



Trinity

FINANCIAL REPORT

JUNE 30, 2023

TRINITY COLLEGE
FINANCIAL REPORT
June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Trinity College (the "College"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

CERTIFIED PUBLIC ACCOUNTANTS

Christiansburg, Virginia
November 22, 2023

TRINITY COLLEGE

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 12,840,349	\$ 15,132,707
Receivables and other assets, net of allowance for doubtful accounts: 2023 \$809,361; 2022 \$867,595 (Note 4)	11,280,821	5,855,867
Notes receivable, government student loans, net of allowance for doubtful accounts	52,944	52,944
Contributions receivable (Note 5)	1,958,185	2,138,775
Investments (Note 6)	58,902,640	49,965,914
Land, buildings, and equipment, net of accumulated depreciation (Notes 7 and 9)	48,257,081	49,500,274
Funds held in trust by others (Note 8)	13,410,225	13,874,793
	\$ 146,702,245	\$ 136,521,274
Total assets	\$ 146,702,245	\$ 136,521,274
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 3,107,003	\$ 1,469,138
Accrued wages and benefits	409,901	683,684
Deferred revenues and deposits	2,080,183	1,959,034
U.S. government grants refundable	-	143,607
Asset retirement obligations	1,776,507	1,693,524
Interest rate swap (Note 9)	-	(48,623)
Debt (Note 9)	23,335,766	24,249,658
	30,709,360	30,150,022
Total liabilities	30,709,360	30,150,022
NET ASSETS (Note 10)		
Without donor restrictions	67,664,946	69,029,299
With donor restrictions	48,327,939	37,341,953
	115,992,885	106,371,252
Total net assets	115,992,885	106,371,252
Total liabilities and net assets	\$ 146,702,245	\$ 136,521,274

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

TRINITY COLLEGE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Tuition and fees	\$ 33,224,153	\$ -	\$ 33,224,153
Less financial aid	(13,145,520)	-	(13,145,520)
Net tuition and fees (Note 11)	20,078,633	-	20,078,633
Contributions of cash and other financial assets	3,651,372	9,296,158	12,947,530
Investment income, endowment, and other (Note 6)	421,311	856,164	1,277,475
Interest income – temporary investments	136,534	(22,514)	114,020
Government COVID-19 relief (Note 19)	-	495,836	495,836
Government grants	1,262,685	-	1,262,685
Auxiliary services (Note 11)	2,827,907	-	2,827,907
Other revenues	311,747	-	311,747
Net assets released from restrictions and reclassifications (Note 12)	6,434,618	(6,434,618)	-
Total operating revenues	35,124,807	4,191,026	39,315,833
OPERATING EXPENSES			
Educational and general			
Instruction	9,869,834	-	9,869,834
Public service	24,585	-	24,585
Academic support	6,240,670	-	6,240,670
Student services	6,617,083	-	6,617,083
Institutional support	9,955,909	-	9,955,909
Auxiliary services	4,664,919	-	4,664,919
Total operating expenses (Note 13)	37,373,000	-	37,373,000
Change in net assets, operating	(2,248,193)	4,191,026	1,942,833
NON-OPERATING INCOME			
Contributions of cash and other financial assets	-	5,762,673	5,762,673
Interest income	-	30,524	30,524
Investment return, net of amount available to support current operations (Note 6)	1,196,839	1,362,977	2,559,816
Change in fair value of swap agreement	(48,623)	-	(48,623)
Change in value of funds held in trust by others	-	(464,568)	(464,568)
Change in value of charitable remainder trust	-	22,315	22,315
Other	(183,337)	-	(183,337)
Net assets released from restrictions and reclassifications (Note 12)	(81,039)	81,039	-
Change in net assets, non-operating	883,840	6,794,960	7,678,800
Change in net assets	(1,364,353)	10,985,986	9,621,633
NET ASSETS			
Beginning	69,029,299	37,341,953	106,371,252
Ending	\$ 67,664,946	\$ 48,327,939	\$ 115,992,885

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

TRINITY COLLEGE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Tuition and fees	\$ 34,058,343	\$ -	\$ 34,058,343
Less financial aid	(13,533,048)	-	(13,533,048)
Net tuition and fees (Note 11)	20,525,295	-	20,525,295
Contributions of cash and other financial assets	2,514,625	5,365,146	7,879,771
Investment income, endowment, and other (Note 6)	348,001	692,593	1,040,594
Interest income – temporary investments	141,874	(88,835)	53,039
Government COVID-19 relief (Note 19)	-	6,933,253	6,933,253
Government grants	844,391	-	844,391
Auxiliary services (Note 11)	2,604,922	-	2,604,922
Other revenues	328,250	-	328,250
Net assets released from restrictions and reclassifications (Note 12)	11,599,421	(11,599,421)	-
Total operating revenues	38,906,779	1,302,736	40,209,515
OPERATING EXPENSES			
Educational and general			
Instruction	10,515,222	-	10,515,222
Public service	25,358	-	25,358
Academic support	5,197,365	-	5,197,365
Student services	10,009,682	-	10,009,682
Institutional support	9,090,760	-	9,090,760
Auxiliary services	4,394,435	-	4,394,435
Total operating expenses (Note 13)	39,232,822	-	39,232,822
Change in net assets, operating	(326,043)	1,302,736	976,693
NON-OPERATING INCOME			
Contributions of cash and other financial assets	-	810,203	810,203
Interest income	-	(6,933)	(6,933)
Investment return, net of amount available to support current operations (Note 6)	(2,669,058)	(4,538,943)	(7,208,001)
Change in fair value of swap agreement	1,750,101	-	1,750,101
Change in value of funds held in trust by others	-	(313,002)	(313,002)
Change in value of charitable remainder trust	-	(89,465)	(89,465)
Other	(68)	(29)	(97)
Net assets released from restrictions and reclassifications (Note 12)	3,000	(3,000)	-
Change in net assets, non-operating	(916,025)	(4,141,169)	(5,057,194)
Change in net assets	(1,242,068)	(2,838,433)	(4,080,501)
NET ASSETS			
Beginning	70,271,367	40,180,386	110,451,753
Ending	\$ 69,029,299	\$ 37,341,953	\$ 106,371,252

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

TRINITY COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	\$ 9,621,633	\$ (4,080,501)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-operating and noncash items:		
Net realized and unrealized (gain) loss on investments	(2,220,230)	7,627,903
Change in fair value of interest rate swap agreement	48,623	(1,750,101)
Amortization of bond issuance costs	266,055	15,375
Contributions restricted for plant expansion and endowment	(5,609,729)	(678,196)
Change in funds held in trust by others	464,568	313,002
Depreciation and amortization	1,438,547	1,416,531
Change in certain operating assets and liabilities:		
(Increase) decrease in:		
Receivables and other assets	(3,724,794)	1,372,497
Contributions receivable	180,590	(426,114)
Notes receivable, government	-	(3,033)
Increase (decrease) in:		
Accounts payable and accrued expenses	(62,295)	32,554
Accrued wages and benefits	(273,783)	(98,736)
Deferred revenues and deposits	121,149	275,267
Asset retirement obligations	82,983	79,106
U.S. government grants refundable	(143,607)	216,254
Net cash provided by operating activities	189,711	4,311,808
INVESTING ACTIVITIES		
Purchases of land, buildings, and equipment	(195,354)	(1,048,474)
Change in accounts payable incurred on purchases	-	(43,169)
Change in investments, net of proceeds from sales	(6,716,495)	(583,991)
Net cash used in investing activities	(6,911,849)	(1,675,634)
FINANCING ACTIVITIES		
Proceeds from contributions restricted for plant expansion and endowment	5,609,729	678,196
Proceeds of new debt	60,051	1,000,000
Payments of debt	(1,240,000)	(1,210,791)
Net cash provided by financing activities	4,429,780	467,405
Increase (decrease) in cash and cash equivalents	(2,292,358)	3,103,579
CASH AND CASH EQUIVALENTS		
Beginning	15,132,707	12,029,128
Ending	\$ 12,840,349	\$ 15,132,707

(Continued)

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

TRINITY COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
SUPPLEMENTAL DISCLOSURES		
Cash payments for interest (net of capitalized interest of 2023 \$-0-; 2022 \$-0-)	<u>\$ 811,690</u>	<u>\$ 815,800</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Refinance existing debt	<u>\$ 22,145,000</u>	<u>\$ -</u>

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

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 Washington University” 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 the *Code of the District of Columbia*.

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 on the statement of activities as net assets released from restrictions.

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Recent accounting pronouncement

Effective July 1, 2022, the College adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This standard requires that lessees recognize all leases (other than leases with a term of twelve months or less) on the balance sheet as lease liabilities, based upon the present value of the lease payments, with corresponding right of use assets. ASU 2016 also makes targeted changes to other aspects of current guidance, including identifying 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 College elected the package of practical expedients permitted under transition guidance, which among other things, allowed it to carry forward the historical lease classification. Results of prior periods continue to be reported in accordance with the College's historical accounting treatment. The adoption of ASC 842 did not materially impact the College's changes in net assets, cash flows, or presentation thereof.

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 \$-0- and \$499,889 at June 30, 2023 and 2022, respectively.

Checks written on the College's \$-0- balance accounts of approximately \$42,000 and \$25,000 are included in accounts payable and accrued expenses as of June 30, 2023 and 2022, 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. Accounts receivable represents amounts for which the College has an unconditional right to receive. 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, 2023 and 2022, the College had student receivables, net of allowance, from non-current semesters of \$2,168,347 and \$1,230,515, respectively.

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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 on 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.

Income and realized and unrealized net gains and losses 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.

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

Land, buildings, and equipment (Continued)

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 when it relates to the financing of major projects under development.

Accrued compensation

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

Student and other deposits

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

Notes receivable and U.S. government grants refundable

The College participated in the Federal Perkins Loan Program sponsored by the U.S. government. The program was phased out and no disbursements were permitted or made after June 30, 2018. Student loan receivables related to this program are recorded as notes receivable. The portion of those funds contributed by the U.S. government (i.e., exclusive of the College's match funds) is ultimately refundable to the government and, accordingly, is recorded as a liability (U.S. government grants refundable).

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

Split-interest agreements

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

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

Split-interest agreements (Continued)

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

Asset retirement obligations (AROs)

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

Bond issuance costs

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

Revenue recognition

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.

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

Revenue recognition (Continued)

Contributions (Continued)

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the net assets with donor restrictions class; the restrictions are considered to be released at the time such long-lived assets are placed in service, or if the asset has already been placed in service, when the contribution is received.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Recognition of student-driven revenue

The College's primary source of operating revenue is tuition generated by providing undergraduate and graduate academic programs. The College bills students in advance of the academic term for tuition and records the tuition as deferred revenue. Tuition revenue is recognized during the period in which education is received by the student.

The College receives auxiliary services revenue by providing housing and dining services to students. The revenue for these services is recognized over the term of the semester in which the housing and dining services are provided in an amount the College expects to receive in exchange for the services.

Enrollment in the College constitutes a contract binding the students for the stated charges for the semester. The College bills students for tuition, housing, and dining services prior to the start of the semester. The College offers a payment plan for students that allows payment on a monthly basis as an alternative to traditional lump sum payments. Students who withdraw during the first nine weeks of a semester will receive refunds pro-rated based on number of days enrolled. Students who withdraw after week nine forfeit tuition payments. The amount of revenue recognized is reduced by refunds issued.

The College receives payment for conferences and events prior to the date of the activity which is recorded as deferred revenue. Revenue is recognized at the starting date of the conferences and events.

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 resources, including funds held in trust by others that have been restricted by the donor or designated by the Board that will be invested to provide future revenue to support the College's activities. The College's endowment consists of approximately 40 individual funds established for a variety of purposes. As titled, UPMIFA provides guidance and applicable regulations relative to the management of applicable funds.

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

Net asset classifications of institutional funds (Continued)

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.

Also included in net assets with donor restrictions is accumulated appreciation on donor-restricted “true” endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the College and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the College; and (7) the investment policy of the College.

Return Objectives and Risk Parameters

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

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

Net asset classifications of institutional funds (Continued)

Strategies Employed for Achieving Objectives

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

	Minimum	Target Average	Maximum
Total equity	55.0%	65.0%	75.0%
Domestic large capitalization stocks	30.0%	35.0%	50.0%
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
Total fixed income	25.0%	35.0%	45.0%
Domestic investment grade fixed income	25.0%	35.0%	45.0%
Cash and cash equivalents	-	-	10.0

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College employs a total return endowment spending policy that establishes the amount of endowment investment return that is available to support current needs and restricted purposes. This policy is designed to insulate program spending from capital market fluctuations and to increase the amount of return that is reinvested in the corpus of the fund in order to enhance its long-term value. For the years ended June 30, 2023 and 2022, 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. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions with donor restrictions to be held in perpetuity and continued appropriation of certain programs that were deemed prudent by the Board of Trustees. As of June 30, 2023 and 2022, funds with fair value of \$374,207 and \$1,044,982 and an original gift value of \$398,497 and \$1,136,591 were “underwater” by \$(24,290) and (\$91,609), respectively.

(Continued)

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Operating results

Operating activities on 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, 2023

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 the U.S. government loan programs and related government advances because the notes receivable are non-marketable and can only be assigned to the U.S. government or its designees. These installment notes are due over terms of 10 years with interest at 5% per annum, and are carried at face value.

Credit risk concentrations

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

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 22, 2023, 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:

	2023	2022
Cash and cash equivalents	\$ 12,840,349	\$ 15,132,707
Accounts receivable, net	4,899,362	4,110,096
Other receivables	4,299,545	1,250,774
Contributions receivable, due within one year without donor restrictions on use of funds	340,029	437,116
Investments appropriated for current use	8,444,546	9,953,702
	\$ 30,823,831	\$ 30,884,395

The College's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The College has a quasi-endowment of \$8.2 million and \$7.6 million at June 30, 2023 and 2022, respectively. Although the College does not intend to spend from its quasi-endowment fund other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its quasi-endowment fund could be made available, if necessary.

As of June 30, 2023 and 2022, the College's cash and cash equivalents include approximately \$-0- and \$500,000, respectively, 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, 2023

Note 3. Contract Assets and Contract Liabilities

The College's assets and liabilities from contracts with customers consisted of the following at June 30:

	2023	2022	2021
Student receivables, net	\$ 4,899,362	\$ 4,110,096	\$ 4,244,079
Notes receivable, net	\$ 52,944	\$ 52,944	\$ 49,911
Deferred revenue	\$ (2,080,183)	\$ (1,959,034)	\$ (1,683,767)

The increases and decreases in student receivables and deferred revenue were primarily due to normal timing differences between the College's performance and the student's payments.

Students begin making payments after the College has fulfilled its performance obligation. Notes receivable are due in accordance with individual note agreements.

For the years ended June 30, 2023 and 2022, the College recognized revenue of approximately \$1.9 million and \$1.7 million, respectively, from amounts that were included in deferred revenue at the beginning of each year.

Note 4. Receivables and Other Assets

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

	2023	2022
Student receivables, net	\$ 4,899,362	\$ 4,110,096
Other receivables	5,999,705	1,250,774
Prepaid expenses	379,501	485,770
Accrued investment income	2,253	9,227
	\$ 11,280,821	\$ 5,855,867

(Continued)

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 5. Contributions Receivable

Contributions receivable consisted of the following as of June 30:

	2023	2022
Unconditional promises to give cash	\$ 1,369,610	\$ 1,572,515
Charitable trusts held by others	588,575	566,260
	<u>\$ 1,958,185</u>	<u>\$ 2,138,775</u>
Expected to be collected in:		
Less than one year	\$ 1,059,969	\$ 1,101,971
One to five years	378,524	543,273
More than five years	705,131	686,761
	2,143,624	2,332,005
Less:		
Actuarial present value of future payments	(116,556)	(120,489)
Discount to net present value at 0.85%	(11,558)	(15,416)
Allowance for uncollectible contributions	(57,325)	(57,325)
	<u>\$ 1,958,185</u>	<u>\$ 2,138,775</u>

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

	2023	2022
Without donor restrictions	\$ 162,391	\$ 412,816
With donor restrictions	1,795,794	1,725,959
	<u>\$ 1,958,185</u>	<u>\$ 2,138,775</u>

As of June 30, 2023 and 2022, 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, 2023 and 2022, the College recorded contributions from thirteen and sixteen donors that totaled approximately 89.56% and 80.50% of contributions, respectively.

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 6. Investments

Investments were comprised of the following as of June 30:

	2023						2022					
	Endowment		Other		Total		Endowment		Other		Total	
Equities:												
Domestic:												
Large cap growth	\$ 3,431,961	10.8%	\$ -	-%	\$ 3,431,961	5.8%	\$ 4,128,888	14.6%	\$ -	-%	\$ 4,128,888	8.3%
Large cap value	10,106,770	31.8	4,098	-	10,110,868	17.2	7,591,357	26.8	-	-	7,591,357	15.2
Midcap	-	-	1,981	-	1,981	-	6,765	-	-	-	6,765	-
Small cap value	850,684	2.7	598	-	851,282	1.4	639,482	2.2	-	-	639,482	1.2
Mutual funds and other	-	-	-	-	-	-	-	-	22,868	0.1	22,868	0.1
Total domestic equities	14,389,415	45.3	6,677	-	14,396,092	24.4	12,366,492	43.6	22,868	0.1	12,389,360	24.8
International equity	4,418,115	13.9	1,123	-	4,419,238	7.5	4,090,587	14.4	-	-	4,090,587	8.2
Emerging market equity	1,802,501	5.8	627	-	1,803,128	3.1	1,416,680	5.0	-	-	1,416,680	2.8
Fixed income:												
Cash and cash equivalents	166,465	0.5	6,062,079	22.3	6,228,544	10.6	229,389	0.8	3,203,131	14.8	3,432,520	6.8
All other	7,337,368	23.1	21,093,148	77.7	28,430,516	48.3	6,558,231	23.1	18,359,547	85.1	24,917,778	49.9
Total fixed income	7,503,833	23.6	27,155,227	100.0	34,659,060	58.9	6,787,620	23.9	21,562,678	99.9	28,350,298	56.7
Alternative income:												
Absolute return	-	-	-	-	-	-	-	-	-	-	-	-
Diversifying strategies	2,037,708	6.4	-	-	2,037,708	3.5	1,786,174	6.3	-	-	1,786,174	3.6
Real assets	1,587,414	5.0	-	-	1,587,414	2.7	1,932,815	6.8	-	-	1,932,815	3.9
Total alternative income	3,625,122	11.4	-	-	3,625,122	6.2	3,718,989	13.1	-	-	3,718,989	7.5
Total investments	\$ 31,738,986	100.0%	\$ 27,163,154	100.0%	\$ 58,902,640	100.0%	\$ 28,380,368	100.0%	\$ 21,585,546	100.0%	\$ 49,965,914	100.0%

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

	2023	2022
Without donor restrictions	\$ 35,537,334	\$ 27,267,243
With donor restrictions	25,365,306	22,698,671
	<u>\$ 60,902,640</u>	<u>\$ 49,965,914</u>

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 6. Investments (Continued)

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

	<u>2023</u>	<u>2022</u>
Endowment – held by College	\$ 31,738,986	\$ 28,380,368
Trusts and annuities	1,811,347	1,806,741
Current funds	<u>25,352,307</u>	<u>19,778,805</u>
	<u>\$ 58,902,640</u>	<u>\$ 49,965,914</u>

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

	<u>2023</u>	<u>2022</u>
Investments, beginning	\$ 49,965,914	\$ 57,009,826
Gifts and pledge payments available for investment and investment income reinvestment	<u>12,461,803</u>	<u>2,582,071</u>
	<u>62,427,717</u>	<u>59,591,897</u>
Investment returns:		
Dividends and interest (net of expenses: 2023 \$107,627; 2022 \$127,614)	<u>1,625,071</u>	<u>1,466,354</u>
Investment return, net of amount available to support current operations per statements of activities	2,559,816	(7,208,001)
Add spending in excess of cash yield	<u>(339,586)</u>	<u>(419,902)</u>
Net realized and unrealized gains (losses)	<u>2,220,230</u>	<u>(7,627,903)</u>
Total return on investments	<u>3,845,301</u>	<u>(6,161,549)</u>
Amounts appropriated for operations, net transfers to operational accounts, debt payments, and other activity	<u>(7,370,378)</u>	<u>(3,464,434)</u>
Investments, ending	<u>\$ 58,902,640</u>	<u>\$ 49,965,914</u>

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 6. Investments (Continued)

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

	2023	2022
Investment income	\$ 1,625,071	\$ 1,466,354
Net realized and unrealized gains (losses)	2,220,230	(7,627,903)
Total return on investments	\$ 3,845,301	\$ (6,161,549)
<u>Included on 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	\$ 1,277,475	\$ 1,040,594
Investment return, net of amount available to support current operations	2,559,816	(7,208,001)
Investment income, included in interest income – temporary investments	8,010	5,858
	\$ 3,845,301	\$ (6,161,549)

Note 7. Land, Buildings, and Equipment

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

	Estimated Useful Life	2023	2022
Buildings	65 years	\$ 63,198,044	\$ 63,198,044
Building improvements	10 – 20 years	11,078,872	11,017,892
Land improvements	50 years	1,491,172	1,458,133
Equipment	5 years	6,623,070	6,561,379
Computer equipment	5 years	3,359,045	3,319,400
		85,750,203	85,554,848
Less accumulated depreciation		(37,798,417)	(36,359,869)
Total depreciable cost, net		47,951,786	49,194,979
Land		83,218	83,218
Construction in progress		222,077	222,077
		\$ 48,257,081	\$ 49,500,274

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. 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:

	Income Restriction	2023	2022
Claire Boothe Luce Fund	*	\$ 9,139,528	\$ 9,420,321
Helen Rotterman Trust	Unrestricted	632,218	621,696
M. Rotterman Trust	Unrestricted	2,331,306	2,537,015
Russell T. Finn Trust	Scholarships	1,087,961	1,068,277
Dougherty Scholarship Irrevocable Trust	Educational purposes	219,212	227,484
		\$ 13,410,225	\$ 13,874,793

*Scholarships, fellowships, and professorships for women in science and technology. The annual income distribution totaled \$440,000 and \$414,750 for 2023 and 2022, respectively.

Note 9. Debt

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

	2023	2022
District of Columbia Series 2014A Bonds. The bonds bear interest at variable rates determined by the marketing agent (2.11% at June 30, 2023). 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. Series 2014A bonds were retired in September 2022.	\$ -	\$ 9,520,000

(Continued)

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 9. Debt (Continued)

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

	2023	2022
<p>District of Columbia Series 2014B Bonds. The bonds bear interest at variable rates determined by the marketing agent. 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 College Academic Center, along with the funds raised by Trinity's Capital Campaign Contributions. Series 2014B bonds were retired in September 2022.</p>	-	13,675,000
<p>District of Columbia Series 2022 Bonds. The bonds bear interest at 3.62%. The proceeds were used to refinance the 2014A and 2014B bonds. The first principal payment due is the principal payment of \$445,000 on November 1, 2024. After that principal payments will increase annually to the final amount of \$1,245,000 due on October 1, 2052.</p>	22,530,000	-
<p>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.</p>	315,000	405,000
<p>In August 2021, Trinity amended its agreement with ARAMARK, providing a financial commitment to Trinity in the amount of \$1,000,000 for Trinity to apply towards capital improvements. This commitment shall be amortized on a straight-line basis over 10 years, ending in July 2031.</p>	808,493	908,492
<p>Unamortized bond issuance costs</p>	23,653,493 (317,727)	24,508,492 (258,834)
	\$ 23,335,766	\$ 24,249,658

(Continued)

TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 9. Debt (Continued)

Debt matures as follows:

	Debt	Amortization of Bond Issuance Costs	Total
Year ending June 30,			
2024	\$ 190,000	\$ (10,832)	\$ 179,168
2025	635,000	(10,832)	624,168
2026	655,000	(10,832)	644,168
2027	625,000	(10,832)	614,168
2028	600,000	(10,832)	589,168
2029 and thereafter	20,948,493	(263,567)	20,684,926
	\$ 23,653,493	\$ (317,727)	\$ 23,335,766

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

Related Debt	Expiration Date	Pay Fixed Rate	Received Variable Rate	Notional Amount (In Millions)		Fair Value	
				2023	2022	2023	2022
DC Series 2014A	June 2026	2.836%	IM LIBOR	\$ -	\$ 9.5	\$ -	\$ 52,863
DC Series 2014B	June 2026	3.275%	IM LIBOR	\$ -	\$ 13.7	-	(132,206)
Series 2014 Reissuance	June 2026	0.178%	IM LIBOR	\$ -	\$ 23.2	-	127,966
						\$ -	\$ 48,623

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.

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 9. Debt (Continued)

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

	2023	2022
Expensed	\$ 838,942	\$ 856,532
Amortization of bond issuance costs	11,065	15,375
Capitalized	-	-
	\$ 850,007	\$ 871,907

Pursuant to the District of Columbia Series 2022 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 1.08. As of June 30, 2023, the College has met that requirement. The other major covenant requires the College to maintain unencumbered unrestricted liquidity (UUL) on hand of \$10,000,000. For the year ended June 30, 2023, the College has met this requirement.

Note 10. Net Assets

Net assets as of June 30 consisted of the following:

	2023	2022
Without donor restrictions:		
Investment in land, buildings, and equipment, net of debt	\$ 23,144,809	\$ 23,605,716
Designated by the Board	8,974,859	8,314,655
Other	35,545,278	37,108,928
Total net assets without donor restrictions	67,664,946	69,029,299
With donor restrictions:		
Subject to expenditure for specific purposes and time:		
Accumulated endowment investment return, net of amounts spent	6,707,434	5,275,174
Amounts held for trust and annuity payments	23,433	22,868
Restricted for future operations	10,355,752	5,853,481
Restricted for public service expenses	203,161	158,461
Restricted for buildings and equipment	5,846,801	472,364
Contributions receivable	1,194,119	1,140,999
	24,330,700	12,923,347
Restricted in perpetuity; only the income is expendable:		
Endowment principal	9,985,339	9,958,853
Contributions receivable	601,675	584,960
Funds held in trust by others	13,410,225	13,874,793
Total net assets with donor restrictions	48,327,939	37,341,953
Total net assets	\$ 115,992,885	\$ 106,371,252

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 10. Net Assets (Continued)

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.

Note 11. Revenues

The following table shows the College's revenue from contracts with customers disaggregated by service type:

	<u>2023</u>	<u>2022</u>
Tuition and fees, net	\$ 20,078,633	\$ 20,525,295
Auxiliary services:		
Housing	\$ 750,823	\$ 836,654
Dining	1,328,899	1,420,848
Other	748,185	347,420
	<u>\$ 2,827,907</u>	<u>\$ 2,604,922</u>

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 82.6% and 78.7% of total tuition and fees for 2023 and 2022, respectively. Financial aid for undergraduates totaled \$12,455,262 and \$13,144,187, respectively, with the unfunded portion of these amounts totaling 32.6% and 37.8%, respectively, of undergraduate tuition and fees.

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 12. 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:

	2023	2022
Operating:		
Financial aid	\$ 4,321,870	\$ 3,084,442
Instructional expenses	281,272	391,167
Student services	147,279	38,583
Academic support	1,181,211	1,142,726
Public service expenses	7,150	9,250
COVID-19 qualifying expenditures	495,836	6,933,253
Total operating	6,434,618	11,599,421
Non-operating:		
Plant expenses	266,962	3,000
Reclassification of prior year investment earnings	(348,001)	-
Total non-operating	(81,039)	3,000
	\$ 6,353,579	\$ 11,602,421

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Operating Expenses

The table below presents expenses by both their nature and function for fiscal year 2023:

	Program Services					Subtotal	Institutional Support	Total
	Instruction	Academic Support	Public Service	Student Services	Auxiliary Services			
Salaries	\$ 6,773,105	\$ 4,480,657	\$ 6,750	\$ 2,972,201	\$ 567,557	\$ 14,800,270	\$ 3,983,564	\$ 18,783,834
Employee benefits and payroll taxes	1,051,445	715,270	232	446,673	61,915	2,275,535	811,048	3,086,583
Food services	3,835	109,794	-	64,106	1,018,759	1,196,494	102,501	1,298,995
Depreciation	301,639	60,328	-	398,798	519,454	1,280,219	241,311	1,521,530
Utilities	-	-	-	-	371,672	371,672	-	371,672
Repairs and maintenance	-	-	-	5,773	112,119	117,892	69,872	187,764
Supplies	59,182	438,764	-	68,829	10,023	576,798	41,119	617,917
Contract services	1,306,892	262,578	3,450	1,336,739	1,732,762	4,642,421	3,404,922	8,047,343
Interest	209,736	41,947	-	167,788	251,683	671,154	167,788	838,942
Bad debts	4,474	-	-	3,817	2,603	10,894	8,829	19,723
Advertising and publication	-	24,754	-	96,088	-	120,842	105,918	226,760
Insurance	-	-	-	19,140	-	19,140	573,429	592,569
Travel and meals	9,002	14,713	-	71,156	85	94,956	11,865	106,821
Bookstore purchases	17	63,210	-	12,989	2,075	78,291	388	78,679
Telephone	-	-	-	-	-	-	24,618	24,618
Postage	77	-	-	261	-	338	32,634	32,972
COVID CARES grant	-	-	-	495,469	-	495,469	-	495,469
Other	150,430	28,655	14,153	457,256	14,212	664,706	376,103	1,040,809
Total	\$ 9,869,834	\$ 6,240,670	\$ 24,585	\$ 6,617,083	\$ 4,664,919	\$ 27,417,091	\$ 9,955,909	\$ 37,373,000

The table below presents expenses by both their nature and function for fiscal year 2022:

	Program Services					Subtotal	Institutional Support	Total
	Instruction	Academic Support	Public Service	Student Services	Auxiliary Services			
Salaries	\$ 7,177,526	\$ 3,800,556	\$ 7,727	\$ 2,702,253	\$ 493,563	\$ 14,181,625	\$ 3,657,549	\$ 17,839,174
Employee benefits and payroll taxes	1,204,124	528,640	639	504,116	77,364	2,314,883	787,442	3,102,325
Food services	5,320	67,728	-	50,533	1,020,726	1,144,307	35,222	1,179,529
Depreciation	413,010	226,887	-	395,975	101,140	1,137,012	358,518	1,495,530
Utilities	-	-	-	-	305,215	305,215	-	305,215
Repairs and maintenance	11,048	-	-	6,444	88,090	105,582	69,049	174,631
Supplies	153,267	412,780	-	45,919	15,046	627,012	19,948	646,960
Contract services	1,032,915	(4,838)	7,218	1,177,260	2,215,037	4,427,592	3,107,556	7,535,148
Interest	236,542	129,944	-	226,786	57,926	651,198	205,334	856,532
Bad debts	-	-	-	9,691	1,574	11,265	94,371	105,636
Advertising and publication	-	21,112	-	135,206	50	156,368	44,093	200,461
Insurance	-	-	-	13,254	-	13,254	248,038	261,292
Travel and meals	5,502	2,725	-	36,754	-	44,981	6,833	51,814
Bookstore purchases	5,026	849	524	2,799	170	9,368	3,759	13,127
Telephone	-	-	-	-	-	-	26,634	26,634
Postage	39	-	-	370	-	409	19,918	20,327
COVID CARES grant	43,000	-	-	4,672,558	-	4,715,558	131,722	4,847,280
Other	227,903	10,982	9,250	29,764	18,534	296,433	274,774	571,207
Total	\$ 10,515,222	\$ 5,197,365	\$ 25,358	\$ 10,009,682	\$ 4,394,435	\$ 30,142,062	\$ 9,090,760	\$ 39,232,822

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. 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 50.9% and 8.00% of total expenses, respectively, for 2023 and 45.5% and 7.9%, respectively, for 2022. 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 73.4% and 76.8% in 2023 and 2022, 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:

	2023			2022		
	Before Allocation	Expense Allocation	Final Allocated	Before Allocation	Expense Allocation	Final Allocated
Education and general:						
Instruction	\$ 8,051,568	\$ 1,818,266	\$ 9,869,834	\$ 8,789,755	\$ 1,725,467	\$ 10,515,222
Public service	24,585	-	24,585	25,358	-	25,358
Academic support	5,877,017	363,653	6,240,670	4,852,272	345,093	5,197,365
Student services	5,004,983	1,612,100	6,617,083	8,468,449	1,541,233	10,009,682
Institutional support	8,501,296	1,454,613	9,955,909	7,710,387	1,380,373	9,090,760
Auxiliary services	2,325,512	2,339,407	4,664,919	2,163,015	2,231,420	4,394,435
Operations and maintenance of physical plant	5,227,567	(5,227,567)	-	4,871,524	(4,871,524)	-
Depreciation and amortization	1,521,530	(1,521,530)	-	1,495,530	(1,495,530)	-
Interest expense	838,942	(838,942)	-	856,532	(856,532)	-
	<u>\$ 37,373,000</u>	<u>\$ -</u>	<u>\$ 37,373,000</u>	<u>\$ 39,232,822</u>	<u>\$ -</u>	<u>\$ 39,232,822</u>

Fundraising costs totaled approximately \$905,000 and \$815,000 for the years ended June 30, 2023 and 2022, respectively.

Note 14. Employee Benefits

Retirement benefits are provided for eligible faculty and staff employees by a contributory pension plan for annuity contracts with Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). Employees are eligible after one year of full-time employment and attaining the age of 21. All participants have a fully vested interest in the total contributions made on their behalf. The College automatically contributes 2% of all eligible employees' base salary, and matches an additional voluntary contribution of up to 6%. Under the plan, the College contributed approximately \$551,000 and \$548,000 in 2023 and 2022, respectively, which was charged to operating expenses.

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 15. Operating Leases

The College leases several copiers and a mailing system under non-cancelable leases expiring through April 2026. Rent expense under these operating leases was \$48,802 and \$58,604 for 2023 and 2022, respectively.

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

2024	\$	54,593
2025		42,616
2026		31,583
2027		<u>6,495</u>
	\$	<u>135,287</u>

Note 16. 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 on the statements of financial position.

The College is under a long-term contract with Aramark Management Services to provide facilities management through July 31, 2031. As part of this contract, Aramark advanced the College \$1,000,000 to be used for capital improvements which is being amortized on a straight-line basis over the term. The unamortized advance at June 30, 2023 and 2022 totaled \$808,493 and \$908,492, 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%.

At any given time, the College is involved in various lawsuits. Management believes that any financial responsibility in excess of the College's insurance deductible of \$50,000 that may be incurred in the administration and settlement of such lawsuits would be covered by the College's liability insurance.

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TRINITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 17. Endowment

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

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:						
Funds held by the College \$	-	\$ 17,294,449	\$ 17,294,449	\$ -	\$ 15,818,987	\$ 15,818,987
Funds held in trust by others	-	13,410,225	13,410,225	-	13,874,793	13,874,793
Board designated endowment funds	8,228,486	-	8,228,486	7,568,282	-	7,568,282
Total	<u>\$ 8,228,486</u>	<u>\$ 30,704,674</u>	<u>\$ 38,933,160</u>	<u>\$ 7,568,282</u>	<u>\$ 29,693,780</u>	<u>\$ 37,262,062</u>

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

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	<u>\$ 7,568,282</u>	<u>\$ 29,693,780</u>	<u>\$ 37,262,062</u>	<u>\$ 9,635,330</u>	<u>\$ 33,765,844</u>	<u>\$ 43,401,174</u>
Investment return:						
Investment income	290,640	626,736	917,376	246,412	561,249	807,661
Realized and unrealized gains	790,875	1,625,229	2,416,104	(1,965,459)	(3,994,092)	(5,959,551)
Total investment return	<u>1,081,515</u>	<u>2,651,965</u>	<u>3,333,480</u>	<u>(1,719,047)</u>	<u>(3,432,843)</u>	<u>(5,151,890)</u>
Contributions	-	21,803	21,803	-	239,321	239,321
Appropriation for expenditure and other expenses	(421,311)	(820,621)	(1,241,932)	(348,001)	(476,075)	(824,076)
Change in value of funds held in trust by others	-	(464,568)	(464,568)	-	(313,002)	(313,002)
Change in value of charitable remainder trust	-	22,315	22,315	-	(89,465)	(89,465)
Endowment net assets, ending	<u>\$ 8,228,486</u>	<u>\$ 30,704,674</u>	<u>\$ 38,933,160</u>	<u>\$ 7,568,282</u>	<u>\$ 29,693,780</u>	<u>\$ 37,262,062</u>

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 18. 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:

	2023				2022			
	<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	\$ 14,396,092	\$ 14,396,092	\$ -	\$ -	\$ 12,389,360	\$ 12,389,360	\$ -	\$ -
International equities	4,419,238	4,419,238	-	-	4,090,587	4,090,587	-	-
Emerging markets	1,803,128	1,803,128	-	-	1,416,680	1,416,680	-	-
Cash and equivalents and temporary investments	6,228,544	6,228,544	-	-	3,432,520	3,432,520	-	-
Fixed income, all other	28,430,516	28,453,705	-	-	24,917,778	24,917,778	-	-
Absolute return	-	-	-	-	-	-	-	-
Diversifying strategies	2,037,708	2,037,708	-	-	1,786,174	1,786,174	-	-
Real assets	1,587,414	1,587,414	-	-	1,932,815	1,932,815	-	-
Total investments	<u>58,902,640</u>	<u>58,902,640</u>	<u>-</u>	<u>-</u>	<u>49,965,914</u>	<u>49,965,914</u>	<u>-</u>	<u>-</u>
Charitable trusts held by others	588,575	-	588,575	-	566,260	-	566,260	-
Funds held in trust by others	<u>13,410,225</u>	<u>-</u>	<u>4,270,697</u>	<u>9,139,528</u>	<u>13,874,793</u>	<u>-</u>	<u>4,454,472</u>	<u>9,420,321</u>
Total financial assets	<u>\$ 72,901,440</u>	<u>\$ 58,902,640</u>	<u>\$ 4,859,272</u>	<u>\$ 9,139,528</u>	<u>\$ 64,406,967</u>	<u>\$ 49,965,914</u>	<u>\$ 5,020,732</u>	<u>\$ 9,420,321</u>
Financial liabilities:								
Fair value of interest rate swap agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (48,623)</u>	<u>\$ -</u>	<u>\$ (48,623)</u>	<u>\$ -</u>
Total financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (48,623)</u>	<u>\$ -</u>	<u>\$ (48,623)</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>2023</u>	<u>2022</u>
Balance, beginning	\$ 9,420,321	\$ 9,210,791
Net change in value	<u>(280,793)</u>	<u>209,530</u>
Balance, ending	<u>\$ 9,139,528</u>	<u>\$ 9,420,321</u>

(Continued)

TRINITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 19. 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.

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 three grants 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 I funds with the student portion and institutional portion totaling \$980,375 each; \$3,299,710 in HEERF II funds with the student portion totaling \$980,376 and institutional portion totaling \$2,319,334; and \$5,785,239 in HEERF III funds with the student portion and institutional portion totaling \$2,892,619 each. The College is accounting for them as government COVID-19 relief revenue with donor restrictions on the consolidated statements of activities, and is drawing down the funds as qualified expenses are incurred. Amounts are released from restrictions as qualified expenses are incurred. For the years ended June 30, 2023 and 2022, the College recognized revenue of \$495,836 and \$5,877,894 and released \$495,836 and \$5,877,894, respectively. The portion of the grant restricted to students was distributed directly to students between May 2020 and June 2023. The portion of the grant that the College received as institutional aid was used to offset its residential refund to students and College costs directly related to the COVID-19 outbreak. For the years ended June 30, 2023 and 2022, the College used HEERF funds to pay off \$-0- and \$155,767, respectively, of student receivable balances.

In addition to the CARES Act funding above, the College was awarded additional grants from the U.S. Department of Education under the Higher Education Emergency Relief for Minority Serving Institutions (MSI) totaling \$-0- and \$669,575 for the years ended June 30, 2023 and 2022, respectively. This money was provided for budgetary relief and was used to offset expenses 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. For the years ended June 30, 2023 and 2022, the College recognized revenue of \$-0- and \$1,055,359 and released \$-0- and \$1,055,359, respectively.