



# Trinity

## FINANCIAL REPORT

JUNE 30, 2019

**TRINITY COLLEGE**  
**FINANCIAL REPORT**  
**June 30, 2019**

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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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to 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 (GAAP); 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, 2019 and 2018, 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.

## Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, the College adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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

CERTIFIED PUBLIC ACCOUNTANTS

Blacksburg, Virginia  
November 20, 2019

# TRINITY COLLEGE

## STATEMENTS OF FINANCIAL POSITION

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,030,923	\$ 21,807,871
Receivables and other assets, net of allowance for doubtful accounts 2019 \$627,842; 2018 \$651,671 (Note 3)	4,050,902	4,184,048
Notes receivable, government student loans, net of allowance for doubtful accounts 2019 and 2018 \$100,000	1,580,296	1,676,822
Contributions receivable (Note 4)	1,358,702	1,284,470
Investments (Note 5)	44,863,896	32,890,883
Land, buildings, and equipment, net of accumulated depreciation (Notes 6 and 8)	50,988,047	51,523,311
Funds held in trust by others (Note 7)	11,983,867	11,765,462
<b>Total assets</b>	<u><u>\$ 123,856,633</u></u>	<u><u>\$ 125,132,867</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 1,489,155	\$ 1,151,724
Accrued wages and benefits	481,108	894,034
Deferred revenues and deposits	1,440,079	1,512,399
U.S. government grants refundable	1,451,038	1,441,309
Asset retirement obligations	1,467,118	1,398,587
Interest rate swap (Note 8)	1,293,806	232,269
Debt (Note 8)	26,693,729	27,773,558
<b>Total liabilities</b>	<u><u>34,316,033</u></u>	<u><u>34,403,880</u></u>
Net assets (Note 9)		
Without donor restrictions	57,489,594	60,066,884
With donor restrictions	32,051,006	30,662,103
<b>Total net assets</b>	<u><u>89,540,600</u></u>	<u><u>90,728,987</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 123,856,633</u></u>	<u><u>\$ 125,132,867</u></u>

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

**TRINITY COLLEGE**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2019**

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 32,729,406	\$ -	\$ 32,729,406
Less financial aid	(11,573,939)	-	(11,573,939)
Net tuition and fees (Note 10)	21,155,467	-	21,155,467
Gifts	2,775,165	2,459,989	5,235,154
Investment income, endowment, and other (Note 5)	-	772,863	772,863
Interest income – temporary investments	274,832	66,257	341,089
Government and private grants	869,001	-	869,001
Auxiliary services	3,407,228	-	3,407,228
Other revenues	381,231	-	381,231
Net assets released from restrictions and reclassifications (Note 11)	2,600,362	(2,600,362)	-
<b>Total operating revenues</b>	<b>31,463,286</b>	<b>698,747</b>	<b>32,162,033</b>
<b>OPERATING EXPENSES</b>			
Educational and general:			
Instruction	11,309,234	-	11,309,234
Public service	31,154	-	31,154
Academic support	3,723,636	-	3,723,636
Student services	4,980,965	-	4,980,965
Institutional support	9,234,487	-	9,234,487
Auxiliary services	4,472,276	-	4,472,276
<b>Total operating expenses (Note 12)</b>	<b>33,751,752</b>	<b>-</b>	<b>33,751,752</b>
<b>Change in net assets, operating</b>	<b>(2,288,466)</b>	<b>698,747</b>	<b>(1,589,719)</b>
<b>NON-OPERATING INCOME</b>			
Gifts and private grants	-	150,673	150,673
Interest income	-	2,417	2,417
Investment return, net of amount available to support current operations (Note 5)	684,579	361,771	1,046,350
Change in fair value of swap agreement	(1,061,537)	-	(1,061,537)
Loss on disposal of land, buildings, and equipment	-	-	-
Change in value of funds held in trust by others	-	218,405	218,405
Change in value of charitable remainder trust	-	45,024	45,024
Net assets released from restrictions and reclassifications (Note 11)	88,134	(88,134)	-
<b>Change in net assets, non-operating</b>	<b>(288,824)</b>	<b>690,156</b>	<b>401,332</b>
<b>Change in net assets</b>	<b>(2,577,290)</b>	<b>1,388,903</b>	<b>(1,188,387)</b>
<b>NET ASSETS</b>			
Beginning	60,066,884	30,662,103	90,728,987
Ending	<u>\$ 57,489,594</u>	<u>\$ 32,051,006</u>	<u>\$ 89,540,600</u>

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

**TRINITY COLLEGE**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2018**

	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 34,795,056	\$ -	\$ 34,795,056
Less financial aid	(11,506,382)	-	(11,506,382)
Net tuition and fees (Note 10)	23,288,674	-	23,288,674
Gifts	5,201,645	1,926,648	7,128,293
Investment income, endowment, and other (Note 5)	-	722,665	722,665
Interest income – temporary investments	190,122	29,243	219,365
Government and private grants	693,706	-	693,706
Auxiliary services	3,514,544	-	3,514,544
Other revenues	469,536	-	469,536
Net assets released from restrictions and reclassifications (Note 11)	2,952,672	(2,952,672)	-
<b>Total operating revenues</b>	<b>36,310,899</b>	<b>(274,116)</b>	<b>36,036,783</b>
<b>OPERATING EXPENSES</b>			
Educational and general:			
Instruction	11,760,030	-	11,760,030
Public service	20,723	-	20,723
Academic support	3,349,374	-	3,349,374
Student services	4,837,673	-	4,837,673
Institutional support	8,758,305	-	8,758,305
Auxiliary services	4,234,323	-	4,234,323
<b>Total operating expenses (Note 12)</b>	<b>32,960,428</b>	<b>-</b>	<b>32,960,428</b>
<b>Change in net assets, operating</b>	<b>3,350,471</b>	<b>(274,116)</b>	<b>3,076,355</b>
<b>NON-OPERATING INCOME</b>			
Gifts and private grants	-	233,239	233,239
Interest income	640	123	763
Investment return, net of amount available to support current operations (Note 5)	23,088	480,415	503,503
Change in fair value of swap agreement	971,802	-	971,802
Loss on disposal of land, buildings, and equipment	(12,442)	-	(12,442)
Change in value of funds held in trust by others	-	329,390	329,390
Change in value of charitable remainder trust	-	15,641	15,641
Net assets released from restrictions and reclassifications (Note 11)	870,961	(870,961)	-
<b>Change in net assets, non-operating</b>	<b>1,854,049</b>	<b>187,847</b>	<b>2,041,896</b>
<b>Change in net assets</b>	<b>5,204,520</b>	<b>(86,269)</b>	<b>5,118,251</b>
<b>NET ASSETS</b>			
Beginning	54,862,364	30,748,372	85,610,736
Ending	<u>\$ 60,066,884</u>	<u>\$ 30,662,103</u>	<u>\$ 90,728,987</u>

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



**TRINITY COLLEGE**

**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,188,387)	\$ 5,118,251
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-operating and noncash items:		
Net realized and unrealized gain on investments	(903,552)	(491,228)
Change in fair value of interest rate swap agreement	1,061,537	(971,802)
Amortization of bond issuance costs	14,000	14,000
Contributions restricted for plant expansion and endowment	(50,673)	(233,239)
Change in funds held in trust by others	(218,405)	(329,390)
Loss on disposal of land, buildings, and equipment	-	12,442
Depreciation and amortization	1,448,111	1,481,395
Change in certain operating assets and liabilities:		
(Increase) decrease in:		
Receivables and other assets	133,145	47,174
Contributions receivable	(74,232)	544,476
Increase (decrease) in:		
Accounts payable and accrued expenses	303,412	(74,641)
Accrued wages and benefits	(412,926)	10,809
Deferred revenues and deposits	(72,320)	(67,452)
Asset retirement obligations	68,531	65,330
U.S. government grants refundable	9,729	14,417
<b>Net cash provided by operating activities</b>	<u>117,970</u>	<u>5,140,542</u>
<b>INVESTING ACTIVITIES</b>		
Student loans advanced	-	(43,628)
Student loans collected	96,526	81,184
Purchases of land, buildings, and equipment	(912,847)	(307,134)
Change in accounts payable incurred on purchases	34,019	(32,477)
Change in investments, net of proceeds from sales	(11,069,461)	(756,020)
<b>Net cash used in investing activities</b>	<u>(11,851,763)</u>	<u>(1,058,075)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for plant expansion and endowment	50,673	233,239
Payments of debt	(1,093,828)	(1,070,858)
<b>Net cash used in financing activities</b>	<u>(1,043,155)</u>	<u>(837,619)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(12,776,948)	3,244,848
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>21,807,871</u>	<u>18,563,023</u>
Ending	<u>\$ 9,030,923</u>	<u>\$ 21,807,871</u>

(Continued)

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

**TRINITY COLLEGE**

**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash payments for interest (net of capitalized interest of 2019 \$1,957; 2018 \$3,258)	<u>\$ 812,961</u>	<u>\$ 829,950</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Purchases of land, buildings, and equipment included in accounts payable	<u>\$ 34,019</u>	<u>\$ -</u>

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

## TRINITY COLLEGE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

#### 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 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 (ELC) 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 (MSCHE). The School of Education is accredited by the National Council for Accreditation of Teacher Education (NCATE). Trinity’s nursing program is accredited by the Commission on Collegiate Nursing Education (CCNE).

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 GAAP. The preparation of financial statements in conformity with GAAP 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 based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two classes as follows:

**Net assets without donor restrictions** are net assets available for use in general operations and not subject to donor restrictions. These 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 net assets with donor restrictions are included in this classification. Expenses are reported as decreases in this classification.

**Net assets with donor restrictions** are 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 that can be fulfilled by action of the College pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

Recent Accounting Pronouncement

During 2019, the College adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2017 and 2018 follows:

ASU 2016-14 Classifications			
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
<b>At June 30, 2017:</b>			
As previously presented:			
Unrestricted	\$ 54,862,364	\$ -	\$ 54,862,364
Temporarily restricted	-	10,274,867	10,274,867
Permanently restricted	-	20,473,505	20,473,505
<b>Net assets at June 30, 2017, as reclassified</b>	<u>\$ 54,862,364</u>	<u>\$ 30,748,372</u>	<u>\$ 85,610,736</u>
<b>At June 30, 2018:</b>			
As previously presented:			
Unrestricted	\$ 60,066,884	\$ -	\$ 60,066,884
Temporarily restricted	-	9,661,441	9,661,441
Permanently restricted	-	21,000,662	21,000,662
<b>Net assets at June 30, 2018, as reclassified</b>	<u>\$ 60,066,884</u>	<u>\$ 30,662,103</u>	<u>\$ 90,728,987</u>

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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 fewer 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 funds related to the federal student loan program totaling \$549,188 and \$442,933 at June 30, 2019 and 2018, respectively.

Checks written on the College's \$-0- balance accounts of approximately \$150,000 and \$99,000 are included in accounts payable and accrued expenses as of June 30, 2019 and 2018, 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 funds without donor restrictions included in the consolidated account to cover the designated or restricted monies spent.

Accounts receivable

Accounts receivable consists 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, 2019 and 2018, the College had student receivables, net of allowance, from non-current semesters of approximately \$881,000 and \$1,110,000, 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 values 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 the gift. Purchases and sales of investments are recorded on the trade date.

(Continued)

## TRINITY COLLEGE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

#### 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 net assets with donor restrictions if the terms of the gift require that they be added to the principal of an endowment fund to be held in perpetuity or if the terms of the gift impose restrictions on the use of the income, including income earned on donor-restricted endowment funds; or
- As increases in net assets without donor restrictions in all other cases.

The College has various investment vehicles where 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.

##### Long-lived assets

Cash or other assets whose use is restricted to acquire long-lived assets are recorded as assets with donor restrictions until the long-lived assets are placed into service. Once placed into service, the net assets with donor restrictions are reclassified to net assets without donor restrictions. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying value of an asset may not be recoverable.

##### Land, buildings, and equipment

Land, buildings, and equipment are stated at cost at the date of acquisition, or fair value at the date of the 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 which 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.

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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 U.S. government. Student loan receivables related to this program are recorded as notes receivable. The portion of those funds contributed by the U.S. government (i.e., exclusive of the College's match funds) is ultimately refundable to the government and, accordingly, is 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 contributions receivable. 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 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. Funds subject to split-interest agreements are classified as funds with donor restrictions based upon donor designations.

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.

Bond issuance costs

Bond issuance costs are amortized on the straight-line basis over the term of the related financing agreement. Unamortized bond issuance costs are presented as a reduction of the carrying amount of the debt. Amortization of bond issuance costs is reported as interest expense in the statements of activities.

(Continued)

## TRINITY COLLEGE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

#### 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 including the 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 net assets with donor restrictions the historical value of donor-restricted “true” endowment funds, which includes (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.

Also included in net assets with donor restrictions is accumulated appreciation on donor-restricted “true” endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift. 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 by the consumer price index (CPI)), net of management fees, over a rolling three-year period. Actual returns in any given year may vary from this amount.

(Continued)



**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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>
<b>Total equity</b>	<u>55.0%</u>	<u>65.0%</u>	<u>75.0%</u>
Domestic large growth	10.0%	17.5%	25.0%
Domestic large value	10.0	17.5	25.0
Small/medium capitalization stocks	10.0	15.0	20.0
International equity	5.0	10.0	20.0
Emerging market equity	-	5.0	10.0
<b>Total fixed income</b>	<u>25.0%</u>	<u>35.0%</u>	<u>45.0%</u>
Domestic investment grade fixed income	25.0%	35.0%	45.0%
Cash and cash equivalents	-	-	10.0

***Spending Policy and How the Investment Objectives Relate 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, 2019 and 2018, the Board-approved spending formula for the endowment provided for an annual spending rate of not more than 5.0% of a trailing 12-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 net assets with donor restrictions and there were none as of June 30, 2019 and 2018.

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

Contributions

Contributions, including unconditional promises to give or contributions receivable, are recognized as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions in the period the donor's commitment is received. Unconditional promises to give without donor restrictions are recognized as operating revenues with donor restrictions unless the donor explicitly stipulates its use to support current period activities.

Conditional promises to give are not recognized until they become unconditional – i.e., when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair values. 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 net assets without donor restrictions 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 net assets with donor restrictions class; the restrictions are considered to be released at the time such long-lived assets are placed in service, or if the asset has already been placed in service, when the contribution is received.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions 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 net assets without donor restrictions except those of a capital nature – i.e., capitalized for long-term investment or as land, buildings, and equipment. Net assets with donor restrictions that are released from restrictions which satisfy an operating purpose and transfers from board-designated and other non-operating funds to support current operating activities 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 the 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.

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

Derivative instruments

The College uses 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 values of the interest rate swap agreements are 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 expense 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.

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

Fair value measurements (Continued)

The estimated fair values 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 10 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 net assets without donor restrictions in the year in which the items are acquired, or in net assets with donor restrictions 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*.

Subsequent events

The College has evaluated subsequent events through November 20, 2019, the date the financial statements were available to be issued.

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Financial Assets and Liquidity Resources**

As of June 30, 2019, financial assets available within one year of the statement of financial position date for general expenditure were as follows:

Cash and cash equivalents	\$ 9,030,923
Accounts receivable, net	1,833,989
Other receivables	1,896,825
Contributions receivable, net	12,229
Investments appropriated for current use	<u>15,137,653</u>
	<u><u>\$ 27,911,619</u></u>

The College's cash and cash equivalents include approximately \$549,000 in cash required to be held in separate accounts.

As part of the College's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**Note 3. Receivables and Other Assets**

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

	<u>2019</u>	<u>2018</u>
Student receivables, net	\$ 1,833,989	\$ 1,998,561
Other receivables	1,896,825	1,960,725
Prepaid expenses	147,818	133,417
Accrued investment income	<u>172,270</u>	<u>91,345</u>
	<u><u>\$ 4,050,902</u></u>	<u><u>\$ 4,184,048</u></u>

(Continued)

**TRINITY COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 4. Contributions Receivable**

Contributions receivable consisted of the following as of June 30:

	<u><b>2019</b></u>	<u><b>2018</b></u>
Unconditional promises to give cash	\$ 610,851	\$ 581,643
Charitable trusts held by others	<u>747,851</u>	<u>702,827</u>
	<u><u>\$ 1,358,702</u></u>	<u><u>\$ 1,284,470</u></u>
Expected to be collected in:		
Less than one year	\$ 517,383	\$ 504,675
One to five years	95,083	79,501
More than five years	<u>1,186,608</u>	<u>1,141,644</u>
	1,799,074	1,725,820
Less:		
Actuarial present value of future payments	(438,757)	(438,816)
Discount to net present value at 0.85%	<u>(1,615)</u>	<u>(2,534)</u>
	<u><u>\$ 1,358,702</u></u>	<u><u>\$ 1,284,470</u></u>

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

	<u><b>2019</b></u>	<u><b>2018</b></u>
Without donor restrictions	\$ 24,751	\$ 26,265
With donor restrictions	<u>1,333,951</u>	<u>1,258,205</u>
	<u><u>\$ 1,358,702</u></u>	<u><u>\$ 1,284,470</u></u>

As of June 30, 2019 and 2018, the College 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, 2019 and 2018, the College recorded contributions from nine and eleven donors that totaled approximately 67.9% and 83.3% of contributions, respectively.

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 5. Investments**

Investments were comprised of the following as of June 30:

	2019						2018											
	Endowment		Other		Total		Endowment		Other		Total							
<u>Equities:</u>																		
<u>Domestic:</u>																		
Large cap growth	\$	2,363,777	12.9%	\$	-	-%	\$	2,363,777	5.3%	\$	2,948,594	17.1%	\$	-	-%	\$	2,948,594	9.0%
Large cap value		2,114,484	11.5		-	-		2,114,484	4.7		1,997,144	11.6		-	-		1,997,144	6.1
Midcap		4,969,873	27.1		-	-		4,969,873	11.1		4,755,657	27.6		-	-		4,755,657	14.5
Small cap value		425,557	2.3		-	-		425,557	0.9		420,600	2.4		-	-		420,600	1.3
Mutual funds and other		-	-		1,793,651	6.8		1,793,651	4.0		-	-		1,724,977	11.0		1,724,977	5.2
Total domestic equities		9,873,691	53.8		1,793,651	6.8		11,667,342	26.0		10,121,995	58.7		1,724,977	11.0		11,846,972	36.1
<u>Fixed income:</u>																		
Cash and cash equivalents		-	-		17,874,398	67.3		17,874,398	39.8		-	-		7,426,769	47.3		7,426,769	22.5
All other		-	-		6,859,865	25.9		6,859,865	15.3		-	-		6,535,346	41.7		6,535,346	19.9
Total fixed income		-	-		24,734,263	93.2		24,734,263	55.1		-	-		13,962,115	89.0		13,962,115	42.4
<u>Alternative income:</u>																		
Absolute return		7,761,804	42.4		-	-		7,761,804	17.3		6,457,386	37.7		-	-		6,457,386	19.6
Real assets		700,487	3.8		-	-		700,487	1.6		624,410	3.6		-	-		624,410	1.9
Total alternative income		8,462,291	46.2		-	-		8,462,291	18.9		7,081,796	41.3		-	-		7,081,796	21.5
Total investments	\$	18,335,982	100.0%	\$	26,527,914	100.0%	\$	44,863,896	100.0%	\$	17,203,791	100.0%	\$	15,687,092	100.0%	\$	32,890,883	100.0%

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 5. Investments (Continued)**

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

	<u><b>2019</b></u>	<u><b>2018</b></u>
Without donor restrictions	\$ 23,915,411	\$ 13,151,334
With donor restrictions	<u>20,948,485</u>	<u>19,739,549</u>
	<u><u>\$ 44,863,896</u></u>	<u><u>\$ 32,890,883</u></u>

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

	<u><b>2019</b></u>	<u><b>2018</b></u>
Endowment – held by College	\$ 18,335,981	\$ 17,203,791
Trusts and annuities	2,612,503	2,527,614
Current funds	<u>23,915,412</u>	<u>13,159,478</u>
	<u><u>\$ 44,863,896</u></u>	<u><u>\$ 32,890,883</u></u>

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

	<u><b>2019</b></u>	<u><b>2018</b></u>
Investments, beginning	\$ 32,890,883	\$ 31,643,635
Gifts and pledge payments available for investment and investment income reinvestment	<u>1,389,754</u>	<u>1,457,479</u>
	<u>34,280,637</u>	<u>33,101,114</u>
Investment returns:		
Dividends and interest (net of expenses: 2019 \$77,752; 2018 \$81,694)	<u>984,335</u>	<u>764,306</u>
Investment return, net of amount available to support current operations per statements of activities	1,046,350	503,503
Add spending in excess of cash yield	<u>(142,798)</u>	<u>(12,275)</u>
Net realized and unrealized gains	<u>903,552</u>	<u>491,228</u>
Total return on investments	<u>1,887,887</u>	<u>1,255,534</u>
Amounts appropriated for operations, net transfers to operational accounts, debt payments, and other activity	<u>8,695,372</u>	<u>(1,465,765)</u>
Investments, ending	<u><u>\$ 44,863,896</u></u>	<u><u>\$ 32,890,883</u></u>

(Continued)



**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 5. Investments (Continued)**

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

	<u>2019</u>	<u>2018</u>
Investment income	\$ 984,335	\$ 764,306
Net realized and unrealized gains on investments	<u>903,552</u>	<u>491,228</u>
Total return on investments	<u>\$ 1,887,887</u>	<u>\$ 1,255,534</u>
<u>Included in the statements of activities as follows</u>		
Operating revenues – investment income, endowment, and other – amount distributed to support current operations pursuant to the endowment spending policy	\$ 772,863	\$ 722,665
Investment return, net of amount available to support current operations	1,046,350	503,503
Investment income, included in interest income – temporary investments	<u>68,674</u>	<u>29,366</u>
	<u>\$ 1,887,887</u>	<u>\$ 1,255,534</u>

**Note 6. Land, Buildings, and Equipment**

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

	<u>Estimated Useful Life</u>	<u>2019</u>	<u>2018</u>
Buildings	65 years	\$ 63,198,044	\$ 63,198,044
Building improvements	10 – 20 years	8,241,074	7,658,960
Land improvements	50 years	1,449,447	1,449,447
Equipment	5 years	6,559,137	6,524,362
Computer equipment	5 years	<u>3,118,950</u>	<u>3,118,951</u>
		82,566,652	81,949,764
Less accumulated depreciation		<u>(31,957,783)</u>	<u>(30,509,671)</u>
Total depreciation cost, net		50,608,869	51,440,093
Land		83,218	83,218
Construction in progress		<u>295,960</u>	<u>-</u>
		<u>\$ 50,988,047</u>	<u>\$ 51,523,311</u>

Included in equipment are assets under capital leases of \$328,200 at June 30, 2019 and 2018, with related accumulated depreciation of \$261,782 and \$235,796 for 2019 and 2018, respectively.

At June 30, 2019, construction in progress represented work completed to date on bathroom renovations. The contracted amount remaining on this project was \$199,000 at June 30, 2019.

(Continued)

# TRINITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### Note 7. 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 net assets with donor restrictions based on explicit donor stipulations. The market value of these interests as of June 30 were as follows:

	<b>Income Restriction</b>	<b>2019</b>	<b>2018</b>
Claire Boothe Luce Fund	*	\$ 7,672,260	\$ 7,534,405
Helen Rotterman Trust	Unrestricted	687,873	683,814
M. Rotterman Trust	Unrestricted	2,291,033	2,208,723
Russell T. Finn Trust	Scholarships	1,098,118	1,083,161
Dougherty Scholarship Irrevocable Trust	Educational purposes	234,583	255,359
		<u>\$ 11,983,867</u>	<u>\$ 11,765,462</u>

\*Scholarships, fellowships, and professorships for women in science and technology. The annual income distribution totaled \$340,000 and \$330,000 for 2019 and 2018, respectively.

### Note 8. Debt

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

	<b>2019</b>	<b>2018</b>
District of Columbia Series 2014A Bonds. The bonds bear interest at variable rates determined by the marketing agent (2.78% at June 30, 2019). Interest is due monthly. The first principal payment was made on July 1, 2014 in the amount of \$580,000. Payments after that 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 debt on the 2001 Series Bonds, which were used to complete construction of the Trinity Center for Women and Girls in Sports.	\$ 11,880,000	\$ 12,620,000

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Debt (Continued)**

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

	<u>2019</u>	<u>2018</u>
District of Columbia Series 2014B Bonds. The bonds bear interest at variable rates determined by the marketing agent (2.78% at June 30, 2019). Interest is due monthly. The first payment due was the principal payment of \$535,000 on July 1, 2016. Going forward, principal payments 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 were used to facilitate construction of Trinity's University Academic Center, along with the funds raised by Trinity's Capital Campaign Contributions.	14,290,000	14,480,000
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.	675,000	765,000
Unsecured and interest-free obligation to Aramark Management Services for capital improvements, payable on a straight-line basis through July 2021.	104,247	154,247
Leasing agreement for nine copiers/scanners from One Source/GE Capital. Obligations under this capital lease are payable in monthly installments of \$1,140 including imputed interest of 5% through August 2019. Secured by equipment.	2,266	15,472

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Debt (Continued)**

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

	<u>2019</u>	<u>2018</u>
Leasing agreement for eight pieces of fitness equipment with EnerG Wellness/Marlin Business Services. Obligations under this capital lease are payable in monthly installments of \$611, including imputed interest through May 2021. Secured by equipment.	6,138	10,473
Leasing agreement with Xerox for eight new leased copiers. Obligations under this capital lease are payable in monthly installments of \$398, including imputed interest at 5.00% through October 2020. Secured by equipment.	<u>14,912</u>	<u>21,199</u>
Unamortized bond issuance costs	26,972,562 <u>(278,833)</u>	28,066,391 <u>(292,833)</u>
	<u>\$ 26,693,729</u>	<u>\$ 27,773,558</u>

Debt matures as follows:

	<u>Debt</u>	<u>Amortization of Bond Issuance Costs</u>	<u>Total</u>
Year ending June 30,			
2020	\$ 1,113,484	\$ (14,000)	\$ 1,099,484
2021	1,138,618	(14,000)	1,124,618
2022	1,120,460	(14,000)	1,106,460
2023	1,140,000	(14,000)	1,126,000
2024	1,175,000	(14,000)	1,161,000
2025 and thereafter	<u>21,285,000</u>	<u>(208,833)</u>	<u>21,076,167</u>
	<u>\$ 26,972,562</u>	<u>\$ (278,833)</u>	<u>\$ 26,693,729</u>

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Debt (Continued)**

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.

Related Debt	Expiration Date	Pay Fixed Rate	Received Variable Rate	Notional Amount (In Millions)		Fair Value	
				2019	2018	2019	2018
DC Series 2014A	June 2026	2.836%	IM LIBOR	\$ 11.9	\$ 12.6	\$ (355,834)	\$ 78,383
DC Series 2014B	June 2026	3.275%	IM LIBOR	\$ 14.3	\$ 14.5	<u>(937,972)</u>	<u>(310,652)</u>
						<u>\$ (1,293,806)</u>	<u>\$ (232,269)</u>

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 statements of activities.

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

	2019	2018
Expensed	\$ 816,051	\$ 846,350
Amortization of bond issuance costs	14,000	14,000
Capitalized	<u>1,957</u>	<u>3,258</u>
	<u>\$ 832,008</u>	<u>\$ 863,608</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 1.25 to 1.00. As of June 30, 2019, the College had not met that requirement. The bank has approved a covenant default waiver for the period ended June 30, 2019. The other major covenant requires the College to maintain unencumbered unrestricted liquidity (UUL) on hand of \$15,000,000. For the years ended 2019 and 2018, the College has met this requirement.

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Net Assets**

Net assets as of June 30 consisted of the following:

	<u>2019</u>	<u>2018</u>
<b>Without donor restrictions:</b>		
Investment in land, buildings, and equipment, net of debt	\$ 21,533,393	\$ 22,118,897
Designated by the Board	2,169,326	-
Other	33,786,875	37,947,987
<b>Total net assets without donor restrictions</b>	<u>57,489,594</u>	<u>60,066,884</u>
<b>With donor restrictions:</b>		
Subject to expenditure for specific purposes and time:		
Accumulated endowment investment return, net of amounts spent	9,305,035	8,157,349
Amounts held for trust and annuity payments	25,270	25,695
Restricted for future operations	74,280	180,971
Restricted for public service expenses	167,904	148,381
Restricted for buildings and equipment	586,926	620,667
Contributions receivable	579,100	528,378
	<u>10,738,515</u>	<u>9,661,441</u>
Restricted in perpetuity; only the income is expendable:		
Endowment principal	8,573,773	8,505,373
Contributions receivable	754,851	729,827
Funds held in trust by others	11,983,867	11,765,462
<b>Total net assets with donor restrictions</b>	<u>32,051,006</u>	<u>30,662,103</u>
<b>Total net assets</b>	<u>\$ 89,540,600</u>	<u>\$ 90,728,987</u>

Net assets with donor restrictions are subject to both purpose and time restrictions. Donor-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. Net assets with donor restrictions that are restricted in perpetuity 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.

(Continued)

**TRINITY COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. 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 77.9% and 78.5% of total tuition and fees for 2019 and 2018, respectively. Financial aid for undergraduates totaled \$11,412,462 and \$11,340,310, respectively, with the unfunded portion of these amounts totaling 36.4% and 33.4%, respectively, of undergraduate tuition and fees.

**Note 11. Net Assets Released from Restrictions and Reclassifications**

Net assets are released from donor restrictions when expenses are 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>2019</u>	<u>2018</u>
Operating:		
Financial aid	\$ 1,597,703	\$ 1,760,897
Instructional expenses	458,389	440,910
Student services	35,726	21,549
Academic support	498,494	716,822
Public service expenses	<u>10,050</u>	<u>12,494</u>
Total operating	<u>2,600,362</u>	<u>2,952,672</u>
Non-operating:		
Plant expenses	<u>88,134</u>	<u>870,961</u>
Total non-operating	<u>88,134</u>	<u>870,961</u>
	<u>\$ 2,688,496</u>	<u>\$ 3,823,633</u>

(Continued)

# TRINITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### Note 12. Operating Expenses

The table below presents expenses by both their nature and function for fiscal year 2019 and by their nature for fiscal year 2018.

	Program Services								
	Instruction	Academic Support	Public Service	Student Services	Auxiliary Enterprises	Subtotal	Institutional Support	2019 Total	2018 Total
Salaries	\$ 7,884,215	\$ 2,562,438	\$ 7,580	\$ 2,544,570	\$ 615,200	\$ 13,614,003	\$ 3,104,036	\$ 16,718,039	\$ 16,697,408
Employee benefits and payroll taxes	1,225,592	424,979	-	437,143	83,969	2,171,683	787,914	2,959,597	2,778,025
Food services	7,315	-	-	68,139	1,125,938	1201,392	52,730	1,254,122	1,076,617
Depreciation	289,410	57,882	-	376,764	492,528	1,216,584	231,527	1,448,111	1,481,395
Utilities	365,139	73,028	-	292,111	773,510	1,503,788	292,111	1,795,899	1,744,644
Repairs and maintenance	46,920	2,433	-	14,382	103,708	167,443	76,883	244,326	166,230
Supplies	199,692	320,392	9,768	73,266	96,180	699,298	39,697	738,995	665,895
Contract services	694,502	167,047	855	585,481	893,476	2,341,361	2,924,891	5,266,252	4,949,775
Interest	204,502	40,900	-	163,602	245,402	654,406	161,645	816,051	846,350
Bad debts	-	-	-	18	346	364	625,937	626,301	511,723
Advertising and publication	1,038	29,860	-	263,756	2,242	296,896	70,474	367,370	537,400
Insurance	-	-	-	13,254	-	13,254	470,270	483,524	469,333
Travel and meals	2,384	-	-	727	133	3,244	3,163	6,407	5,202
Bookstore purchases	-	-	-	-	-	-	33,598	33,598	35,055
Telephone	303	18,034	-	512	453	19,302	62,125	81,427	77,391
Postage	322,110	16,058	11,909	73,927	4,061	428,065	261,677	689,742	661,434
Other	66,112	10,585	1,042	73,313	35,130	186,182	35,809	229,991	226,551
Total	<u>\$ 11,309,234</u>	<u>\$ 3,723,636</u>	<u>\$ 31,154</u>	<u>\$ 4,980,965</u>	<u>\$ 4,472,276</u>	<u>\$ 24,517,265</u>	<u>\$ 9,234,487</u>	<u>\$ 33,751,752</u>	<u>\$ 32,960,428</u>

Functional expenses, as reported on the statements of activities, are expenses in natural classification. The most significant expenses under a natural classification is salaries and employee benefits and payroll taxes, which totaled 49.5% and 8.8% of total expenses, respectively, for 2019 and 50.7% and 8.4%, respectively, for 2018. 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 72.6% and 73.4% in 2019 and 2018, respectively.

(Continued)



# TRINITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### Note 12. Operating Expenses (Continued)

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, interest, and operations and maintenance of the physical plant.

Depreciation, interest, and operations and maintenance of the physical plant are all allocated based on management's estimates of usage. Costs related to the operations and maintenance of the physical plant, including depreciation and interest expense, were allocated to operating programs and supporting activities for June 30, as follows:

	2019			2018		
	Before Allocation	Expense Allocation	Final Allocated	Before Allocation	Expense Allocation	Final Allocated
Education and general:						
Instruction	\$ 9,700,163	\$ 1,609,071	\$ 11,309,234	\$ 10,163,606	\$ 1,596,424	\$ 11,760,030
Public service	31,154	-	31,154	20,723	-	20,723
Academic support	3,401,822	321,814	3,723,636	3,030,089	319,285	3,349,374
Student services	3,548,473	1,432,492	4,980,965	3,412,909	1,424,764	4,837,673
Institutional support	7,947,230	1,287,257	9,234,487	7,481,167	1,277,138	8,758,305
Auxiliary services	2,396,156	2,076,120	4,472,276	2,170,989	2,063,334	4,234,323
Operations and maintenance of physical plant	4,462,592	(4,462,592)	-	4,353,200	(4,353,200)	-
Depreciation and amortization	1,448,111	(1,448,111)	-	1,481,395	(1,481,395)	-
Interest expense	816,051	(816,051)	-	846,350	(846,350)	-
	<u>\$ 33,751,752</u>	<u>\$ -</u>	<u>\$ 33,751,752</u>	<u>\$ 32,960,428</u>	<u>\$ -</u>	<u>\$ 32,960,428</u>

Fundraising costs totaled approximately \$599,000 and \$611,000 for the years ended June 30, 2019 and 2018, respectively.

### Note 13. 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 (TIAA-CREF). Employees are eligible after one year of full-time employment and attaining the age of 21. 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 \$483,400 and \$447,500 in 2019 and 2018, respectively, which was charged to operating expenses.

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 14. 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 \$45,996 and \$45,664 for 2019 and 2018, respectively.

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

2020	\$	44,624
2021		37,764
2022		27,468
2023		5,580
2024		-
		<hr/>
	\$	<u>115,436</u>

**Note 15. 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 statements 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 which will be amortized on a straight-line basis over the term. The unamortized advance at June 30, 2019 and 2018 totaled \$104,247 and \$154,247, respectively, and is included in debt in the statements of financial position. The agreement also provides that if terminated, the College must repay the unamortized advance with interest at prime plus 2%.

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 16. Endowment**

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

	<b>2019</b>			<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds:						
Funds held by the College \$	-	\$ 18,633,659	\$ 18,633,659	\$ -	\$ 17,392,549	\$ 17,392,549
Funds held in trust by others	-	11,983,867	11,983,867	-	11,765,462	11,765,462
Total	<u>\$ -</u>	<u>\$ 30,617,526</u>	<u>\$ 30,617,526</u>	<u>\$ -</u>	<u>\$ 29,158,011</u>	<u>\$ 29,158,011</u>

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

	<b>2019</b>			<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning	<u>\$ -</u>	<u>\$ 29,158,011</u>	<u>\$ 29,158,011</u>	<u>\$ -</u>	<u>\$ 28,205,803</u>	<u>\$ 28,205,803</u>
Investment return:						
Investment income	-	382,651	382,651	-	332,408	332,408
Realized and unrealized gains	-	749,540	749,540	-	845,839	845,839
Total investment return	<u>-</u>	<u>1,132,191</u>	<u>1,132,191</u>	<u>-</u>	<u>1,178,247</u>	<u>1,178,247</u>
Contributions	-	49,754	49,754	-	189,480	189,480
Appropriation for expenditure and other expenses	-	14,141	14,141	-	(760,550)	(760,550)
Change in value of funds held in trust by others	-	218,405	218,405	-	329,390	329,390
Change in value of charitable remainder trust	<u>-</u>	<u>45,024</u>	<u>45,024</u>	<u>-</u>	<u>15,641</u>	<u>15,641</u>
Endowment net assets, ending	<u>\$ -</u>	<u>\$ 30,617,526</u>	<u>\$ 30,617,526</u>	<u>\$ -</u>	<u>\$ 29,158,011</u>	<u>\$ 29,158,011</u>

(Continued)

# TRINITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### Note 17. 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:

	2019				2018			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Financial assets:								
Investments:								
Domestic equities	\$ 11,667,342	\$ 11,667,342	\$ -	\$ -	\$ 11,846,972	\$ 11,846,972	\$ -	\$ -
Cash and equivalents and temporary investments	17,874,398	17,874,398	-	-	7,426,769	7,426,769	-	-
Fixed income, all other	6,859,865	6,859,865	-	-	6,535,346	6,535,346	-	-
Absolute return	7,761,804	7,761,804	-	-	6,457,386	6,457,386	-	-
Real assets	700,487	700,487	-	-	624,410	624,410	-	-
Total investments	44,863,896	44,863,896	-	-	32,890,883	32,890,883	-	-
Charitable trusts held by others	747,851	-	747,851	-	702,827	-	702,827	-
Funds held in trust by others	11,983,867	-	4,311,607	7,672,260	11,765,462	-	4,231,057	7,534,405
Total financial assets	<u>\$ 57,595,614</u>	<u>\$ 44,863,896</u>	<u>\$ 5,059,458</u>	<u>\$ 7,672,260</u>	<u>\$ 45,359,172</u>	<u>\$ 32,890,883</u>	<u>\$ 4,933,884</u>	<u>\$ 7,534,405</u>
Financial liabilities:								
Fair value of interest rate swap agreements	\$ 1,293,806	\$ -	\$ 1,293,806	\$ -	\$ 232,269	\$ -	\$ 232,269	\$ -
Total financial liabilities	<u>\$ 1,293,806</u>	<u>\$ -</u>	<u>\$ 1,293,806</u>	<u>\$ -</u>	<u>\$ 232,269</u>	<u>\$ -</u>	<u>\$ 232,269</u>	<u>\$ -</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 by others 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.

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:

	2019	2018
Balance, beginning	\$ 7,534,405	\$ 7,252,757
Net change in value	137,855	281,648
Balance, ending	<u>\$ 7,672,260</u>	<u>\$ 7,534,405</u>

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 18. Pending Pronouncements**

Revenue from contracts with customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and establishes a common revenue standard for U.S. financial reporting purposes. The guidance in ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). ASU 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and most industry-specific accounting guidance. Additionally, ASU 2014-09 supersedes some guidance included in ASC 605-35, *Revenue Recognition – Construction-Type and Production-Type Contracts*. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (e.g., assets within the scope of ASC 360, *Property, Plant, and Equipment*, and intangible assets within the scope of ASC 350, *Intangibles – Goodwill and Other*) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in ASU 2014-09. In July 2015, the FASB approved to defer the effective date of ASU 2014-09 by one year. Accordingly, ASU 2014-09 was effective for nonpublic entities for annual reporting periods beginning after December 15, 2018 and interim periods therein.

Lease accounting

On February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that lessees recognize all leases (other than leases with a term of 12 months or fewer) on the statement of financial position as lease liabilities, based upon the present value of the lease payments, with corresponding right of use assets. ASU 2016-02 also makes targeted changes to other aspects of current guidance, including identifying a lease and lease classification criteria as well as the lessor accounting model, including guidance on separating components of a contract and consideration in the contract. The amendments in ASU 2016-02 will be effective for the College on July 1, 2020, and will require modified retrospective application as of the beginning of the earliest period presented in the financial statements. Early application is permitted.