, secured by vehicle, monthly payments of principal and interest of $531, through August, 2024.	12,614	17,919
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.	4,658	8,174

(continued on next page)

Note 13. Long-term Debt (continued)

	2022	2021
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.	--	211,982
Total long-term debt	1,950,333	1,905,050
Less current portion	(103,351)	(192,257)
Long-term debt, net of current	$ 1,846,982	$ 1,712,793

Aggregate maturities for the above notes are as follows:

2023	$ 103,351
2024	88,350
2025	86,157
2026	89,347
2027	93,868
Thereafter	1,489,260
Total	$ 1,950,333

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, 2022, the College failed to maintain the minimum required debt service coverage of 1.10. The College has received a waiver of compliance as of June 30, 2022 from the bank.

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"), provided 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 were forgivable after eight or 24 weeks, as decided by the organization, as long as the borrower used the loan proceeds for eligible purposes, including payroll benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness would be reduced if the borrower terminated employees or reduced salaries during the forgiveness period. The unforgiven portion of the PPP loan was 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.

Note 14. Refundable Advances – PPP (continued)

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:

	2022	2021
Wendell Berry Farming Program	$ 1,258,598	$ 1,504,513
Construction and improvements	883,928	736,253
Student aid and academic support	379,108	611,559
Continuing education	819,963	1,167,027
Program support	902,330	795,777
Woodworking equipment	--	7,850
Wilderness Field Program	305,000	--
Endowment net assets	686,597	636,597
Net assets with donor restrictions	$ 5,235,524	$ 5,459,576

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, 2022 and 2021.

Note 16. Net Assets Released From Restrictions

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

	2022	2021
Program support	$ 477,387	$ 321,656
Construction and improvements	339,145	295,339
Woodworking equipment	7,850	--
Endowment spending release	51,000	1,588
Wilderness field program	205,000	--
Wendell Berry Farming Program	445,916	612,758
Continuing education	347,064	243,061
Total restrictions released	$ 1,873,362	$ 1,474,402

	2022	2021
Restrictions released for operations	$ 1,822,362	$ 1,472,814
Restrictions released for other activities	51,000	1,588
Total restrictions released	$ 1,873,362	$ 1,474,402

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:

	2022	2021
Student aid	$ 620,347	$ 620,347
Academic support	66,250	16,250
Permanently restricted endowment net assets	$ 686,597	$ 636,597

Note 17. Endowment Net Assets (continued)

Endowment net assets consisted of the following at June 30:

	2022	2021
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	47,008	47,008
Anonymous	50,000	--
Permanently restricted endowment net assets	$ 686,597	$ 636,597

Changes in endowment net assets for the years ending June 30, 2022 are as follows:

	Accumulated Endowment Earnings	Endowment
Endowment net assets, beginning of year	$ 611,559	$ 636,597
Contributions	--	50,000
Investment expenses	(9,995)	--
Interest and dividends	16,928	--
Net realized and unrealized gains	(188,384)	--
Change in endowment net assets	(181,451)	50,000
Amounts appropriated for expenditures	(51,000)	--
Endowment net assets, end of year	$ 379,108	$ 686,597

Note 17. Endowment Net Assets (continued)

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

	Accumulated Endowment Earnings	Endowment
Endowment net assets, beginning of year	$ 427,338	$ 636,397
Contributions	--	200
Investment expenses	(5,425)	--
Interest and dividends	10,799	--
Net realized and unrealized gains	180,435	--
Change in endowment net assets	185,809	200
Amounts appropriated for expenditures	(1,588)	--
Endowment net assets, end of year	$ 611,559	$ 636,597

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, 2022 and 2021.

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 $97,296 and $139,851 for the years ended June 30, 2022 and 2021, 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.

Note 20. Commitments and Contingencies (continued)

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, 2022 and 2021, COVID-19 impacted the College in a number of ways, including 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.

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 was 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 was included as a refundable advance in the accompanying Statements of Financial Position at June 30, 2021.

At various times from October, 2020 through August, 2021, the College was allocated an additional $1,028,735 in HEERF funds. These funds are subject to the same conditions of the first award. The College recognized $177,985 and $659,411 of these funds as grant revenue during the years ended June 30, 2022 and 2021, 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	$ 2,702,755
Post-implementation property, plant and equipment, net with outstanding debt for original purchase subsequent to June 30, 2019	7,511
Post-implementation property, plant and equipment, net acquired without debt subsequent to June 30, 2019	871,907
Total property, plant and equipment, net - June 30, 2022	$ 3,582,173
Debt to be excluded from expendable net assets	
Pre-implementation long-term debt from June 30, 2019 less repayments	$ 1,433,358
Long-term debt not for the purchase of property and equipment or liability greater than assets value	--
Allowable post-implementation long-term debt	516,975
Total debt obtained for long-term purposes	$ 1,950,333

SUPPLEMENTAL INFORMATION

STERLING COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Pass Through Grantor/ Program Title	ALN Number	Grant #	Expenditures
U.S. Department of Education - Direct			
Student Financial Assistance Cluster -			
Federal Work-Study Program	84.033	P033A216392	$ 248,204
Federal Work-Study Program	84.033	P033A226392	98,369
Federal Supplemental Education Opportunity Grants (FSEOG)	84.007	P007A216392	28,742
FSEOG	84.007	P007A226392	3,750
Federal Pell Grant Program	84.063	P063P203812	4,505
Federal Pell Grant Program	84.063	P063P213812	273,449
Federal Pell Grant Program	84.063	P063P223812	25,089
Federal Pell Grant Program	84.063	P063Q203812	25
Federal Pell Grant Program	84.063	P063Q213812	265
Federal Direct Student Loans	84.268	P268K223812	406,516
Federal Direct Student Loans	84.268	P268K233812	21,875
Total Student Financial Assistance Cluster			1,110,789
Education Stabilization Fund - CARES	84.425E	P425E203534	160,243
Education Stabilization Fund - CARES	84.425M	P425M203534	17,742
Total U.S. Department of Education			1,288,774
Total direct awards			1,288,774
Total expenditures of federal awards			$ 1,288,774

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, 2022

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, 2022 consisted of:

HEERF Program	Federal ALN #	Amount Awarded	Amount Drawn	FY 2020 Amount Expended	FY 2021 Amount Expended	FY 2022 Amount Expended	Amount Awarded, Not Yet Expended
Student	84.425E	331,066	273,303	45,890	67,370	160,243	57,563
Institutional	84.425F	429,699	429,699	--	429,699	--	--
Strengthening Institutions Program	84.425M	33,831	33,831	--	16,089	17,742	--
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, 2022

Ratio Element	Reference to Financial Statements and/or Notes	Amount
Primary Reserve Ratio		
Expendable Net Assets		
Net assets without donor restrictions	Statement of Financial Position	$ 413,478
Net assets with donor restrictions	Statement of Financial Position	5,235,524
Net assets with donor restrictions, restricted in perpetuity	Note disclosure 17	686,597
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	2,702,755
Property and equipment post-implementation with outstanding debt for original purchase	Note disclosure 22	7,511
Property and equipment post-implementation without outstanding debt for original purchase	Note disclosure 22	871,907
Construction in progress	Note disclosure 8	82,002
Bond/loan funds held by trustee	Not applicable	--
Debt obtained for long-term purposes (pre-implementation)	Note disclosures 13 & 22	1,433,358
Debt obtained for long-term purposes (post-implementation)	Note disclosures 13 & 22	516,975
Federal student loan obligations	Not applicable	--
Post-employment and retirement liabilities	Not applicable	--
Expendable Net Assets		$ 3,248,563
Total Expenditures and Losses - Without Donor Restictions		
Total expenses without donor restrictions	Statement of Activities	$ 6,147,980
Non-operating expenses and losses	Statement of Activities	--
Total Expenditures and Losses - Without Donor Restrictions		$ 6,147,980
Primary Reserve Ratio		**0.53**

STERLING COLLEGE

SCHEDULE OF ADDITIONAL INFORMATION AS REQUIRED UNDER THE U.S. DEPARTMENT OF EDUCATION FINANCIAL RESPONSIBILITY STANDARDS
For the Year Ended June 30, 2022

Ratio Element	Reference to Financial Statements and/or Notes	Amount
Net Income Ratio		
Change in net assets without donor restrictions	Statement of Activities	$ (557,932)
Total Revenue and Gains - Without Donor Restrictions		
Total operating revenue without donor restrictions	Statement of Activities	$ 5,537,238
Non-operating net assets released from donor restrictions	Statement of Activities	51,000
Non-operating contributions without donor restrictions	Not applicable	--
Non-operating gains without donor restrictions	Statement of Activities	1,810
Total Revenue and Gains - Without Donor Restrictions		$ 5,590,048
Net Income Ratio		**(0.10)**

STERLING COLLEGE

SCHEDULE OF ADDITIONAL INFORMATION AS REQUIRED UNDER THE U.S. DEPARTMENT OF EDUCATION FINANCIAL RESPONSIBILITY STANDARDS
For the Year Ended June 30, 2022

Total Composite Score	Ratio	Income Algorithm	Strength Factor	Weights	Composite Scores
Primary Reserve Ratio	0.53		3.0000	40%	1.2
Equity Ratio	0.71		3.0000	40%	1.2
Net Income Ratio	-0.10	-1.50	-1.0000	20%	(0.2)
Composite Score					**2.2**

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

To the 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, 2022, 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 December 30, 2022.

Report on 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 Sterling 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 were not identified.

Report on 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*.

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 & Hodgdon Associates CPAs, PLC

Williston, Vermont
December 30, 2022

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 Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sterling College's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sterling College's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

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

Davis & Hodgdon Associates CPAs, PLC

Williston, Vermont
December 30, 2022

STERLING COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
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:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033 84.063, 84.268	Student Financial Assistance Programs Cluster

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

Section II--Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

No Federal award findings or questioned costs were reported.