



Trinity

FINANCIAL REPORT

JUNE 30, 2017

TRINITY COLLEGE
FINANCIAL REPORT
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Trinity College
Washington, D.C.

We have audited the accompanying financial statements of Trinity College (the "College"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the College as of June 30, 2017 and 2016, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia

October 24, 2017

TRINITY COLLEGE

STATEMENTS OF FINANCIAL POSITION

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 18,563,023	\$ 19,744,877
Receivables and other assets, net of allowance for doubtful accounts 2017 \$728,531; 2016 \$669,404 (Note 2)	4,231,221	2,083,601
Notes receivable, government student loans, net of allowance for doubtful accounts \$100,000 2017 and 2016	1,714,378	1,605,021
Contributions receivable (Note 3)	1,828,946	2,521,039
Investments (Note 4)	31,643,635	34,517,485
Land, buildings, and equipment, net of accumulated depreciation (Notes 5 and 7)	52,711,997	51,106,112
Funds held in trust by others (Note 6)	11,436,072	10,731,173
Total assets	<u><u>\$ 122,129,272</u></u>	<u><u>\$ 122,309,308</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 1,258,842	\$ 3,700,437
Accrued wages and benefits	883,225	837,692
Deferred revenues and deposits	1,579,851	1,496,374
U.S. government grants refundable	1,426,892	1,415,571
Asset retirement obligations	1,333,257	1,270,979
Interest rate swap (Note 7)	1,204,071	2,790,847
Debt (Note 7)	28,832,398	28,588,992
Total liabilities	<u><u>36,518,536</u></u>	<u><u>40,100,892</u></u>
Net assets (Note 8)		
Unrestricted	54,862,364	48,033,939
Temporarily restricted	10,274,867	14,678,352
Permanently restricted	20,473,505	19,496,125
Total net assets	<u><u>85,610,736</u></u>	<u><u>82,208,416</u></u>
Total liabilities and net assets	<u><u>\$ 122,129,272</u></u>	<u><u>\$ 122,309,308</u></u>

TRINITY COLLEGE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and fees	\$ 34,506,427	\$ -	\$ -	\$ 34,506,427
Less financial aid	(10,729,670)	-	-	(10,729,670)
Net tuition and fees (Note 9)	23,776,757	-	-	23,776,757
Gifts	969,653	1,630,565	-	2,600,218
Investment income, endowment, and other (Note 4)	-	712,775	-	712,775
Interest income – temporary investments	116,810	51,242	-	168,052
Government and private grants	807,845	-	-	807,845
Auxiliary services	3,388,327	-	-	3,388,327
Other revenues	376,330	-	-	376,330
Net assets released from restrictions and reclassifications (Note 10)	1,996,095	(1,996,095)	-	-
Total operating revenues	31,431,817	398,487	-	31,830,304
OPERATING EXPENSES				
Educational and general:				
Instruction	10,530,179	-	-	10,530,179
Public service	11,031	-	-	11,031
Academic support	3,536,725	-	-	3,536,725
Student services	4,607,533	-	-	4,607,533
Institutional support	9,265,599	-	-	9,265,599
Auxiliary services	4,005,185	-	-	4,005,185
Total operating expenses (Note 11)	31,956,252	-	-	31,956,252
Change in net assets, operating	(524,435)	398,487	-	(125,948)
NON-OPERATING INCOME				
Gifts and private grants	77,546	286,841	205,758	570,145
Interest income	-	341	-	341
Investment return, net of amount available to support current operations (Note 4)	106,387	508,417	-	614,804
Change in fair value of swap agreement	1,586,775	-	-	1,586,775
Loss on disposal of land, buildings, and equipment	(15,419)	-	-	(15,419)
Change in value of funds held in trust by others	-	-	704,899	704,899
Change in value of charitable remainder trust	-	-	66,723	66,723
Net assets released from restrictions and reclassifications (Note 10)	5,597,571	(5,597,571)	-	-
Change in net assets, non-operating	7,352,860	(4,801,972)	977,380	3,528,268
Change in net assets	6,828,425	(4,403,485)	977,380	3,402,320
NET ASSETS				
Beginning	48,033,939	14,678,352	19,496,125	82,208,417
Ending	<u>\$ 54,862,364</u>	<u>\$ 10,274,867</u>	<u>\$ 20,473,505</u>	<u>\$ 85,610,737</u>

The Notes to Financial Statements are
an integral part of these statements.

TRINITY COLLEGE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and fees	\$ 34,320,969	\$ -	\$ -	\$ 34,320,969
Less financial aid	(10,439,622)	-	-	(10,439,622)
Net tuition and fees (Note 9)	23,881,347	-	-	23,881,347
Gifts	2,841,813	2,257,280	-	5,099,093
Investment income, endowment, and other (Note 4)	-	667,090	-	667,090
Interest income – temporary investments	155,483	27,239	-	182,722
Government and private grants	257,410	-	-	257,410
Auxiliary services	3,668,365	-	-	3,668,365
Other revenues	422,873	-	-	422,873
Net assets released from restrictions and reclassifications (Note 10)	1,977,479	(1,977,479)	-	-
Total operating revenues	33,204,770	974,130	-	34,178,900
OPERATING EXPENSES				
Educational and general:				
Instruction	10,356,942	-	-	10,356,942
Public service	15,204	-	-	15,204
Academic support	3,715,185	-	-	3,715,185
Student services	4,395,462	-	-	4,395,462
Institutional support	8,801,302	-	-	8,801,302
Auxiliary services	3,739,862	-	-	3,739,862
Total operating expenses (Note 11)	31,023,957	-	-	31,023,957
Change in net assets, operating	2,180,813	974,130	-	3,154,943
NON-OPERATING INCOME				
Gifts and private grants	1,694	1,600,534	265,545	1,867,773
Interest income	-	(18,911)	-	(18,911)
Investment return, net of amount available to support current operations (Note 4)	288,983	(151,219)	-	137,764
Change in fair value of swap agreement	(1,722,552)	-	-	(1,722,552)
Loss on disposal of land, buildings, and equipment	-	-	-	-
Change in value of funds held in trust by others	-	-	(1,017,710)	(1,017,710)
Change in value of charitable remainder trust	-	-	15,261	15,261
Net assets released from restrictions and reclassifications (Note 10)	11,495,353	(11,339,034)	(156,319)	-
Change in net assets, non-operating	10,063,478	(9,908,630)	(893,223)	(738,375)
Change in net assets	12,244,291	(8,934,500)	(893,223)	2,416,568
NET ASSETS				
Beginning	35,789,648	23,612,852	20,389,348	79,791,848
Ending	\$ 48,033,939	\$ 14,678,352	\$ 19,496,125	\$ 82,208,417

The Notes to Financial Statements are
an integral part of these statements.

TRINITY COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,402,320	\$ 2,416,568
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Non-operating and noncash items:		
Net realized and unrealized (gains) losses on investments	(578,934)	112,827
Change in fair value of interest rate swap agreement	(1,586,775)	1,722,552
Amortization of bond issuance costs	14,000	14,000
Contributions restricted for plant expansion and endowment	(340,832)	(1,647,548)
Change in funds held by others	(704,899)	1,017,710
Loss on disposal of land, buildings, and equipment	15,419	-
Depreciation and amortization	1,171,148	909,006
Change in certain operating assets and liabilities:		
(Increase) decrease in:		
Receivables and other assets	(2,147,620)	(710,069)
Contributions receivable	692,093	1,237,330
(Decrease) increase in:		
Accounts payable and accrued expenses	380,958	(190,627)
Accrued wages and benefits	45,533	222,820
Deferred revenues and deposits	83,477	(52,906)
Asset retirement obligations	62,278	59,369
U.S. government grants refundable	11,321	12,524
Net cash (used in) provided by operating activities	<u>519,487</u>	<u>5,123,556</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Student loans advanced	(189,785)	(227,989)
Student loans collected	80,428	160,871
Purchases of land, buildings, and equipment	(2,792,453)	(18,668,068)
Change in accounts payable incurred on purchases	(2,822,553)	2,003,214
Less debt insured on purchases	1,431,838	-
Change in investments, net of proceeds from sales	<u>3,452,784</u>	<u>12,064,021</u>
Net cash used in investing activities	<u>(839,741)</u>	<u>(4,667,951)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for plant expansion and endowment	340,832	1,647,548
Proceeds from new debt	1,431,838	1,034,317
Less new debt insured to finance land, buildings, and equipment additions	(1,431,838)	-
Payments of debt	<u>(1,202,432)</u>	<u>(798,572)</u>
Net cash provided by financing activities	<u>(861,600)</u>	<u>1,883,293</u>
(Decrease) increase in cash and cash equivalents	<u>(1,181,854)</u>	<u>2,338,898</u>
CASH AND CASH EQUIVALENTS		
Beginning	<u>19,744,877</u>	<u>17,405,979</u>
Ending	<u><u>\$ 18,563,023</u></u>	<u><u>\$ 19,744,877</u></u>

(Continued)

TRINITY COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest (net of capitalized interest of \$4,536 for 2017; \$189,211 for 2016)	<u>\$ 841,052</u>	<u>\$ 590,052</u>
SUPPLEMENTAL SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES		
Land, buildings, and equipment purchases included in accounts payable	<u>\$ -</u>	<u>\$ 2,822,553</u>
Debt incurred to acquire land, buildings, and equipment	<u>\$ 1,431,838</u>	<u>\$ -</u>

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Nature of Operations and Significant Accounting Policies

Trinity College (the “College”) is an independent, comprehensive college located in Washington, D.C. The College was founded in 1897 by the Sisters of Notre Dame De Namur and in accordance with the Act of Congress under which the College is chartered. The College includes the historic undergraduate women’s college (the College of Arts and Sciences) and the coeducational schools of Education, Professional Studies, and Nursing and Health Professions. The Board of Trustees governs the College and is responsible for all management and policy making of the College.

The Board approved the adoption of the name “Trinity University (Washington, D.C.)” as an enterprise name and under which it conducts operations. The Board adopted this change in recognition of the fact that Trinity’s operations are characteristic of institutions recognized as universities. To further distinguish Trinity in print material, Trinity refers to itself as Trinity Washington University. The Board decided that “Trinity College” would continue as the official legal name of the institution. Notice was provided to the Education Licensing Commission in accordance with *D.C. Code*.

The College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools. The School of Education is accredited by the National Council for Accreditation of Teacher Education. Trinity’s nursing program is accredited by the Commission on Collegiate Nursing Education.

The significant accounting policies followed by the College are described below:

Basis of financial statement presentation and accounting:

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America. 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 the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates.

The accompanying financial statements present information regarding the College’s financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions, as described below:

Unrestricted net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

Temporarily restricted net assets are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the College pursuant to those stipulations.

Permanently restricted net assets are amounts required by donors to be held in perpetuity; however, generally the income on these assets is available to meet various restricted and other operating needs. These net assets primarily include permanent endowment funds.

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Cash and cash equivalents:

The College considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. Cash equivalents are stated at cost, which approximates market value. Cash held for long-term investment is classified as investments or funds designated for investment in land, buildings, and equipment.

Cash and cash equivalents include bond project funds and funds related to the federal student loan program totaling \$347,333 and \$347,293 at June 30, 2017 and 2016, respectively.

Checks written on the College's zero balance accounts of approximately \$192,000 and \$202,000 are included in accounts payable and accrued expenses as of June 30, 2017 and 2016, respectively.

The College follows the common cash management practice of consolidating certain of its operating cash and cash equivalent accounts, which includes various designated and restricted current operating and plant accounts. As a result of this practice, cash and cash equivalents specifically associated with the original gift of certain designated and restricted monies can be spent from the consolidated account. When this occurs, the activity is accounted for by maintaining receivables and payables between the net asset classes. The College has sufficient unrestricted funds included in the consolidated account to cover the designated or restricted monies spent.

Accounts receivable:

Accounts receivable consist of student accounts receivable, consortium receivables, grants receivable, and other receivables and are reflected at cost, less an allowance for doubtful accounts based on historical collection experience of the College, as applicable. Receivables outstanding at the end of a semester are considered past due. The College does not charge interest on outstanding balances and receivables over two years old are written off. As of June 30, 2017 and 2016, the College has student receivables, net of allowance, from non-current semesters of approximately \$1,035,000 and \$997,000, respectively.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. The fair value of investments in equities, bonds, U.S. government securities, and short-term assets is determined by reference to quoted market prices and other relevant information generated by market transactions. Net unrealized and realized gains or losses are reflected in the statements of activities.

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at the date of gift. Purchases and sales of investments are recorded on the trade date.

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Investments: (Continued)

Income, and realized and unrealized net gains, on investments of endowment and similar net asset classes are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income, including income earned on donor-restricted endowment funds;
- As increases in unrestricted net assets in all other cases.

The College has various investment vehicles that the carrying value fluctuates with the financial markets. As a result, the value of such investments as of the date of this report may be materially different than year end values.

Land, buildings, and equipment:

Land, buildings, and equipment are stated at cost at the date of acquisition, or fair value at the date of gift, less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets.

Equipment is removed from the records and any gain or loss is recognized at the time of disposal. Expenditures for new construction, major renewals and replacements, and equipment exceeding \$5,000 are capitalized.

Construction in progress is carried at cost incurred to date and, when completed, is transferred to the appropriate land, buildings, or equipment category and is depreciated in accordance with the College's policies.

The College recognizes costs related to major maintenance activities as costs are incurred.

The College capitalizes interest costs as part of the construction costs of buildings where it relates to the financing of major projects under development.

Accrued compensation:

The College accrues for salaries and all other compensation earned but not paid.

Student and other deposits:

Deposits and student fees applicable to academic sessions subsequent to the current year are deferred and recognized as revenues in subsequent periods.

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Notes receivable and U.S. government grants refundable:

The College participates in the Federal Perkins Loan Program sponsored by the United States Government. Under this program, funds are loaned to qualified students and may be re-loaned after collection. Student loan receivables related to this program are recorded as notes receivable. The portion of those funds contributed by the U.S. government (that is, exclusive of the College's match funds) is ultimately refundable to the government and, accordingly, are recorded as a liability, U.S. government grants refundable.

The College accounts for its notes receivable at cost and recognizes interest income as it is earned. An allowance for doubtful accounts is based on prior collection history and individual circumstances of the borrower. Notes are considered past due after 30-45 days and accrue interest until written off when considered uncollectible.

Split-interest agreements:

The College participates in various split-interest agreements that are unconditional and irrevocable. These arrangements are established when a donor makes a gift to the College or a trust in which the College shares benefits with other beneficiaries. Generally, the College accounts for these agreements by recording its share of the related assets at fair market value (which approximates the present value of the estimated future cash receipts). Liabilities are recorded for any portion of the assets held for donors or other beneficiaries equal to the present value of the expected future payments to be made. The liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits. Contribution revenues are recognized at the dates the agreements are established for the difference between the assets and the liabilities.

If a third-party is the trustee until the termination of the trust and then the remaining assets are transferred to the beneficiaries, the assets less related liabilities are included in funds held in trust by others. If the donor establishes a perpetual trust with a third party as trustee (the College will never receive the principal of the trust), the assets less related liabilities are also included in funds held in trust by others. The fair value of funds held in trust by others is determined by the present value of estimated future cash flows.

Asset retirement obligations (AROs):

An *asset retirement obligation* is a legal liability of the College for the cost of retiring a tangible long-lived asset (e.g., a building containing asbestos) that results from the acquisition, construction, or development and/or the normal operation of the long-lived asset. A conditional ARO is a legal obligation in which the timing and/or method of retirement are conditional on a future event that may or may not be within the control of the College. The College has conditional asset retirement obligations primarily associated with fully depreciated buildings which are recorded at their estimated fair value. The liabilities are accreted each year using a risk-adjusted interest rate.

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Net asset classifications of institutional funds:

The College holds institutional funds, principally endowment funds, subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). “Endowment” is a commonly used term to refer to the resources, including trusts and annuities that have been restricted by the donor or designated by the Board that will be invested to provide future revenue to support the College’s activities. The College’s endowment consists of approximately 40 individual funds established for a variety of purposes. As titled, UPMIFA provides guidance and applicable regulations relative to the management of applicable funds.

In response to UPMIFA, the College adopted the provisions of accounting guidance for the net asset classification of donor-restricted endowment funds for an organization that is subject to UPMIFA and also required related financial statement disclosures.

Interpretation of UPMIFA

The Board of Trustees of the College has interpreted UPMIFA 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. Accordingly, the College classifies as permanently restricted net assets (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 of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable, at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the College and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the College, and (7) the investment policy of the College.

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those of donor-restricted funds that organizations must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide an average annual rate of return of approximately 2.0% plus inflation (measured as the consumer price index), net of management fees, over a rolling three-year period. Actual returns in any given year may vary from this amount.

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Net asset classifications of institutional funds: (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on investments in equities and fixed income securities in the following percent target ratios to achieve its long-term return objectives within prudent risk constraints:

	<u>Minimum</u>	<u>Target Average</u>	<u>Maximum</u>
Domestic Large Capitalization Stocks:			
Large Growth	15%	20%	25%
Large Value	15	20	25
Small/Medium Capitalization Stocks	10	15	20
International Equity	5	10	15
Total equity	<u>45%</u>	<u>65%</u>	<u>85%</u>
Domestic Investment Grade Fixed Income	<u>25%</u>	<u>35%</u>	<u>45%</u>
Total fixed income	<u>25%</u>	<u>35%</u>	<u>45%</u>

Spending Policy and How the Investment Objectives Related to Spending Policy

The College employs a total return endowment spending policy that establishes the amount of endowment investment return that is available to support current needs and restricted purposes. This policy is designed to insulate program spending from capital market fluctuations and to increase the amount of return that is reinvested in the corpus of the fund in order to enhance its long-term value. For the years ended June 30, 2017 and 2016, the Board-approved spending formula for the endowment provided for an annual spending rate of not more than 5.0% of a trailing twelve quarter moving average of the investment pool fair value. If cash yield (interest and dividends) is less than the spending rate, realized gains can be used to make up the deficiency. Any income in excess of the spending rate is to be reinvested in the endowment.

Funds with Deficiencies (“Underwater” funds)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets and there were none as of June 30, 2017 and 2016.

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Contributions:

Contributions, including unconditional promises to give or contributions receivable, are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, in the period the donor's commitment is received. Unrestricted, unconditional promises to give are recognized as temporarily restricted operating revenues unless the donor explicitly stipulates its use to support current period activities.

Conditional promises to give are not recognized until they become unconditional – that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of the fundraising activity.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets, to be used to acquire land, buildings, and equipment, with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

Operating results:

Operating activities in the statements of activities illustrate a measure of how the College is maintaining the resources available for its "current operations." Operations reflect all transactions increasing or decreasing unrestricted net assets except those of a capital nature – that is, capitalized for long-term investment or as land, buildings, and equipment. Temporarily restricted net assets released from restrictions which satisfy an operating purpose are also classified as operating.

In accordance with the College's total return policy, as described previously, only the portion of total investment return available under this policy to meet operating needs is included in operating revenues.

Additionally, the portion of total investment return available to support current operations under the College's total return policy is excluded from cash flows from operating activities; only the actual cash yield is included in cash flows from operating activities.

Costs related to the operation and maintenance of physical plant, including depreciation of plant assets, are allocated to operating programs and supporting activities based upon periodic inventories of facilities. Interest expense on external debt is allocated to the activities that have most directly benefited from the proceeds of the external debt. Employee and staff benefits are allocated to operating programs and supporting activities based upon salary expenses of these programs and activities.

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Derivative instruments:

The College utilizes a derivative financial instrument to reduce its exposure to market risks from changes in interest rates. By entering into a pay-fixed, receive-variable interest rate swap, the College limits its exposure to changes in variable interest rates. The College is exposed to credit related losses in the event of nonperformance by the counterparty to the interest rate swap; however, the counterparty is a major financial institution and the risk of loss due to nonperformance is considered remote. Interest rate differentials paid or received on the swap are recognized as adjustments to interest expense in the period earned or incurred.

The fair value of the interest rate swap agreements is the estimated amount the College would receive or pay to terminate the agreement based on reference to market rate inputs and the net present value of future cash flows as determined by the lender.

Advertising costs:

The College follows the policy of charging advertising costs to expenses as incurred.

Fair value measurements:

The College carries various assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a market-based approach is used which establishes that fair value is based on the “highest and best use”. Additionally, in accordance with accounting guidance, the College categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as reflected below. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 – Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.

Level 2 – Fair values are based on inputs other than quoted prices in Level 1 that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that were observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Fair values are based on unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Fair value measurements: (Continued)

The estimated fair value for specific groups of financial instruments is presented within the notes applicable to such items. If not specifically presented, fair value is estimated to approximate the related carrying value. It was not considered practical to determine fair value of notes receivable from students under the U.S. government loan programs and related government advances because the notes receivable are non-marketable and can only be assigned to the U.S. government or its designees. These installment notes are due over terms of ten years, with interest at 5% per annum, and are carried at face value.

Credit risk concentrations:

Financial instruments which potentially subject the College to concentrations of credit risk consist principally of cash, marketable securities, and student accounts receivable and loans receivable. The College places its cash with high-credit, quality financial institutions. A portion of the College's bank deposits are in excess of federally insured limits. Concentration of credit risk for investments is limited by the College's policy of diversification of investments. Concentration of credit risk for student accounts receivable and loans receivable are limited, due to a large base and geographic dispersion.

Art collection:

The College's art collection, which was acquired through purchases and contributions, is not recognized as an asset in the accompanying statements of financial position since the art is held purely for educational purposes. Purchased collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or in temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors.

Income taxes:

The College is exempt from federal income tax under Section 501(c)(3) of the *Internal Revenue Code*.

Reclassifications:

Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

Subsequent events:

The College has evaluated subsequent events through October 24, 2017, which is the date the financial statements were available to be issued.

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 2. Receivables and other assets

Receivables and other assets, net of allowance for doubtful accounts, consist of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Student receivables, net	\$ 2,062,700	\$ 1,502,892
Other receivables	1,958,145	461,611
Prepaid expenses	128,177	98,540
Accrued investment income	82,199	20,558
	<u>\$ 4,231,221</u>	<u>\$ 2,083,601</u>

Note 3. Contributions Receivable

Contributions receivable consist of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Unconditional promises to give cash	\$ 1,141,760	\$ 1,900,575
Charitable trusts held by others	687,186	620,464
	<u>\$ 1,828,946</u>	<u>\$ 2,521,039</u>
Expected to be collected in:		
Less than one year	\$ 648,777	\$ 658,794
One to five years	506,115	1,272,083
More than five years	1,107,438	1,059,167
	2,262,330	2,990,044
Less:		
Actuarial present value of future payments	(420,252)	(438,703)
Discount to net present value at 0.85%	(13,132)	(30,302)
	<u>\$ 1,828,946</u>	<u>\$ 2,521,039</u>

The breakdown by net asset class for contributions receivable as of June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Temporarily restricted	\$ 1,084,760	\$ 1,900,575
Permanently restricted	744,186	620,464
	<u>\$ 1,828,946</u>	<u>\$ 2,521,039</u>

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 3. Contributions Receivable (Continued)

As of June 30, 2017 and 2016, the College has also received bequest intentions and certain other conditional promises to give. These intentions and certain other conditional promises to give are not recognized as assets; and, if they are received, will generally be restricted for a specific purpose stipulated by the donors, primarily, either endowments for scholarships, faculty support, or general operating support of a particular department of the College.

For the years ended June 30, 2017 and 2016, the College recorded contributions from six and eight donors that totaled approximately 54.6% and 72.6% of contributions, respectively.

Note 4. Investments

Investments are comprised of the following as of June 30:

	2017						2016					
	Endowment		Other		Total		Endowment		Other		Total	
<u>Equities:</u>												
<u>Domestic:</u>												
Large cap growth	\$ 2,318,613	14.5%	\$ -	- %	\$ 2,318,613	7.3%	\$ 2,202,412	14.9%	\$ -	- %	\$ 2,202,412	6.4%
Large cap value	1,790,164	11.2	-	-	1,790,164	5.7	1,687,258	11.4	-	-	1,687,258	4.9
Midcap	1,008,546	6.3	-	-	1,008,546	3.2	1,010,402	6.8	-	-	1,010,402	2.9
Small cap growth	353,459	2.2	-	-	353,459	1.1	292,670	2.0	-	-	292,670	0.8
Small cap value	375,873	2.3	-	-	375,873	1.2	313,760	2.1	-	-	313,760	0.9
All cap	2,107,350	13.1	-	-	2,107,350	6.7	2,366,518	16.0	-	-	2,366,518	6.9
Mutual funds and other	-	-	2,589,790	16.6	2,589,790	8.2	-	-	1,451,515	7.4	1,451,515	4.2
Total domestic equities	7,954,005	49.6	2,589,790	16.6	10,543,795	33.4	7,873,020	53.2	1,451,515	7.4	9,324,535	27.0
<u>International and emerging markets:</u>												
International	1,213,392	7.6	-	-	1,213,392	3.8	1,029,898	7.0	-	-	1,029,898	3.0
Emerging markets	606,696	3.8	-	-	606,696	1.9	507,263	3.4	-	-	507,263	1.5
Total international and emerging markets	1,820,088	11.4	-	-	1,820,088	5.7	1,537,161	10.4	-	-	1,537,161	4.5
Total equities	9,774,093	61.0	2,589,790	16.6	12,363,883	39.1	9,410,181	63.6	1,451,515	7.4	10,861,696	31.5
<u>Fixed income:</u>												
International	-	-	209,798	1.3	209,798	0.7	-	-	840,474	4.3	840,474	2.4
Cash and cash equivalents	-	-	5,530,461	35.4	5,530,461	17.5	-	-	9,943,670	50.4	9,943,670	28.8
All other	2,621,771	16.4	7,288,041	46.7	9,909,813	31.3	1,899,052	12.8	7,477,473	37.9	9,376,525	27.2
Total fixed income	2,621,771	16.4	13,028,300	83.4	15,650,072	49.5	1,899,052	12.8	18,261,617	92.6	20,160,669	58.4
<u>Alternative income:</u>												
Absolute return	2,806,869	17.5	-	-	2,806,869	8.9	2,659,622	18.0	-	-	2,659,622	7.7
Real assets	822,812	5.1	-	-	822,812	2.5	835,498	5.6	-	-	835,498	2.4
Total alternative income	3,629,681	22.6	-	-	3,629,681	11.4	3,495,120	23.6	-	-	3,495,120	10.1
Total investments	\$ 16,025,545	100.0%	\$ 15,618,090	100.0%	\$ 31,643,635	100.0%	\$ 14,804,353	100.0%	\$ 19,713,132	100.0%	\$ 34,517,485	100.0%

(Continued)

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 4. Investments (Continued)

The ownership of investments for each class of net assets as of June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 7,591,494	\$ 12,774,505
Temporarily restricted	15,758,894	13,598,492
Permanently restricted	<u>8,293,247</u>	<u>8,144,488</u>
	<u><u>\$ 31,643,635</u></u>	<u><u>\$ 34,517,485</u></u>

The market value of investment asset classifications is as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Endowment – held by College	\$ 16,025,545	\$ 14,804,353
Trusts and annuities	1,695,612	1,644,029
Current funds	<u>13,922,478</u>	<u>18,069,103</u>
	<u><u>\$ 31,643,635</u></u>	<u><u>\$ 34,517,485</u></u>

Investment activity for the years ended June 30 is reflected in the table below:

	<u>2017</u>	<u>2016</u>
Investments, beginning	\$ 34,517,485	\$ 46,694,333
Gifts and pledge payments available for investment and investment income reinvestment	<u>1,334,279</u>	<u>3,138,724</u>
	<u>35,851,764</u>	<u>49,833,057</u>
Investment returns (net of expenses; 2016 \$70,007; 2015 \$72,047):		
Dividends, and interest	<u>800,228</u>	<u>925,609</u>
Investment return, net of amount available to support current operations per statements of activities	614,804	137,764
Add spending in excess of cash yield	<u>(35,870)</u>	<u>(250,591)</u>
Net realized and unrealized gains (losses)	<u>578,934</u>	<u>(112,827)</u>
Total return on investments	<u>1,379,162</u>	<u>812,782</u>
Amounts appropriated for operations, net transfers to operational accounts, debt payments, and other activity	<u>(5,587,291)</u>	<u>(16,128,354)</u>
Investments, ending	<u><u>\$ 31,643,635</u></u>	<u><u>\$ 34,517,485</u></u>

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 4. Investments (Continued)

The following schedule summarizes total investment return and its classification in the statements of activities for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Investment income	\$ 800,228	\$ 925,609
Net realized and unrealized losses on investments	<u>578,934</u>	<u>(112,827)</u>
Total return on investments	<u>\$ 1,379,162</u>	<u>\$ 812,782</u>
<u>Included in the statement of activities as follows:</u>		
Operating revenues – investment income, endowment, and other – amount distributed to support current operations pursuant to the endowment spending policy	\$ 712,775	\$ 667,090
Investment return, net of amount available to support current operations	614,804	137,764
Investment income, included in interest income – temporary investments	<u>51,583</u>	<u>7,928</u>
	<u>\$ 1,379,162</u>	<u>\$ 812,782</u>

Note 5. Land, Buildings, and Equipment

Land, buildings, and equipment consists of the following at June 30:

	Estimated Useful Life	<u>2017</u>	<u>2016</u>
Buildings	65 years	\$ 63,198,044	\$ 28,625,213
Building improvements	10-20 years	7,436,734	7,328,267
Land improvements	50 years	1,449,447	1,449,447
Equipment	5 years	6,524,369	5,798,464
Computer equipment	5 years	<u>3,067,040</u>	<u>3,038,346</u>
		81,675,634	46,239,737
Less accumulated depreciation		<u>(29,046,855)</u>	<u>(27,944,167)</u>
		52,628,779	18,295,570
Land		83,218	83,218
Construction in progress		<u>-</u>	<u>32,727,324</u>
		<u>\$ 52,711,997</u>	<u>\$ 51,106,112</u>

Included in equipment are assets under capital leases of \$364,300 at June 30, 2017 and 2016 with related accumulated depreciation of \$277,194 and \$251,296 for 2017 and 2016, respectively.

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 6. Funds Held in Trust by Others

The College is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the College. The College has legally enforceable rights and claims to income therefrom. Net realized and unrealized gains (losses) related to these interests are reported as changes in permanently restricted net assets based on explicit donor stipulations. The market value of these interests as of June 30 are as follows:

	Income Restriction	2017	2016
Claire Boothe Luce Fund	*	\$ 7,252,757	\$ 6,699,177
Helen Rotterman Trust	Unrestricted	676,307	658,645
M. Rotterman Trust	Unrestricted	2,176,332	2,100,854
Russell T. Finn Trust	Scholarships	1,072,414	1,025,373
Dougherty Scholarship Irrevocable Trust	Educational purposes	258,262	247,124
		<u>\$ 11,436,072</u>	<u>\$ 10,731,173</u>

*Scholarships, fellowships, and professorships for women in science and technology. The annual income distribution totaled \$303,000 and \$335,000 for 2017 and 2016, respectively.

Note 7. Debt

The College's debt consists of the following as of June 30:

	2017	2016
District of Columbia Series 2014A Bonds. The bonds bear interest at variable rates determined by the marketing agent (1.38% at June 30, 2017). Interest is due monthly. The first principal payment will be made on July 1, 2014 in the amount of \$580,000. Payments after that will range from \$680,000 to the final payment amount of \$1,080,000 due on July 1, 2031. As described below, this debt is subject to an interest rate swap agreement. Proceeds were used for the sole purpose of refinancing the current existing debt on the 2001 Series Bonds, which were the funding used to complete construction of the Trinity Center for Women and Girls in Sports.	\$ 13,340,000	\$ 14,040,000

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 7. Debt (Continued)

The College's debt consists of the following as of June 30: (Continued)

	<u>2017</u>	<u>2016</u>
District of Columbia Series 2014B Bonds. The bonds bear interest at variable rates determined by the marketing agent. Interest is due monthly. Payments on this bond will not be due until two years from the funding, as the bond operates as a drawdown instrument and is funded as expenses relating to the University Academic Center are incurred. The first payment due was the principal payment of \$535,000 on July 1, 2016. Going forward, principal payments will range from \$170,000 to the final amount of \$1,765,000 due on July 1, 2038. The total bond issuance is for \$15,000,000. As described below, this debt is subject to an interest rate swap agreement. Proceeds are being drawn down and used to facilitate construction of Trinity's University Academic Center, along with the funds raised by Trinity's Capital Campaign Contributions. Ground is set to break in September 2014.	14,665,000	14,500,000
Obligations under capital leases, payable in monthly installments of \$6,478 including imputed interest ranging from 22.25% to 28.80% through April 2016. Secured by equipment.	2,299	4,145
Unsecured and interest-free obligation to Sodexo, Inc. for purchase of equipment for food service operations, payable on a straight-line basis through December 2016.	-	12,499
Unsecured and interest-free obligation to Metz Culinary Management, Inc. for purchase of equipment for food service operations, payable on a straight-line basis through December 2026.	855,000	-
Unsecured and interest-free obligation to Aramark Management Services for capital improvements, payable on a straight-line basis through July 2021.	204,247	254,247
In April 2015, Trinity entered into a leasing agreement for nine copiers/scanners from One Source/GE Capital. The lease was determined to be a capital lease based on the determination that the present value of the lease payments would exceed 90% of the fair market value of the equipment.	28,036	39,988

(Continued)

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 7. Debt (Continued)

The College's debt consists of the following as of June 30: (Continued)

	<u>2017</u>	<u>2016</u>
In November of 2015, Trinity entered into a leasing agreement for 8 pieces of fitness equipment with EnerG Wellness/Marlin Business Services. The lease was determined to be a capital lease based on the determination that the present value of the lease payments would exceed 90% of the fair market value of the equipment. Obligations under this capital lease are payable in monthly installments of \$1,140, including imputed interest at 5.00% through August 2019. Secured by equipment.	14,591	18,502
In May of 2016, Trinity entered into a leasing agreement with Xerox for 8 new leased copiers. The lease was determined to be a capital lease based on the determination that the present value of the lease payments would exceed 90% of the fair market value of the equipment. Obligations under this capital lease are payable in monthly installments of \$398, including imputed interest at 5.00% through October 2020. Secured by equipment.	27,139	31,901
In January 2014, Trinity entered into an agreement with a leasing agreement for seven fitness machines for the Trinity Center. Obligations under this capital lease are payable in monthly installments of \$502 including imputed interest at 5.00% through December 2017. Secured by equipment. Obligations under this capital lease are payable in monthly installments of \$611, including imputed interest through May 2021. Secured by equipment.	2,919	8,543
	29,139,231	28,909,825
Unamortized bond issuance costs	(306,833)	(320,833)
	<u>\$ 28,832,398</u>	<u>\$ 28,588,992</u>

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 7. Debt (Continued)

Debt matures as follows:

	<u>Debt</u>	<u>Amortization of Bond Issuance Costs</u>	<u>Total</u>
Year ending June 30,			
2018	\$ 1,072,303	\$ (14,000)	\$ 1,058,303
2019	1,094,365	(14,000)	1,080,365
2020	1,113,485	(14,000)	1,099,485
2021	1,138,618	(14,000)	1,124,618
2022	1,120,460	(14,000)	1,106,460
2023 and thereafter	<u>23,600,000</u>	<u>(236,833)</u>	<u>23,363,167</u>
	<u>\$ 29,139,231</u>	<u>\$ (306,833)</u>	<u>\$ 28,832,398</u>

In 2017, the College retroactively adopted the requirements in FASB ASC 835-30 to present unamortized bond issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Debt as of June 30, 2016 was previously reported in the statement of financial position as \$28,909,825 with the associated \$320,833 unamortized bond issuance costs included in assets. Amortization of the unamortized bond issuance costs is reported as interest expense in the statement of activities.

The College is party to the following interest rate swap agreements designed to manage the College's interest costs and risks associated with variable rate debt.

<u>Related Debt</u>	<u>Expiration Date</u>	<u>Pay Fixed Rate</u>	<u>Received Variable Rate</u>	<u>Notional Amount (In Millions)</u>		<u>Fair Value</u>	
				<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
DC Series 2014A	June 2026	2.836%	IM LIBOR	\$ 13.3	\$ 14.0	\$ (310,534)	\$ (958,950)
DC Series 2014B	June 2026	3.275%	IM LIBOR	\$ 14.7	\$ 14.5	<u>(893,537)</u>	<u>(1,831,897)</u>
						<u>\$ (1,204,071)</u>	<u>\$ (2,790,847)</u>

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 7. Debt (Continued)

The College has exposure to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However, the College does not anticipate nonperformance.

The difference between the floating rate and the fixed rate interest is recognized as an adjustment to interest expense in the period incurred. The fair value of the swap agreement is estimated based on current settlement prices and is included in the statements of financial position. The change in value of the interest rate swap has been reflected in the non-operating section of the statement of activities.

Interest expense for the years ended June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Expensed	\$ 871,185	\$ 580,607
Capitalized, excluding interest income netted	<u>4,536</u>	<u>189,211</u>
	<u>\$ 875,721</u>	<u>\$ 769,818</u>

Pursuant to the District of Columbia, Series 2014 revenue bond agreement, the College is subject to certain debt covenants; the most restrictive of which is the requirement to maintain a minimum debt service coverage ratio of 1.1 to 1.0 through the end of Fiscal Year 2016, and a 1.25 to 1.0 ratio thereafter. As of June 30, 2017 and 2016, the College has met those requirements. The other major covenant requires the College to maintain Unencumbered Unrestricted Liquidity (UUL) on hand of \$11,000,000 for each year end through 2016, subsequently rising to \$15,000,000 thereafter. For the years ended 2017 and 2016, the College has met these requirements.

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 8. Net Assets

Net assets as of June 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
Unrestricted		
Investment in land, buildings, and equipment, net of debt	\$ 21,035,438	\$ 15,311,909
Other	<u>33,826,926</u>	<u>32,722,030</u>
	<u>54,862,364</u>	<u>48,033,939</u>
Temporarily restricted		
Accumulated endowment investment return, net of amounts spent	7,732,298	6,659,865
Amounts held for trust and annuity payments	26,157	25,841
Restricted for future operations	415,136	599,738
Restricted for public service expenses	130,792	113,920
Restricted for buildings and equipment	885,724	5,378,413
Contributions receivable	<u>1,084,760</u>	<u>1,900,575</u>
	<u>10,274,867</u>	<u>14,678,352</u>
Permanently restricted		
Restricted in perpetuity; only the income is expendable:		
Endowment principal	8,293,247	8,144,488
Contributions receivable	744,186	620,464
Funds held in trust by others	<u>11,436,072</u>	<u>10,731,173</u>
	<u>20,473,505</u>	<u>19,496,125</u>
Total net assets	<u><u>\$ 85,610,736</u></u>	<u><u>\$ 82,208,416</u></u>

Temporarily restricted net assets are subject to both purpose and time restrictions. Temporarily restricted accumulated endowment investment return, net of amounts spent, is restricted for future operations, financial aid and maintenance, and acquisition of land, buildings, and equipment. Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support future operations, financial aid, and maintenance and acquisition of land, buildings, and equipment.

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. Tuition and Fees, Net of Financial Aid

Tuition and fees include regular session tuition for the College's undergraduate and graduate regular and summer sessions as well as miscellaneous fees, such as application, graduation, lab, and late fees.

Undergraduate tuition and fees totaled 77.4% and 76.4% of total tuition and fees for 2017 and 2016, respectively. Financial aid for undergraduates totaled \$10,645,495 and \$9,511,627, respectively, with the unfunded portion of these amounts totaling 33.6% and 33.7%, respectively, of undergraduate tuition and fees.

Note 10. Net Assets Released from Restrictions and Reclassifications

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes, or by occurrence of other events as specified by donors. Restrictions were satisfied as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Operating:		
Financial aid	\$ 1,366,720	\$ 1,134,626
Instructional expenses	357,267	585,379
Student Services	15,673	14,933
Academic support	243,234	222,890
Public service expenses	<u>13,201</u>	<u>19,651</u>
Total operating	<u>1,996,095</u>	<u>1,977,479</u>
Non-operating:		
Plant expenses	5,597,571	11,495,353
Reclassifications	<u>-</u>	<u>(156,319)</u>
Total non-operating	<u>5,597,571</u>	<u>11,339,034</u>
	<u><u>\$ 7,593,666</u></u>	<u><u>\$ 13,316,513</u></u>

Note 11. Operating Expenses

Functional expenses, as reported on the statement of activities, are expenses in natural classification. The most significant expense under a natural classification is compensation and employee benefits (including payroll taxes) which totals 51.3% and 8.1%, respectively for 2017 and 54.5% and 8.7%, respectively for 2016. A more extensive breakdown of expenses by natural classification can be found in the College's annual federal tax exempt Form 990 return. Program service expenses totaled 71.01% and 71.63% in 2017 and 2016, respectively.

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NOTES TO FINANCIAL STATEMENTS
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Note 11. Operating Expenses (Continued)

Costs related to the operations and maintenance of the physical plant, including depreciation and interest expense, are allocated to operating programs and supporting activities for June 30, as follows:

	2017			2016		
	Expenses Before Allocation	Total Expense Allocation	Final Allocated Expenses	Expenses Before Allocation	Total Expense Allocation	Final Allocated Expenses
Education and general:						
Instruction	\$ 9,040,402	\$ 1,489,777	\$ 10,530,179	\$ 9,061,028	\$ 1,295,914	\$ 10,356,942
Public service	11,031	-	11,031	15,204	-	15,204
Academic support	3,238,770	297,955	3,536,725	3,456,002	259,183	3,715,185
Student services	3,271,227	1,336,306	4,607,533	3,213,423	1,182,039	4,395,462
Institutional support	8,073,778	1,191,821	9,265,599	7,764,571	1,036,731	8,801,302
Auxiliary services	2,072,968	1,932,217	4,005,185	2,039,458	1,700,404	3,739,862
Operations and maintenance						
of physical plant	4,205,743	(4,205,743)	-	3,984,658	(3,984,658)	-
Depreciation and amortization	1,171,148	(1,171,148)	-	909,006	(909,006)	-
Interest expense	871,185	(871,185)	-	580,607	(580,607)	-
	<u>\$ 31,956,252</u>	<u>\$ -</u>	<u>\$ 31,956,252</u>	<u>\$ 31,023,957</u>	<u>\$ -</u>	<u>\$ 31,023,957</u>

Note 12. Employee Benefits

Retirement benefits are provided for eligible faculty and staff employees by a contributory pension plan for annuity contracts with Teachers Insurance and Annuity Association and College Retirement Equities Fund. Employees are eligible after one year of full-time employment and attaining the age of twenty-one. All participants have a fully vested interest in the total contributions made on their behalf. The College automatically contributes 2% of all eligible employees' base salary, and matches an additional voluntary contribution of up to 6%. Under the plan, the College contributed approximately \$451,700 and \$492,000 in 2017 and 2016, respectively, which was charged to operating expenses.

Note 13. Operating Leases

The College leases several copiers and a mailing system under non-cancelable leases expiring through March 2020. Rent expense under these operating leases was \$49,199 and \$43,404 for 2017 and 2016, respectively.

Future minimum lease payments under all operating leases for years ending June 30 are as follows:

2018	\$ 34,525
2019	23,676
2020	22,304
2021	15,444
2022	5,148
	<u>\$ 101,097</u>

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Note 14. Commitments and Contingencies

Final expenditure reports of grants and contracts submitted to certain granting agencies in current and prior years are subject to audit by such agencies. As a result, the reimbursed expenditures are subject to adjustment. The effect of such adjustments, if any, is not determinable at this time. Management is of the opinion that the liability, if any, would not have a material effect on the College's financial position.

The College's students receive a substantial amount of support from state and federal student financial assistance programs. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on the College's programs and activities.

The College is under a long-term contract with Metz Culinary Management, Inc. to provide food service. The initial term of the agreement ends January 1, 2027 and the agreement will renew automatically for consecutive terms of one year each. Upon expiration, termination, or cancellation of the contract, the College shall reimburse the provider the remaining balance of unamortized capital expenditures included in debt in the statement of financial position.

The College is under a long-term contract with Aramark Management Services to provide facilities management through July 31, 2021. As part of this contract, Aramark advanced the College \$500,000 to be used for capital improvements, and will be amortized on a straight-line basis over the term. The unamortized advance at June 30, 2017 and 2016 totaled \$204,247 and \$254,247, respectively, and is included in debt in the statement of financial position. The agreement also provides that if terminated, the College must repay the unamortized advance with interest at prime plus 2%.

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NOTES TO FINANCIAL STATEMENTS
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Note 15. Endowment

Endowment net assets as of June 30 consist of the following:

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Funds held by the College:								
Donor-restricted	\$ -	\$ 7,732,298	\$ 8,293,247	\$ 16,025,545	\$ -	\$ 6,659,865	\$ 8,144,488	\$ 14,804,353
Donor-restricted funds held in trust by others	-	-	12,180,258	12,180,258	-	-	11,351,637	11,351,637
Total	<u>\$ -</u>	<u>\$ 7,732,298</u>	<u>\$ 20,473,505</u>	<u>\$ 28,205,803</u>	<u>\$ -</u>	<u>\$ 6,659,865</u>	<u>\$ 19,496,125</u>	<u>\$ 26,155,990</u>

Changes in endowment net assets for the year ended June 30 are as follows:

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	\$ -	\$ 6,659,865	\$ 19,496,125	\$ 26,155,990	\$ -	\$ 5,988,545	\$ 20,389,348	\$ 26,377,893
Investment return:								
Investment income	-	313,105	-	313,105	-	307,804	-	307,804
Realized and unrealized gains	-	908,087	-	908,087	-	208,067	-	208,067
Total investment return	-	1,221,192	-	1,221,192	-	515,871	-	515,871
Contributions	-	108,519	205,758	314,277	-	738,179	265,545	1,003,724
Appropriation for expenditure and other expenses	-	(257,278)	-	(257,278)	-	(582,730)	-	(582,730)
Change in value of funds held in trust by others	-	-	771,622	771,622	-	-	(1,002,449)	(1,002,449)
Reclassifications	-	-	-	-	-	-	(156,319)	(156,319)
Endowment net assets, June 30, 2017	<u>\$ -</u>	<u>\$ 7,732,298</u>	<u>\$ 20,473,505</u>	<u>\$ 28,205,803</u>	<u>\$ -</u>	<u>\$ 6,659,865</u>	<u>\$ 19,496,125</u>	<u>\$ 26,155,990</u>

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Note 16. Fair Value Measurements

The following is a summary of the inputs used in determining the fair values of financial assets and liabilities measured on a recurring basis as of June 30:

	2017				2016			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Financial assets:								
Investments:								
Domestic equities	\$ 10,543,795	\$ 10,543,795	\$ -	\$ -	\$ 9,324,535	\$ 9,324,535	\$ -	\$ -
International equities	1,213,392	1,213,392	-	-	1,029,898	1,029,898	-	-
Emerging markets	606,696	606,696	-	-	507,263	507,263	-	-
Global bonds	209,798	209,798	-	-	840,474	840,474	-	-
Cash and equivalents and temporary investments	5,530,461	5,530,461	-	-	9,943,670	9,943,670	-	-
Fixed income, all other	9,909,813	9,909,813	-	-	9,376,525	9,376,525	-	-
Absolute return	2,806,869	2,806,869	-	-	2,659,622	2,659,622	-	-
Real assets	822,812	822,812	-	-	835,498	835,498	-	-
Total investments	31,643,636	31,643,636	-	-	34,517,485	34,517,485	-	-
Charitable trusts held by others	687,186	-	687,186	-	620,464	-	620,464	-
Funds held in trust by others	11,436,072	-	4,183,315	7,252,757	10,731,173	-	4,031,996	6,699,177
Total financial assets	<u>\$ 43,766,894</u>	<u>\$ 31,643,636</u>	<u>\$ 4,870,501</u>	<u>\$ 7,252,757</u>	<u>\$ 45,869,122</u>	<u>\$ 34,517,485</u>	<u>\$ 4,652,460</u>	<u>\$ 6,699,177</u>
Financial liabilities:								
Fair value of interest rate swap agreements	\$ 1,204,071	\$ -	\$ 1,204,071	\$ -	\$ 2,790,847	\$ -	\$ 2,790,847	\$ -
Total financial liabilities	<u>\$ 1,204,071</u>	<u>\$ -</u>	<u>\$ 1,204,071</u>	<u>\$ -</u>	<u>\$ 2,790,847</u>	<u>\$ -</u>	<u>\$ 2,790,847</u>	<u>\$ -</u>

The following is a reconciliation of Level 3 funds held in trust by others for which significant unobservable inputs were used to determine fair value as of June 30:

	2017	2016
Balance, beginning	\$ 6,699,177	\$ 7,429,418
Net change in value	553,580	(730,241)
Balance, ending	<u>\$ 7,252,757</u>	<u>\$ 6,699,177</u>

The fair value of investments in common stocks, bonds, and mutual funds are determined based upon quoted market prices. The fair value of contributions receivable is based on the fair value of estimated future cash flows. The fair value of funds held in trust is based on quoted market prices of the securities held in the respective trusts. The fair value of the interest rate swap agreement is estimated based on current settlement prices.