



# Trinity

FINANCIAL REPORT

JUNE 30, 2020

**TRINITY COLLEGE**  
**FINANCIAL REPORT**  
**June 30, 2020**

## CONTENTS

|  | Page |
|--|------|
| INDEPENDENT AUDITOR'S REPORT .....     | 1    |
| FINANCIAL STATEMENTS                   |      |
| Statements of Financial Position ..... | 3    |
| Statements of Activities.....          | 4    |
| Statements of Cash Flows .....         | 6    |
| Notes to Financial Statements .....    | 8    |



## 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, 2020 and 2019, 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; 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, 2020 and 2019, 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

Blacksburg, Virginia  
November 16, 2020

**TRINITY COLLEGE**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2020 and 2019**

|  | <b>2020</b>    | <b>2019</b>    |
|--|----------------|----------------|
| <b>ASSETS</b>  |                |                |
| Cash and cash equivalents  | \$ 11,404,907  | \$ 9,030,923   |
| Receivables and other assets, net of allowance for doubtful accounts:<br>2020, \$548,238; 2019, \$627,842 (Note 3) | 5,256,077      | 4,050,902      |
| Notes receivable, government student loans, net of allowance for<br>doubtful accounts 2020 and 2019: \$100,000     | 1,283,429      | 1,580,296      |
| Contributions receivable (Note 4)  | 1,255,945      | 1,358,702      |
| Investments (Note 5)   | 44,485,425     | 44,863,896     |
| Land, buildings, and equipment, net of accumulated<br>depreciation (Notes 6 and 8)                                 | 50,328,279     | 50,988,047     |
| Funds held in trust by others (Note 7)   | 11,383,711     | 11,983,867     |
| Total assets   | \$ 125,397,773 | \$ 123,856,633 |
| <b>LIABILITIES AND NET ASSETS</b>  |                |                |
| Accounts payable and accrued expenses  | \$ 1,908,306   | \$ 1,489,155   |
| Accrued wages and benefits   | 553,107        | 481,108        |
| Deferred revenues and deposits   | 1,828,422      | 1,440,079      |
| U.S. government grants refundable  | 1,395,222      | 1,451,038      |
| Asset retirement obligations   | 1,539,007      | 1,467,118      |
| Interest rate swap (Note 8)  | 2,637,543      | 1,293,806      |
| Debt (Note 8)  | 25,632,771     | 26,693,729     |
| Total liabilities  | 35,494,378     | 34,316,033     |
| <b>NET ASSETS (Note 9)</b>   |                |                |
| Without donor restrictions   | 57,903,972     | 57,489,594     |
| With donor restrictions  | 31,999,423     | 32,051,006     |
| Total net assets   | 89,903,395     | 89,540,600     |
| Total liabilities and net assets   | \$ 125,397,773 | \$ 123,856,633 |

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

TRINITY COLLEGE

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2020

|   | 2020                          |                            |               |
|---|-------------------------------|----------------------------|---------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
| <b>OPERATING REVENUES</b>   |                               |                            |               |
| Tuition and fees  | \$ 33,598,235                 | \$ -                       | \$ 33,598,235 |
| Less financial aid  | (12,780,458)                  | -                          | (12,780,458)  |
| Net tuition and fees (Note 10)  | 20,817,777                    | -                          | 20,817,777    |
| Gifts   | 3,012,160                     | 2,218,642                  | 5,230,802     |
| Investment income, endowment, and other (Note 5)                                  | -                             | 832,166                    | 832,166       |
| Interest income – temporary investments   | 69,822                        | (12,337)                   | 57,485        |
| Government COVID-19 relief (Note 18)  | -                             | 6,051,989                  | 6,051,989     |
| Government and private grants   | 929,309                       | -                          | 929,309       |
| Auxiliary services  | 3,109,623                     | -                          | 3,109,623     |
| Other revenues  | 521,168                       | -                          | 521,168       |
| Net assets released from restrictions and reclassifications (Note 11)             | 8,426,876                     | (8,426,876)                | -             |
| Total operating revenues  | 36,886,735                    | 663,584                    | 37,550,319    |
| <b>OPERATING EXPENSES</b>   |                               |                            |               |
| Educational and general   |                               |                            |               |
| Instruction   | 11,760,613                    | -                          | 11,760,613    |
| Public service  | 37,320                        | -                          | 37,320        |
| Academic support  | 3,916,405                     | -                          | 3,916,405     |
| Student services  | 6,366,688                     | -                          | 6,366,688     |
| Institutional support   | 9,464,177                     | -                          | 9,464,177     |
| Auxiliary services  | 4,244,983                     | -                          | 4,244,983     |
| Total operating expenses (Note 12)  | 35,790,186                    | -                          | 35,790,186    |
| Change in net assets, operating   | 1,096,549                     | 663,584                    | 1,760,133     |
| <b>NON-OPERATING INCOME</b>   |                               |                            |               |
| Gifts and private grants  | -                             | 115,286                    | 115,286       |
| Interest income   | -                             | 2,799                      | 2,799         |
| Investment return, net of amount available to support current operations (Note 5) | 620,356                       | (225,636)                  | 394,720       |
| Change in fair value of swap agreement  | (1,343,737)                   | -                          | (1,343,737)   |
| Loss on disposal of land, buildings, and equipment                                | (4,782)                       | -                          | (4,782)       |
| Change in value of funds held in trust by others                                  | -                             | (600,156)                  | (600,156)     |
| Change in value of charitable remainder trust                                     | -                             | 38,672                     | 38,672        |
| Other   | (170)                         | 30                         | (140)         |
| Net assets released from restrictions and reclassifications (Note 11)             | 46,162                        | (46,162)                   | -             |
| Change in net assets, non-operating   | (682,171)                     | (715,167)                  | (1,397,338)   |
| Change in net assets  | 414,378                       | (51,583)                   | 362,795       |
| <b>NET ASSETS</b>   |                               |                            |               |
| Beginning   | 57,489,594                    | 32,051,006                 | 89,540,600    |
| Ending  | \$ 57,903,972                 | \$ 31,999,423              | \$ 89,903,395 |

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<br/>Restrictions</b> | <b>With Donor<br/>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 COVID-19 relief (Note 18)  | -                                     | -                                  | -             |
| 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)                        | -             |
| Total operating revenues  | 31,463,286                            | 698,747                            | 32,162,033    |
| <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     |
| Total operating expenses (Note 12)  | 33,751,752                            | -                                  | 33,751,752    |
| Change in net assets, operating   | (2,288,466)                           | 698,747                            | (1,589,719)   |
| <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        |
| Other   | -                                     | -                                  | -             |
| Net assets released from restrictions and reclassifications (Note 11)             | 88,134                                | (88,134)                           | -             |
| Change in net assets, non-operating   | (288,824)                             | 690,156                            | 401,332       |
| Change in net assets  | (2,577,290)                           | 1,388,903                          | (1,188,387)   |
| <b>NET ASSETS</b>   |                                       |                                    |               |
| Beginning   | 60,066,884                            | 30,662,103                         | 90,728,987    |
| Ending  | \$ 57,489,594                         | \$ 32,051,006                      | \$ 89,540,600 |

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

**TRINITY COLLEGE**

**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2020 and 2019**

|   | <b>2020</b>   | <b>2019</b>    |
|---|---------------|----------------|
| <b>OPERATING ACTIVITIES</b>   |               |                |
| Change in net assets  | \$ 362,795    | \$ (1,188,387) |
| 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   | (277,298)     | (903,552)      |
| Change in fair value of interest rate swap agreement  | 1,343,737     | 1,061,537      |
| Amortization of bond issuance costs   | 14,000        | 14,000         |
| Contributions restricted for plant expansion and endowment                                  | (115,286)     | (50,673)       |
| Change in funds held in trust by others   | 600,156       | (218,405)      |
| Loss on disposal of land, buildings, and equipment  | 4,782         | -              |
| Depreciation and amortization   | 1,471,653     | 1,448,111      |
| Change in certain operating assets and liabilities:   |               |                |
| (Increase) decrease in:   |               |                |
| Receivables and other assets  | (1,205,175)   | 133,145        |
| Contributions receivable  | 102,757       | (74,232)       |
| Increase (decrease) in:   |               |                |
| Accounts payable and accrued expenses   | 434,829       | 303,412        |
| Accrued wages and benefits  | 71,999        | (412,926)      |
| Deferred revenues and deposits  | 388,343       | (72,320)       |
| Asset retirement obligations  | 71,889        | 68,531         |
| U.S. government grants refundable   | (55,816)      | 9,729          |
| Net cash provided by operating activities   | 3,213,365     | 117,970        |
| <b>INVESTING ACTIVITIES</b>   |               |                |
| Student loans collected   | 296,867       | 96,526         |
| Purchases of land, buildings, and equipment   | (816,667)     | (912,847)      |
| Change in accounts payable incurred on purchases  | (15,678)      | 34,019         |
| Change in investments, net of proceeds from sales   | 655,769       | (11,069,461)   |
| Net cash provided by (used in) investing activities   | 120,291       | (11,851,763)   |
| <b>FINANCING ACTIVITIES</b>   |               |                |
| Proceeds from contributions restricted for plant expansion and endowment                    | 115,286       | 50,673         |
| Proceeds of new debt  | 63,278        | -              |
| Payment of bond issuance costs  | (24,751)      | -              |
| Payments of debt  | (1,113,485)   | (1,093,828)    |
| Net cash used in financing activities   | (959,672)     | (1,043,155)    |
| Increase (decrease) in cash and cash equivalents  | 2,373,984     | (12,776,948)   |
| <b>CASH AND CASH EQUIVALENTS</b>  |               |                |
| Beginning   | 9,030,923     | 21,807,871     |
| Ending  | \$ 11,404,907 | \$ 9,030,923   |

(Continued)

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

**TRINITY COLLEGE**

**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2020 and 2019**

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| <b>SUPPLEMENTAL DISCLOSURES</b>   |                   |                   |
| Cash payments for interest (net of capitalized interest of<br>2020, \$901; 2019, \$1,957) | <u>\$ 849,544</u> | <u>\$ 812,961</u> |
| <b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND<br/>FINANCING ACTIVITIES</b>            |                   |                   |
| Purchases of land, buildings, and equipment included in accounts payable                  | <u>\$ 18,341</u>  | <u>\$ 34,019</u>  |

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

## TRINITY COLLEGE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

#### 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 (the “Board”) 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 accounting principles generally accepted in the United States of America (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 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 are reported in the statements of activities as net assets released from restrictions.

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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 \$853,702 and \$549,188 at June 30, 2020 and 2019, respectively.

Checks written on the College's \$-0- balance accounts of approximately \$326,000 and \$150,000 are included in accounts payable and accrued expenses as of June 30, 2020 and 2019, 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, 2020 and 2019, the College had student receivables, net of allowance, from non-current semesters of approximately \$935,000 and \$881,000, 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, 2020

**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.

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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.

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 the 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.

(Continued)

## TRINITY COLLEGE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

##### 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 on the statements of activities.

##### 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, 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 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.

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Net asset classifications of institutional funds (Continued)

*Interpretation of UPMIFA (Continued)*

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, the endowment assets are invested in a manner that is intended to provide an average annual rate of return of approximately 2% 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.

*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:

|  | <b>Minimum</b> | <b>Target<br/>Average</b> | <b>Maximum</b> |
|--|----------------|---------------------------|----------------|
| <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           |

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Net asset classifications of institutional funds (Continued)

*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, 2020 and 2019, the Board-approved spending formula for the endowment provided for an annual spending rate of not more than 5% 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, 2020 and 2019.

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 into service, or if the asset has already been placed into service, when the contribution is received.

(Continued)

## TRINITY COLLEGE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

##### Contributions (Continued)

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.

##### 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.

(Continued)

## TRINITY COLLEGE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

##### 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.

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 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 that 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. Concentrations of credit risk for investments are limited by the College’s policy of diversification of investments. Concentrations of credit risk for student accounts receivable and loans receivable are limited, due to a large base and geographic dispersion.

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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 16, 2020, the date the financial statements were available to be issued.

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

Financial assets available within one year of the statements of financial position date for general expenditure were as follows:

|  | <u>2020</u>          | <u>2019</u>          |
|--|----------------------|----------------------|
| Cash and cash equivalents  | \$ 11,404,907        | \$ 9,030,923         |
| Accounts receivable, net   | 3,165,278            | 1,833,989            |
| Other receivables  | 1,825,337            | 1,896,825            |
| Contributions receivable, due within one year without donor restrictions on use of funds | 17,083               | 12,229               |
| Investments appropriated for current use   | <u>14,518,726</u>    | <u>15,137,653</u>    |
|  | <u>\$ 30,931,331</u> | <u>\$ 27,911,619</u> |

The College's cash and cash equivalents include approximately \$854,000 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.

(Continued)

**TRINITY COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**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:

|                           | <b>2020</b>  | <b>2019</b>  |
|---------------------------|--------------|--------------|
| Student receivables, net  | \$ 3,165,278 | \$ 1,833,989 |
| Other receivables         | 1,825,337    | 1,896,825    |
| Prepaid expenses          | 163,144      | 147,818      |
| Accrued investment income | 102,318      | 172,270      |
|                           | \$ 5,256,077 | \$ 4,050,902 |

**Note 4. Contributions Receivable**

Contributions receivable consisted of the following as of June 30:

|  | <b>2020</b>  | <b>2019</b>  |
|--|--------------|--------------|
| Unconditional promises to give cash        | \$ 469,422   | \$ 610,851   |
| Charitable trusts held by others           | 786,523      | 747,851      |
|  | \$ 1,255,945 | \$ 1,358,702 |
| Expected to be collected in:               |              |              |
| Less than one year                         | \$ 487,328   | \$ 517,383   |
| One to five years                          | 38,033       | 95,083       |
| More than five years                       | 1,221,746    | 1,186,608    |
|  | 1,747,107    | 1,799,074    |
| Less:                                      |              |              |
| Actuarial present value of future payments | (435,223)    | (438,757)    |
| Discount to net present value at 0.85%     | (1,115)      | (1,615)      |
| Allowance for uncollectible contributions  | (54,824)     | -            |
|  | \$ 1,255,945 | \$ 1,358,702 |

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

|                            | <b>2020</b>  | <b>2019</b>  |
|----------------------------|--------------|--------------|
| Without donor restrictions | \$ 18,083    | \$ 24,751    |
| With donor restrictions    | 1,237,862    | 1,333,951    |
|                            | \$ 1,255,945 | \$ 1,358,702 |

(Continued)

**TRINITY COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**Note 4. Contributions Receivable (Continued)**

As of June 30, 2020 and 2019, 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, 2020 and 2019, the College recorded contributions from nine donors that totaled approximately 74.5% and 67.9% of contributions, respectively.

**Note 5. Investments**

Investments were comprised of the following as of June 30:

|                           | 2020          |        |               |        |               |        | 2019          |        |               |        |               |        |
|---------------------------|---------------|--------|---------------|--------|---------------|--------|---------------|--------|---------------|--------|---------------|--------|
|                           | Endowment     |        | Other         |        | Total         |        | Endowment     |        | Other         |        | Total         |        |
| <u>Equities:</u>          |               |        |               |        |               |        |               |        |               |        |               |        |
| <u>Domestic</u>           |               |        |               |        |               |        |               |        |               |        |               |        |
| Large cap growth          | \$ 3,044,328  | 16.1%  | \$ -          | -%     | \$ 3,044,328  | 6.8%   | \$ 2,363,777  | 12.9%  | \$ -          | -%     | \$ 2,363,777  | 5.3%   |
| Large cap value           | 2,039,324     | 10.8   | -             | -      | 2,039,324     | 4.7    | 2,114,484     | 11.5   | -             | -      | 2,114,484     | 4.7    |
| Midcap                    | 5,122,498     | 27.0   | -             | -      | 5,122,498     | 11.5   | 4,969,873     | 27.1   | -             | -      | 4,969,873     | 11.1   |
| Small cap value           | 460,879       | 2.4    | -             | -      | 460,879       | 1.0    | 425,557       | 2.3    | -             | -      | 425,557       | 0.9    |
| Mutual funds and other    | -             | -      | 1,784,113     | 7.0    | 1,784,113     | 4.0    | -             | -      | 1,793,651     | 6.8    | 1,793,651     | 4.0    |
| Total domestic equities   | 10,667,029    | 56.3   | 1,784,113     | 7.0    | 12,451,142    | 28.0   | 9,873,691     | 53.8   | 1,793,651     | 6.8    | 11,667,342    | 26.0   |
| <u>Fixed income</u>       |               |        |               |        |               |        |               |        |               |        |               |        |
| Cash and cash equivalents | -             | -      | 16,614,889    | 65.1   | 16,614,889    | 37.3   | -             | -      | 17,874,398    | 67.3   | 17,874,398    | 39.8   |
| All other                 | -             | -      | 7,124,567     | 27.9   | 7,124,567     | 16.1   | -             | -      | 6,859,865     | 25.9   | 6,859,865     | 15.3   |
| Total fixed income        | -             | -      | 23,739,456    | 93.0   | 23,739,456    | 53.4   | -             | -      | 24,734,263    | 93.2   | 24,734,263    | 55.1   |
| <u>Alternative income</u> |               |        |               |        |               |        |               |        |               |        |               |        |
| Absolute return           | 7,652,515     | 40.4   | -             | -      | 7,652,515     | 17.2   | 7,761,804     | 42.4   | -             | -      | 7,761,804     | 17.3   |
| Real assets               | 642,312       | 3.3    | -             | -      | 642,312       | 1.4    | 700,487       | 3.8    | -             | -      | 700,487       | 1.6    |
| Total alternative income  | 8,294,827     | 43.7   | -             | -      | 8,294,827     | 18.6   | 8,462,291     | 46.2   | -             | -      | 8,462,291     | 18.9   |
| Total investments         | \$ 18,961,856 | 100.0% | \$ 25,523,569 | 100.0% | \$ 44,485,425 | 100.0% | \$ 18,335,982 | 100.0% | \$ 26,527,914 | 100.0% | \$ 44,863,896 | 100.0% |

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

|                            | <u>2020</u>          | <u>2019</u>          |
|----------------------------|----------------------|----------------------|
| Without donor restrictions | \$ 22,908,823        | \$ 23,915,411        |
| With donor restrictions    | 21,576,602           | 20,948,485           |
|                            | <u>\$ 44,485,425</u> | <u>\$ 44,863,896</u> |

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 5. Investments (Continued)**

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

|                                 | <u>2020</u>          | <u>2019</u>          |
|---------------------------------|----------------------|----------------------|
| Endowment – held by the College | \$ 18,961,856        | \$ 18,335,981        |
| Trusts and annuities            | 2,614,746            | 2,612,504            |
| Current funds                   | <u>22,908,823</u>    | <u>23,915,411</u>    |
|                                 | <u>\$ 44,485,425</u> | <u>\$ 44,863,896</u> |

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

|   | <u>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| Investments, beginning  | \$ 44,863,896        | \$ 32,890,883        |
| Gifts and pledge payments available for investment and investment income reinvestment                         | <u>1,368,552</u>     | <u>1,389,754</u>     |
|   | <u>46,232,448</u>    | <u>34,280,637</u>    |
| Investment returns:   |                      |                      |
| Dividends and interest (net of expenses: 2020, \$86,072; 2019, \$77,752)                                      | <u>939,268</u>       | <u>984,335</u>       |
| Investment return, net of amount available to support current operations per statements of activities         | 394,720              | 1,046,350            |
| Add spending in excess of cash yield  | <u>(117,422)</u>     | <u>(142,798)</u>     |
| Net realized and unrealized gains   | <u>277,298</u>       | <u>903,552</u>       |
| Total return on investments   | <u>1,216,566</u>     | <u>1,887,887</u>     |
| Amounts appropriated for operations, net transfers to operational accounts, debt payments, and other activity | <u>(2,963,589)</u>   | <u>8,695,372</u>     |
| Investments, ending   | <u>\$ 44,485,425</u> | <u>\$ 44,863,896</u> |

(Continued)

**TRINITY COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**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:

|   | <b>2020</b>         | <b>2019</b>         |
|---|---------------------|---------------------|
| Investment income   | \$ 939,268          | \$ 984,335          |
| Net realized and unrealized gains on investments  | 277,298             | 903,552             |
| Total return on investments   | <b>\$ 1,216,566</b> | <b>\$ 1,887,887</b> |
| <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 | \$ 832,166          | \$ 772,863          |
| Investment return, net of amount available to support current operations  | 394,720             | 1,046,350           |
| Investment income, included in interest income – temporary investments  | (10,320)            | 68,674              |
|   | <b>\$ 1,216,566</b> | <b>\$ 1,887,887</b> |

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

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

|                               | <b>Estimated Useful Life</b> | <b>2020</b>          | <b>2019</b>          |
|-------------------------------|------------------------------|----------------------|----------------------|
| Buildings                     | 65 years                     | \$ 63,198,044        | \$ 63,198,044        |
| Building improvements         | 10 – 20 years                | 9,153,489            | 8,241,074            |
| Land improvements             | 50 years                     | 1,458,332            | 1,449,447            |
| Equipment                     | 5 years                      | 6,540,797            | 6,559,137            |
| Computer equipment            | 5 years                      | 3,270,473            | 3,118,950            |
|                               |                              | 83,621,135           | 82,566,652           |
| Less accumulated depreciation |                              | (33,376,074)         | (31,957,783)         |
| Total depreciation cost, net  |                              | 50,245,061           | 50,608,869           |
| Land                          |                              | 83,218               | 83,218               |
| Construction in progress      |                              | -                    | 295,960              |
|                               |                              | <b>\$ 50,328,279</b> | <b>\$ 50,988,047</b> |

Included in equipment are assets under capital leases of \$267,788 and \$328,200 at June 30, 2020 and 2019, respectively, with related accumulated depreciation of \$219,094 and \$261,782 for 2020 and 2019, respectively.

At June 30, 2019, construction in progress represented work completed to date on bathroom renovations.

(Continued)

**TRINITY COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**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:

|  | <u>Income<br/>Restriction</u> | <u>2020</u>          | <u>2019</u>          |
|--|-------------------------------|----------------------|----------------------|
| Claire Boothe Luce Fund                    | *                             | \$ 7,165,220         | \$ 7,672,260         |
| Helen Rotterman Trust                      | Unrestricted                  | 683,201              | 687,873              |
| M. Rotterman Trust                         | Unrestricted                  | 2,183,761            | 2,291,033            |
| Russell T. Finn Trust                      | Scholarships                  | 1,117,851            | 1,098,118            |
| Dougherty Scholarship<br>Irrevocable Trust | Educational<br>purposes       | <u>233,678</u>       | <u>234,583</u>       |
|  |                               | <u>\$ 11,383,711</u> | <u>\$ 11,983,867</u> |

\*Scholarships, fellowships, and professorships for women in science and technology. The annual income distribution totaled \$348,000 and \$340,000 for 2020 and 2019, respectively.

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 8. Debt**

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

|  | <b>2020</b>   | <b>2019</b>   |
|--|---------------|---------------|
| District of Columbia Series 2014A Bonds. The bonds bear interest at variable rates determined by the marketing agent (3.01% at June 30, 2020). 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.                             | \$ 11,115,000 | \$ 11,880,000 |
| District of Columbia Series 2014B Bonds. The bonds bear interest at variable rates determined by the marketing agent (3.45% at June 30, 2020). 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. | 14,095,000    | 14,290,000    |
| 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.  | 585,000       | 675,000       |
| Unsecured and interest-free obligation to Aramark Management Services for capital improvements, payable on a straight-line basis through July 2021.  | 54,247        | 104,247       |
| 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 5.00% through August 2019. Secured by equipment.   | -             | 2,266         |
| 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.  | 1,574         | 6,138         |

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 8. Debt (Continued)**

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

|   | <b>2020</b>             | <b>2019</b>             |
|---|-------------------------|-------------------------|
| 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. | 8,257                   | 14,911                  |
| In April of 2020, Trinity entered into an agreement with Truist Bank to receive a Payment Protection Program (PPP) Loan. This balance represents the amount of the loan that may not qualify for forgiveness.                 | 63,278                  | -                       |
| Unamortized bond issuance costs   | 25,922,356<br>(289,585) | 26,972,562<br>(278,833) |
|   | <b>\$ 25,632,771</b>    | <b>\$ 26,693,729</b>    |

Debt matures as follows:

|                      | <b>Debt</b>          | <b>Amortization<br/>of Bond<br/>Issuance<br/>Costs</b> | <b>Total</b>         |
|----------------------|----------------------|--|----------------------|
| Year ending June 30, |                      |  |                      |
| 2021                 | \$ 1,201,896         | \$ (15,375)  | \$ 1,186,521         |
| 2022                 | 1,120,460            | (15,375)   | 1,105,085            |
| 2023                 | 1,140,000            | (15,375)   | 1,124,625            |
| 2024                 | 1,175,000            | (15,375)   | 1,159,625            |
| 2025                 | 1,210,000            | (15,375)   | 1,194,625            |
| 2026 and thereafter  | 20,075,000           | (212,710)  | 19,862,290           |
|                      | <b>\$ 25,922,356</b> | <b>\$ (289,585)</b>                                    | <b>\$ 25,632,771</b> |

(Continued)

**TRINITY COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**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<br>(In Millions) |         | Fair Value            |                       |
|---------------------------|-----------------|----------------|------------------------|----------------------------------|---------|-----------------------|-----------------------|
|                           |                 |                |                        | 2020                             | 2019    | 2020                  | 2019                  |
| DC Series 2014A           | June 2026       | 2.836%         | IM<br>LIBOR            | \$ 11.1                          | \$ 11.9 | \$ (805,934)          | \$ (355,834)          |
| DC Series 2014B           | June 2026       | 3.275%         | IM<br>LIBOR            | \$ 14.1                          | \$ 14.3 | (1,639,763)           | (937,972)             |
| Series 2014<br>Reissuance | June 2026       | 0.178%         | IM<br>LIBOR            | \$ 25.2                          | \$ -    | (191,846)             | -                     |
|                           |                 |                |                        |                                  |         | <u>\$ (2,637,543)</u> | <u>\$ (1,293,806)</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 on 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:

|                                     | <u>2020</u>       | <u>2019</u>       |
|-------------------------------------|-------------------|-------------------|
| Expensed                            | \$ 849,544        | \$ 816,051        |
| Amortization of bond issuance costs | 14,458            | 14,000            |
| Capitalized                         | 901               | 1,957             |
|                                     | <u>\$ 864,903</u> | <u>\$ 832,008</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, 2020, the College has met that requirement. The other major covenant requires the College to maintain unencumbered unrestricted liquidity (UUL) on hand of \$15,000,000. For the years ended 2020 and 2019, the College has met this requirement.

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 9. Net Assets**

Net assets as of June 30 consisted of the following:

|   | <b>2020</b>          | <b>2019</b>          |
|---|----------------------|----------------------|
| <b>Without donor restrictions:</b>                            |                      |                      |
| Investment in land, buildings, and equipment, net of debt     | \$ 20,582,038        | \$ 21,533,393        |
| Designated by the Board                                       | 1,563,902            | 2,169,326            |
| Other   | 35,758,032           | 33,786,875           |
| <b>Total net assets without donor restrictions</b>            | <b>57,903,972</b>    | <b>57,489,594</b>    |
| <b>With donor restrictions:</b>                               |                      |                      |
| Subject to expenditure for specific purposes and time:        |                      |                      |
| Accumulated endowment investment return, net of amounts spent | 9,887,967            | 9,305,035            |
| Amounts held for trust and annuity payments                   | 24,737               | 25,270               |
| Restricted for future operations                              | (67,814)             | 74,280               |
| Restricted for public service expenses                        | 165,044              | 167,904              |
| Restricted for buildings and equipment                        | 717,971              | 586,926              |
| Contributions receivable                                      | 501,162              | 579,100              |
|   | 11,229,067           | 10,738,515           |
| Restricted in perpetuity; only the income is expendable:      |                      |                      |
| Endowment principal   | 8,595,122            | 8,573,773            |
| Contributions receivable                                      | 791,523              | 754,851              |
| Funds held in trust by others                                 | 11,383,711           | 11,983,867           |
| <b>Total net assets with donor restrictions</b>               | <b>31,999,423</b>    | <b>32,051,006</b>    |
| <b>Total net assets</b>                                       | <b>\$ 89,903,395</b> | <b>\$ 89,540,600</b> |

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.

**TRINITY COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**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 78.6% and 77.9% of total tuition and fees for 2020 and 2019, respectively. Financial aid for undergraduates totaled \$12,424,891 and \$11,412,462, respectively, with the unfunded portion of these amounts totaling 39.5% and 36.4%, 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:

|                                  | <b>2020</b>  | <b>2019</b>  |
|----------------------------------|--------------|--------------|
| Operating:                       |              |              |
| Financial aid                    | \$ 1,708,614 | \$ 1,597,703 |
| Instructional expenses           | 259,150      | 458,389      |
| Student services                 | 160,708      | 35,726       |
| Academic support                 | 383,575      | 498,494      |
| Public service expenses          | 13,500       | 10,050       |
| COVID-19 qualifying expenditures | 5,901,329    | -            |
| Total operating                  | 8,426,876    | 2,600,362    |
| Non-operating:                   |              |              |
| Plant expenses                   | 46,162       | 88,134       |
| Total non-operating              | 46,162       | 88,134       |
|                                  | \$ 8,473,038 | \$ 2,688,496 |

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 12. Operating Expenses

The table below presents expenses by both their nature and function for fiscal year 2020:

|                                     | Program Services     |                     |                  |                     |                       |                      | Institutional Support | 2020 Total           |
|-------------------------------------|----------------------|---------------------|------------------|---------------------|-----------------------|----------------------|-----------------------|----------------------|
|                                     | Instruction          | Academic Support    | Public Service   | Student Services    | Auxiliary Enterprises | Subtotal             |                       |                      |
| Salaries                            | \$ 8,756,846         | \$ 2,945,397        | \$ 9,603         | \$ 2,912,956        | \$ 1,228,114          | \$ 15,852,916        | \$ 3,517,703          | \$ 19,370,619        |
| Employee benefits and payroll taxes | 1,425,332            | 473,337             | 7                | 547,313             | 158,555               | 2,604,544            | 806,461               | 3,411,005            |
| Food services                       | 6,158                | 1,245               | -                | 77,298              | 904,575               | 989,276              | 59,893                | 1,049,169            |
| Depreciation                        | 306,168              | 61,234              | -                | 404,370             | 526,837               | 1,298,609            | 244,933               | 1,543,542            |
| Utilities                           | 275,612              | 11,024              | -                | 176,392             | 723,460               | 1,186,488            | 176,392               | 1,362,880            |
| Repairs and maintenance             | 12,815               | 1,234               | -                | 2,911               | 120,372               | 137,332              | 70,557                | 207,889              |
| Supplies                            | 289,863              | 306,738             | 832              | 42,430              | 53,650                | 693,513              | 24,574                | 718,087              |
| Contract services                   | 15,239               | 14,103              | 2,565            | 148,480             | 247,796               | 428,183              | 2,699,985             | 3,128,168            |
| Interest                            | 212,611              | 42,522              | -                | 170,089             | 255,134               | 680,356              | 170,089               | 850,445              |
| Bad debts                           | -                    | -                   | -                | -                   | -                     | -                    | 504,906               | 504,906              |
| Advertising and publication         | -                    | 28,641              | -                | 185,054             | 4,100                 | 217,795              | 85,436                | 303,231              |
| Insurance                           | -                    | -                   | -                | 13,279              | -                     | 13,279               | 421,091               | 434,370              |
| Travel and meals                    | 29,184               | 5,299               | 1,412            | 49,921              | 533                   | 86,349               | 10,098                | 96,447               |
| Bookstore purchases                 | 18,464               | -                   | -                | 253                 | -                     | 18,717               | 879                   | 19,596               |
| Telephone                           | -                    | -                   | -                | -                   | -                     | -                    | 63,466                | 63,466               |
| Postage                             | 96                   | 6,167               | -                | 607                 | 49                    | 6,919                | 44,576                | 51,495               |
| COVID CARES grant                   | 371,010              | -                   | -                | 1,173,377           | -                     | 1,544,387            | 265,704               | 1,810,091            |
| Other                               | 41,215               | 19,464              | 22,901           | 461,958             | 21,808                | 567,346              | 297,434               | 864,780              |
| <b>Total</b>                        | <b>\$ 11,760,613</b> | <b>\$ 3,916,405</b> | <b>\$ 37,320</b> | <b>\$ 6,366,688</b> | <b>\$ 4,244,983</b>   | <b>\$ 26,326,009</b> | <b>\$ 9,464,177</b>   | <b>\$ 35,790,186</b> |

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

|                                     | Program Services     |                     |                  |                     |                       |                      | Institutional Support | 2019 Total           |
|-------------------------------------|----------------------|---------------------|------------------|---------------------|-----------------------|----------------------|-----------------------|----------------------|
|                                     | Instruction          | Academic Support    | Public Service   | Student Services    | Auxiliary Enterprises | Subtotal             |                       |                      |
| Salaries                            | \$ 7,884,215         | \$ 2,562,438        | \$ 7,580         | \$ 2,544,570        | \$ 615,200            | \$ 13,614,003        | \$ 3,104,036          | \$ 16,718,039        |
| Employee benefits and payroll taxes | 1,225,592            | 424,979             | -                | 437,143             | 83,969                | 2,171,683            | 787,914               | 2,959,597            |
| Food services                       | 7,315                | -                   | -                | 68,139              | 1,125,938             | 1,201,392            | 52,730                | 1,254,122            |
| Depreciation                        | 289,410              | 57,882              | -                | 376,764             | 492,528               | 1,216,584            | 231,527               | 1,448,111            |
| Utilities                           | 365,139              | 73,028              | -                | 292,111             | 773,510               | 1,503,788            | 292,111               | 1,795,899            |
| Repairs and maintenance             | 46,920               | 2,433               | -                | 14,382              | 103,708               | 167,443              | 76,883                | 244,326              |
| Supplies                            | 199,692              | 320,392             | 9,768            | 73,266              | 96,180                | 699,298              | 39,697                | 738,995              |
| Contract services                   | 694,502              | 167,047             | 855              | 585,481             | 893,476               | 2,341,361            | 2,924,891             | 5,266,252            |
| Interest                            | 204,502              | 40,900              | -                | 163,602             | 245,402               | 654,406              | 161,645               | 816,051              |
| Bad debts                           | -                    | -                   | -                | 18                  | 346                   | 364                  | 625,937               | 626,301              |
| Advertising and publication         | 1,038                | 29,860              | -                | 263,756             | 2,242                 | 296,896              | 70,474                | 367,370              |
| Insurance                           | -                    | -                   | -                | 13,254              | -                     | 13,254               | 470,270               | 483,524              |
| Travel and meals                    | 2,384                | -                   | -                | 727                 | 133                   | 3,244                | 3,163                 | 6,407                |
| Bookstore purchases                 | -                    | -                   | -                | -                   | -                     | -                    | 33,598                | 33,598               |
| Telephone                           | 303                  | 18,034              | -                | 512                 | 453                   | 19,302               | 62,125                | 81,427               |
| Postage                             | 322,110              | 16,058              | 11,909           | 73,927              | 4,061                 | 428,065              | 261,677               | 689,742              |
| Other                               | 66,112               | 10,585              | 1,042            | 73,313              | 35,130                | 186,182              | 35,809                | 229,991              |
| <b>Total</b>                        | <b>\$ 11,309,234</b> | <b>\$ 3,723,636</b> | <b>\$ 31,154</b> | <b>\$ 4,980,965</b> | <b>\$ 4,472,276</b>   | <b>\$ 24,517,265</b> | <b>\$ 9,234,487</b>   | <b>\$ 33,751,752</b> |

(Continued)

**TRINITY COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**Note 12. Operating Expenses (Continued)**

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 55.0% and 9.5% of total expenses, respectively, for 2020 and 49.5% and 8.8%, respectively, for 2019. 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 73.6% and 72.6% in 2020 and 2019, respectively.

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:

|   | <b>2020</b>                  |                               |                            | <b>2019</b>                  |                               |                            |
|---|------------------------------|-------------------------------|----------------------------|------------------------------|-------------------------------|----------------------------|
|   | <b>Before<br/>Allocation</b> | <b>Expense<br/>Allocation</b> | <b>Final<br/>Allocated</b> | <b>Before<br/>Allocation</b> | <b>Expense<br/>Allocation</b> | <b>Final<br/>Allocated</b> |
| Education and general:                              |                              |                               |                            |                              |                               |                            |
| Instruction   | \$ 10,139,388                | \$ 1,621,225                  | \$ 11,760,613              | \$ 9,700,163                 | \$ 1,609,071                  | \$ 11,309,234              |
| Public service                                      | 37,320                       | -                             | 37,320                     | 31,154                       | -                             | 31,154                     |
| Academic support                                    | 3,592,160                    | 324,245                       | 3,916,405                  | 3,401,822                    | 321,814                       | 3,723,636                  |
| Student services                                    | 4,910,271                    | 1,456,417                     | 6,366,688                  | 3,548,473                    | 1,432,492                     | 4,980,965                  |
| Institutional support                               | 8,167,196                    | 1,296,981                     | 9,464,177                  | 7,947,230                    | 1,287,257                     | 9,234,487                  |
| Auxiliary services                                  | 2,140,076                    | 2,104,907                     | 4,244,983                  | 2,396,156                    | 2,076,120                     | 4,472,276                  |
| Operations and maintenance<br>of the physical plant | 4,409,788                    | (4,409,788)                   | -                          | 4,462,592                    | (4,462,592)                   | -                          |
| Depreciation and amortization                       | 1,543,542                    | (1,543,542)                   | -                          | 1,448,111                    | (1,448,111)                   | -                          |
| Interest expense                                    | 850,445                      | (850,445)                     | -                          | 816,051                      | (816,051)                     | -                          |
|   | <u>\$ 35,790,186</u>         | <u>\$ -</u>                   | <u>\$ 35,790,186</u>       | <u>\$ 33,751,752</u>         | <u>\$ -</u>                   | <u>\$ 33,751,752</u>       |

Fundraising costs totaled approximately \$663,000 and \$599,000 for the years ended June 30, 2020 and 2019, 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-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 \$495,000 and \$483,000 in 2020 and 2019, respectively, which was charged to operating expenses.

(Continued)

**TRINITY COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**Note 14. Operating Leases**

The College leases several copiers and a mailing system under non-cancelable leases expiring through August 2024. Rent expense under these operating leases was \$57,052 and \$45,996 for 2020 and 2019, respectively.

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

|      |    |                |
|------|----|----------------|
| 2021 | \$ | 48,301         |
| 2022 |    | 38,005         |
| 2023 |    | 16,117         |
| 2024 |    | 10,537         |
| 2025 |    | 876            |
|      |    | <hr/>          |
|      | \$ | <u>113,836</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, 2020 and 2019 totaled \$54,247 and \$104,247, respectively, and is included in debt on 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%.

(Continued)

**TRINITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 16. Endowment**

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

|                                   | <u>2020</u>                       |                                |                      | <u>2019</u>                       |                                |                      |
|-----------------------------------|-----------------------------------|--------------------------------|----------------------|-----------------------------------|--------------------------------|----------------------|
|                                   | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u>         | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u>         |
| Donor-restricted endowment funds: |                                   |                                |                      |                                   |                                |                      |
| Funds held by the College \$      | -                                 | \$ 19,739,356                  | \$ 19,739,356        | \$ -                              | \$ 18,633,659                  | \$ 18,633,659        |
| Funds held in trust by others     | -                                 | 11,383,711                     | 11,383,711           | -                                 | 11,983,867                     | 11,983,867           |
| Total                             | <u>\$ -</u>                       | <u>\$ 31,123,067</u>           | <u>\$ 31,123,067</u> | <u>\$ -</u>                       | <u>\$ 30,617,526</u>           | <u>\$ 30,617,526</u> |

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

|  | <u>2020</u>                       |                                |                      | <u>2019</u>                       |                                |                      |
|--|-----------------------------------|--------------------------------|----------------------|-----------------------------------|--------------------------------|----------------------|
|  | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u>         | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u>         |
| Endowment net assets, beginning                  | \$ -                              | \$ 30,617,526                  | \$ 30,617,526        | \$ -                              | \$ 29,158,011                  | \$ 29,158,011        |
| Investment return:                               |                                   |                                |                      |                                   |                                |                      |
| Investment income                                | -                                 | 399,695                        | 399,695              | -                                 | 382,651                        | 382,651              |
| Realized and unrealized gains                    | -                                 | 225,986                        | 225,986              | -                                 | 749,540                        | 749,540              |
| Total investment return                          | -                                 | 625,681                        | 625,681              | -                                 | 1,132,191                      | 1,132,191            |
| Contributions                                    | -                                 | 20,552                         | 20,552               | -                                 | 49,754                         | 49,754               |
| Appropriation for expenditure and other expenses | -                                 | 420,792                        | 420,792              | -                                 | 14,141                         | 14,141               |
| Change in value of funds held in trust by others | -                                 | (600,156)                      | (600,156)            | -                                 | 218,405                        | 218,405              |
| Change in value of charitable remainder trust    | -                                 | 38,672                         | 38,672               | -                                 | 45,024                         | 45,024               |
| Endowment net assets, ending                     | <u>\$ -</u>                       | <u>\$ 31,123,067</u>           | <u>\$ 31,123,067</u> | <u>\$ -</u>                       | <u>\$ 30,617,526</u>           | <u>\$ 30,617,526</u> |

**TRINITY COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**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:

|  | <u>2020</u>          |                      |                     |                     | <u>2019</u>          |                      |                     |                     |
|--|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|
|  | <u>Fair Value</u>    | <u>Level 1</u>       | <u>Level 2</u>      | <u>Level 3</u>      | <u>Fair Value</u>    | <u>Level 1</u>       | <u>Level 2</u>      | <u>Level 3</u>      |
| Financial assets:                                    |                      |                      |                     |                     |                      |                      |                     |                     |
| Investments  |                      |                      |                     |                     |                      |                      |                     |                     |
| Domestic equities                                    | \$ 12,451,142        | \$ 12,451,142        | \$ -                | \$ -                | \$ 11,667,342        | \$ 11,667,342        | \$ -                | \$ -                |
| Cash and equivalents<br>and temporary<br>investments | 16,614,889           | 16,614,889           | -                   | -                   | 17,874,398           | 17,874,398           | -                   | -                   |
| Fixed income, all<br>other                           | 7,124,567            | 7,124,567            | -                   | -                   | 6,859,865            | 6,859,865            | -                   | -                   |
| Absolute return                                      | 7,652,515            | 7,652,515            | -                   | -                   | 7,761,804            | 7,761,804            | -                   | -                   |
| Real assets  | <u>642,312</u>       | <u>642,312</u>       | <u>-</u>            | <u>-</u>            | <u>700,487</u>       | <u>700,487</u>       | <u>-</u>            | <u>-</u>            |
| Total investments                                    | 44,485,425           | 44,485,425           | -                   | -                   | 44,863,896           | 44,863,896           | -                   | -                   |
| Charitable trusts held by<br>others                  | 786,523              | -                    | 786,523             | -                   | 747,851              | -                    | 747,851             | -                   |
| Funds held in trust<br>by others                     | <u>11,383,711</u>    | <u>-</u>             | <u>4,218,491</u>    | <u>7,165,220</u>    | <u>11,983,867</u>    | <u>-</u>             | <u>4,311,607</u>    | <u>7,672,260</u>    |
| Total financial<br>assets                            | <u>\$ 56,655,659</u> | <u>\$ 44,485,425</u> | <u>\$ 5,005,014</u> | <u>\$ 7,165,220</u> | <u>\$ 57,595,614</u> | <u>\$ 44,863,896</u> | <u>\$ 5,059,458</u> | <u>\$ 7,672,260</u> |
| Financial liabilities:                               |                      |                      |                     |                     |                      |                      |                     |                     |
| Fair value of interest<br>rate swap agreements       |                      |                      |                     |                     |                      |                      |                     |                     |
|  | <u>\$ 2,637,543</u>  | <u>\$ -</u>          | <u>\$ 2,637,543</u> | <u>\$ -</u>         | <u>\$ 1,293,806</u>  | <u>\$ -</u>          | <u>\$ 1,293,806</u> | <u>\$ -</u>         |
| Total financial<br>liabilities                       | <u>\$ 2,637,543</u>  | <u>\$ -</u>          | <u>\$ 2,637,543</u> | <u>\$ -</u>         | <u>\$ 1,293,806</u>  | <u>\$ -</u>          | <u>\$ 1,293,806</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:

|                     | <u>2020</u>         | <u>2019</u>         |
|---------------------|---------------------|---------------------|
| Balance, beginning  | \$ 7,672,260        | \$ 7,534,405        |
| Net change in value | <u>(507,040)</u>    | <u>137,855</u>      |
| Balance, ending     | <u>\$ 7,165,220</u> | <u>\$ 7,672,260</u> |

(Continued)

## TRINITY COLLEGE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

#### Note 18. COVID-19 Outbreak

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The COVID-19 outbreak in the United States has caused business disruptions through mandated and voluntary closings of higher education institutions. While the closings were temporary, there has been a change in the environment in how courses are delivered along with the implementation of various safety protocols.

In an effort to mitigate the potential impact, the College applied for and received a Paycheck Protection Program (PPP) loan of \$3,886,900 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). Under the program terms, PPP loans are forgiven and recognized as grant revenue if the loan proceeds are used to maintain compensation costs, employee headcount, and other qualifying expenses (mortgage interest, rent, and utilities) incurred following receipt of the loan. The College has opted to use all of this money, less the 1% or \$63,278, calculated to not be forgiven to fund payroll and other internal costs within the guidelines set forth by the loan. As of June 30, 2020, the College recognized government COVID-19 relief revenue of \$3,823,622. The College released the revenue in accordance with the guidelines. The College expects the loan to be forgiven under the guidelines set forth by the PPP.

Also included as part of the CARES Act is the Higher Education Emergency Relief Fund (HEERF), which is an allotment of funding for higher education institutions for budgetary relief. Each institution receives one grant comprised of two parts – student aid and institutional aid. No less than 50% of the grant must be used for direct emergency aid to students including grants for food, housing, course materials, technology, healthcare, and childcare. The remaining portion of up to 50% of the grant can be used as institutional aid to cover costs related to significant changes in the delivery of instruction due to the COVID-19 outbreak. The College has been allotted \$1,960,751 in HEERF funds with the student portion and institutional portion totaling \$980,375 each. The College has drawn down all of these funds and is accounting for them as government COVID-19 relief revenue with donor restrictions on the statements of activities. Amounts are released from restrictions as qualified expenses are incurred. For the year ended June 30, 2020, the College has released \$1,810,091. The portion of the grant restricted to students was distributed directly to students in May 2020. The portion of the grant that the College received as unrestricted funding was used to offset its residential refund to students and College costs directly related to the COVID-19 outbreak.

In addition to the CARES funding above, the College received an additional grant from the U.S. Department of Education under the Higher Education Emergency Relief for Minority Serving Institutions for \$267,616. This money was provided for budgetary relief and was used to offset losses incurred due to shutdowns of conferences, the Trinity Center, and other auxiliary services. The College accounted for these funds as government COVID-19 relief revenue with donor restrictions on the statements of activities. Amounts were released from restrictions as qualified expenses were incurred.

(Continued)

## TRINITY COLLEGE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

#### Note 18. COVID-19 Outbreak (Continued)

As a result of suspending the offering of in-person learning, housing, and many campus amenities in late March of 2020, the College has refunded the applicable portion of boarding fees and meal services fees for spring semester 2020 that was already collected from students at that point in time. The refund totaled \$141,252 for spring 2020. The refunds were primarily credited back to students through their student accounts, reducing the amount owed to the College for current enrollment costs.

The College has opened the fall 2020 semester to resident students with significant safety policies and procedures in place. However, the College is not able to estimate the effects of the COVID-19 outbreak on its financial condition, liquidity, or results of operations for fiscal year 2021 given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread.

#### Note 19. Pending Pronouncements

##### Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 clarifies the principles for recognizing revenue and establishes a common revenue standard for U.S. financial reporting purposes. The guidance in ASU No. 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 (e.g., insurance contracts or lease contracts). ASU No. 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and most industry-specific accounting guidance. Additionally, ASU No. 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 No. 2014-09. ASU No. 2014-09 is effective for nonpublic entities for annual reporting periods beginning after December 15, 2019 and interim periods therein.

##### Lease accounting

On February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires that lessees recognize all leases (other than leases with a term of 12 months or fewer) on the statements of financial position as lease liabilities, based upon the present value of the lease payments, with corresponding right of use assets. ASU No. 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 No. 2016-02 will be effective for the College on July 1, 2023, and will require modified retrospective application as of the beginning of the earliest period presented in the financial statements. Early application is permitted.