

Trinity College
Consolidated Financial Statements
June 30, 2012 and 2011

Trinity College
Index
June 30, 2012 and 2011

	Page(s)
Report of Independent Auditors	1
Consolidated Financial Statements	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-27



Report of Independent Auditors

To the Board of Trustees of Trinity College:

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the financial position of Trinity College (the "College") at June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 12, 2012

Trinity College
Consolidated Statements of Financial Position
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	\$ 21,548,137	\$ 26,776,560
Short-term investments	15,877,324	5,470,855
Receivables, net of allowance for doubtful accounts of \$535,000 and \$511,000	1,127,171	1,718,437
Government grants receivable	422,649	719,385
Contributions receivable, net of allowance for doubtful accounts of \$850,754 and \$1,228,543	33,545,061	38,254,250
Student loans receivable, net of allowance for doubtful accounts of \$542,000 and \$582,000	5,116,194	4,968,981
Investments	409,611,383	404,490,305
Funds held by bond trustee	5,998,856	5,945,543
Beneficial interest in funds held in trust by others	29,012,725	30,857,319
Other assets	3,999,195	4,178,267
Fixed assets, net of accumulated depreciation	<u>250,128,582</u>	<u>251,343,282</u>
Total assets	<u>\$ 776,387,277</u>	<u>\$ 774,723,184</u>
Liabilities		
Accounts payable and accrued expenses	\$ 20,954,262	\$ 17,507,571
Federal student loan funds	3,205,015	3,205,015
Contributions due to others	89,932	102,140
Accrued postretirement benefits	5,906,721	5,125,636
Split interest obligations	5,404,186	5,319,284
Bonds and notes payable	145,104,102	148,150,931
Asset retirement obligation	<u>25,452,241</u>	<u>24,510,728</u>
Total liabilities	<u>206,116,459</u>	<u>203,921,305</u>
Net Assets		
Unrestricted	87,588,695	86,767,815
Temporarily restricted	211,774,715	227,132,431
Permanently restricted	<u>270,907,408</u>	<u>256,901,633</u>
Total net assets	<u>570,270,818</u>	<u>570,801,879</u>
Total liabilities and net assets	<u>\$ 776,387,277</u>	<u>\$ 774,723,184</u>

The accompanying notes are an integral part of these consolidated financial statements.

Trinity College
Consolidated Statements of Activities
Year Ended June 30, 2012 with Summarized Comparative Totals for 2011

	2012			2011	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Operating revenues and other net assets					
Tuition and fees	\$ 100,703,080	\$ -	\$ -	\$ 100,703,080	\$ 96,671,431
Room and board	21,536,537	-	-	21,536,537	20,215,821
Less: financial aid	(34,935,781)	-	-	(34,935,781)	(33,640,095)
Net tuition and fees	87,303,836	-	-	87,303,836	83,247,157
Federal and state grants	2,200,924	-	-	2,200,924	3,422,468
Contributions	7,621,728	6,537,876	-	14,159,604	15,633,121
Endowment income distribution	292,321	16,073,324	-	16,365,645	15,228,260
Net gain (loss) on investments	(79,140)	10,369	-	(68,771)	(76,093)
Other investment income	322,741	54,031	73,796	450,568	498,743
Other operating income	2,910,208	183,533	37,162	3,130,903	3,090,713
Revenues of auxiliary enterprises	4,138,729	-	-	4,138,729	3,782,418
Net assets released from restrictions	23,052,815	(23,052,815)	-	-	-
Total operating revenues and other net assets	127,764,162	(193,682)	110,958	127,681,438	124,826,787
Expenses					
Instruction, research and related programs	70,934,756	-	-	70,934,756	69,642,906
General institutional services	34,149,524	-	-	34,149,524	33,370,073
Auxiliary expenses	21,591,930	-	-	21,591,930	22,251,007
Total expenses	126,676,210	-	-	126,676,210	125,263,986
Other changes in net assets					
Postretirement related changes other than net periodic cost	(1,436,574)	-	-	(1,436,574)	(358,046)
Operating and other fund transfers	1,357,204	(1,357,204)	-	-	-
Transfers from (to) endowment	-	(1,000,000)	-	(1,000,000)	(52,135)
Total other changes	(79,370)	(2,357,204)	-	(2,436,574)	(410,181)
Increase (decrease) in operating and other net assets	1,008,582	(2,550,886)	110,958	(1,431,346)	(847,380)
Endowment and similar net assets					
Endowment income	135,868	2,356,154	196,883	2,688,905	988,744
Net gains (losses) on investments	151,855	1,360,901	(486,749)	1,026,007	68,394,039
Amount distributed for spending	(292,321)	(16,073,324)	-	(16,365,645)	(15,228,260)
Investment management fees	(23,345)	(2,661,611)	(43,626)	(2,728,582)	(3,667,168)
Other changes	(597,514)	(89,329)	-	(686,843)	(571,981)
Net investment gain and amounts distributed for spending	(625,457)	(15,107,209)	(333,492)	(16,066,158)	49,915,374
Contributions	2,520,298	276,712	14,566,921	17,363,931	15,684,862
Change in value of split-interest agreements	61,709	(1,594,398)	135,201	(1,397,488)	4,468,077
Other endowment changes and transfers	(2,144,252)	3,618,065	(473,813)	1,000,000	-
Transfers (to) from operating funds	-	-	-	-	52,135
Other endowment changes	437,755	2,300,379	14,228,309	16,966,443	20,205,074
Increase (decrease) in endowment and similar net assets	(187,702)	(12,806,830)	13,894,817	900,285	70,120,448
Net assets, beginning of year	86,767,815	227,132,431	256,901,633	570,801,879	501,528,811
Total increase in net assets	820,880	(15,357,716)	14,005,775	(531,061)	69,273,068
Net assets, end of year	\$ 87,588,695	\$ 211,774,715	\$ 270,907,408	\$ 570,270,818	\$ 570,801,879

The accompanying notes are an integral part of these consolidated financial statements.

Trinity College
Consolidated Statements of Activities
Year Ended June 30, 2011

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenues and other net assets				
Tuition and fees	\$ 96,671,431	\$ -	\$ -	\$ 96,671,431
Room and board	20,215,821	-	-	20,215,821
Less: financial aid	(33,640,095)	-	-	(33,640,095)
Net tuition and fees	83,247,157	-	-	83,247,157
Federal and state grants	3,422,468	-	-	3,422,468
Contributions	8,000,807	7,632,314	-	15,633,121
Endowment income distribution	286,861	14,941,399	-	15,228,260
Net gain (loss) on investments	(141,562)	65,469	-	(76,093)
Other investment income	363,305	57,243	78,195	498,743
Other operating income	2,847,282	192,894	50,537	3,090,713
Revenues of auxiliary enterprises	3,783,538	(1,120)	-	3,782,418
Net assets released from restrictions	21,410,213	(21,410,213)	-	-
Total operating revenues and other net assets	123,220,069	1,477,986	128,732	124,826,787
Expenses				
Instruction, research and related programs	69,642,906	-	-	69,642,906
General institutional services	33,370,073	-	-	33,370,073
Auxiliary expenses	22,251,007	-	-	22,251,007
Total expenses	125,263,986	-	-	125,263,986
Other changes in net assets				
Postretirement related changes other than net periodic cost	(358,046)	-	-	(358,046)
Operating and other fund transfers	330,149	(330,149)	-	-
Transfers from (to) endowment	24,000	(76,135)	-	(52,135)
Total other changes	(3,897)	(406,284)	-	(410,181)
Increase (decrease) in operating and other net assets	(2,047,814)	1,071,702	128,732	(847,380)
Endowment and similar net assets				
Endowment income	75,481	784,069	129,194	988,744
Net gains on investments	1,721,980	66,190,484	481,575	68,394,039
Amount distributed for spending	(286,861)	(14,941,399)	-	(15,228,260)
Investment management fees	(77,078)	(3,522,951)	(67,139)	(3,667,168)
Other changes	(519,765)	(51,000)	(1,216)	(571,981)
Net investment gain and amounts distributed for spending	913,757	48,459,203	542,414	49,915,374
Contributions	415,226	600,000	14,669,636	15,684,862
Change in value of split-interest agreements	(154,911)	3,368,813	1,254,175	4,468,077
Other endowment changes and transfers	12,490,852	(10,550,649)	(1,940,203)	-
Transfers (to) from operating funds	(24,000)	76,135	-	52,135
Other endowment changes	12,727,167	(6,505,701)	13,983,608	20,205,074
Increase in endowment and similar net assets	13,640,924	41,953,502	14,526,022	70,120,448
Net assets, beginning of year	75,174,705	184,107,227	242,246,879	501,528,811
Total increase in net assets	11,593,110	43,025,204	14,654,754	69,273,068
Net assets, end of year	\$ 86,767,815	\$ 227,132,431	\$ 256,901,633	\$ 570,801,879

The accompanying notes are an integral part of these consolidated financial statements.

Trinity College
Consolidated Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ (531,061)	\$ 69,273,068
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation, amortization and accretion	13,223,954	12,803,194
Net realized and unrealized losses (gains) on investments	862,272	(68,317,946)
Provision for student loans receivable	(40,000)	252,000
Provision for contributions receivable	(377,789)	400,537
Contributions receivable discount	(466,599)	975,522
Student loans written off	102,978	78,702
Contributions restricted for long-term investment	(11,646,294)	(7,482,277)
Receipt of contributed securities	(7,659,739)	(3,728,445)
Postretirement related changes other than net periodic cost	1,436,574	358,046
Changes in operating assets and liabilities		
Receivables and other assets	921,192	212,544
Contributions receivable	5,553,577	(8,041,220)
Accounts payable and accrued expenses	3,403,122	1,034,468
Contributions due to others	(12,208)	(3,343)
Accrued postretirement benefits	(655,489)	(638,117)
Total adjustments	<u>4,645,551</u>	<u>(72,096,335)</u>
Net cash provided by (used in) operating activities	<u>4,114,490</u>	<u>(2,823,267)</u>
Cash flows from investing activities		
Student loans granted	(938,681)	(780,008)
Student loans repaid	728,490	686,401
Purchases of fixed assets	(10,914,339)	(9,091,526)
Purchases of investments	(48,868,858)	(108,085,878)
Sales of investments	42,885,508	115,896,316
Change in short-term investments, net	(10,406,469)	5,193,329
Proceeds from sales of contributed securities	7,659,739	3,728,445
Proceeds from bond issuance deposited with bond trustee	(8,933,078)	(10,140,860)
Use of bond issuance proceeds deposited with bond trustee	<u>8,879,765</u>	<u>10,822,540</u>
Net cash (used in) provided by investing activities	<u>(19,907,923)</u>	<u>8,228,759</u>
Cash flows from financing activities		
Contributions restricted for long-term investment	11,646,294	7,482,277
Change in value of split-interest obligations	84,902	1,151,812
Change in the value of funds held in trust by others	1,844,594	(5,049,866)
Repayment of bonds and notes	(3,010,780)	(3,228,441)
Payments of bond issuance costs	-	(276,442)
Net cash provided by financing activities	<u>10,565,010</u>	<u>79,340</u>
Net (decrease) increase in cash and cash equivalents	(5,228,423)	5,484,832
Cash and cash equivalents		
Beginning of year	<u>26,776,560</u>	<u>21,291,728</u>
End of year	<u>\$ 21,548,137</u>	<u>\$ 26,776,560</u>
Supplemental disclosure of cash flow information		
Interest paid during the year	\$ 5,988,863	\$ 6,185,481
Noncash transactions		
Additions to fixed assets through accounts payable	70,155	26,586
Contributed securities	7,659,739	3,728,445

The accompanying notes are an integral part of these consolidated financial statements.

Trinity College

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

1. Summary of Significant Accounting Policies

Nature of Organization

Trinity College (the "College") is a private, not-for-profit institution of higher education located in Hartford, Connecticut. Additionally, the College operates a campus in Rome, Italy. The College provides educational services primarily for students at the undergraduate and graduate levels and performs some research under grants with agencies of the federal government and other sponsoring organizations.

Basis of Presentation

The consolidated financial statements of Trinity College include the accounts of Trinity College and its wholly owned subsidiary, the Barbieri Center, Inc., an Italian campus operation.

The consolidated financial statements have been prepared on the accrual basis of accounting.

The consolidated financial statements are also prepared following the provisions of the American Institute of Certified Public Accountants' Audit and Accounting Guide "Not-for-Profit Organizations." This guide requires the allocation of depreciation, operation and maintenance of plant and interest expense to functional categories. It also requires tuition to be presented net of financial aid discount.

The College follows the provisions of accounting guidance for revenue recognition for not-for-profit entities for contributions received and contributions made and presentation of financial statements of not-for-profit entities. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Brief definitions of the three classes of net assets are presented below.

Unrestricted Net Assets

Net assets derived from tuition and other institutional resources that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties. Unrestricted net assets include investment in plant and the appreciation on funds functioning as endowment.

Temporarily Restricted Net Assets

Net assets whose use is restricted by state law or subject to explicit donor-imposed restrictions on the expenditure of contributions or income and gains on contributed assets. Temporary restrictions may expire due to the passage of time or the incurrence of expenditures that fulfill the restrictions. Temporarily restricted net assets include the appreciation on donor-restricted endowment funds.

Permanently Restricted Net Assets

Net assets that are subject to explicit donor-imposed restrictions that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets.

Trinity College

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets either because the donor-imposed purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets. Temporarily restricted revenues for which the restriction is met in the current period are reported as unrestricted revenues.

Operations

The consolidated financial statements reflect all activities of the College, except those specifically related to the endowment funds, as operations.

Fair Value Measurements

The College follows the accounting guidance for fair value measurements and disclosures that defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under this guidance as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance also gives entities the option, at specific election dates, to measure certain financial assets and liabilities at fair value. The College did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

Accounting guidance for fair value measurements and disclosures establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under this guidance must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the College for its financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Trinity College

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The College follows guidance related to the fair value measurements and disclosures standard for estimating the fair value of investments in investment companies (limited partnerships) that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with generally accepted accounting principles (GAAP). As a practical expedient, the College is permitted under GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP. The College's investments in private equity, real estate and hedge funds are fair valued based on the most current NAV received, which in most cases is June 30.

The College performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with GAAP. The College has assessed factors including, but not limited to, managers' compliance with fair value measurements and disclosure standards, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

The guidance also requires additional disclosures to enable users of the financial statements to understand the nature and risk of the College's investments in investment companies. Furthermore, investments which can be redeemed at NAV by the College on the measurement date or in the near term are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3.

Cash and Cash Equivalents

Cash and cash equivalents include U.S. Treasury notes, money market funds and similar temporary investments with original maturities of three months or less. Included in these amounts are cash received for capital campaign and endowment contributions awaiting further disposition.

The College maintains checking accounts which principally consist of cash and at times are in excess of the financial institution's insurance limits. The College invests available cash with high credit quality institutions. It is the College's policy to monitor the financial strength of these institutions on an ongoing basis.

Short-Term Investments

Short-term investments include certificates of deposit, bonds, and other investments with original maturities of greater than three months but which are highly liquid and are used for operating purposes.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is made. Donor restricted contributions whose restrictions are not satisfied in the year received are reflected in temporarily restricted net assets when received and released from restriction when the related expense is incurred. Contributions of assets other than cash are recorded at their estimated fair value.

Trinity College

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted. Contributions received that are awaiting designation by the donor are reported as temporarily restricted net assets.

Credit Losses

The College records an allowance for doubtful accounts (credit losses) for long term receivables including Perkins loans and other student loans. Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment, the level of delinquent loans, review of the default rate by category in comparison to prior years, the value of any collateral and, where, applicable, the existence of any guarantees or indemnifications. The level of the allowance is adjusted based on actual results. The College's Perkins loans receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan Program are able to be assigned to the Federal Government in certain nonrepayment situations. In these situations the Federal portion of the loan balance is guaranteed. Management believes that the allowance for credit losses at June 30, 2012 and 2011 is adequate to absorb credit losses inherent in the portfolio as of that date.

Investments

Investments are recorded at fair value. The value of publicly-traded fixed income and equity securities is based upon quoted market prices. Private equities and certain other nonmarketable securities are valued using current information obtained from the general partner or investment manager for the respective funds. Fair values for investments held through certain limited partnerships are estimated by the respective external investment managers if market values are not readily ascertainable. Purchased investments are initially recorded at cost as of the trade date and donated investments at fair market value at the date of receipt. Gains or losses that result from market fluctuations are recognized in the period in which the fluctuations occur.

The College holds interests in certain limited partnerships which invest in securities at the sole discretion of the general partners. The partnerships hold, among other investments, debt and/or equity securities of troubled or restructured companies. These partnerships may also enter into transactions in financial futures, foreign exchange options, forward currency contracts (which are used for hedging and nonhedging purposes), securities purchased under agreements to resell, and securities sold under agreements to repurchase.

The College owns certain pieces of real estate which are recorded at fair value. Fair values of these properties are evaluated annually by the College by obtaining property appraisals from local independent appraisers.

Trinity College

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Split-interest Agreements and Beneficial Interest in Funds Held in Trust by Others

The College's split-interest agreements with donors consist primarily of charitable gift annuities, pooled life income funds and irrevocable charitable remainder trusts. Those for which the College serves as trustee are recorded in the investments of the College. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

The College also is the beneficiary of a number of charitable remainder trusts and perpetual trusts for which unrelated third parties serve as trustees, which are recorded as beneficial interest in funds held in trust by others.

Contribution revenues for irrevocable charitable gift annuities and charitable remainder trusts are recognized at fair value at the dates the agreements are established after recording liabilities for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. For pooled income funds, contribution revenue is recognized upon establishment of the agreement at the fair value of the estimated future receipts, discounted for the estimated time period to complete the agreement. Discount rates used to calculate the present value of split interest agreements range from approximately 3.3% to 6.0%. Contribution revenue for perpetual trusts is recognized at the time the College is informed of the trust.

The College is aware of certain split interest arrangements in which it has been named as beneficiary. The College has adopted a policy that until such amounts are estimable and under its control, these amounts are not recognized in the financial statements.

Other Assets

Bond issuance costs, prepaid expenses and inventories are categorized within other assets in the financial statements. Bond issuance costs are amortized over the term of the related debt.

Fixed Assets

Fixed assets are comprised primarily of land and land improvements buildings, equipment and capitalized software costs, which are recorded at cost or fair market value for gifts, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (20-40 years), land improvements (30 years), equipment (5-10 years), and capitalized software costs (5 years). The College capitalizes interest on borrowed funds during construction periods. Capitalized interest is charged to land improvements and building accounts and amortized over the lives of the related assets. The cost and related accumulated depreciation of fixed assets are removed from the records at the time of disposal.

Collections

Library and art collections are included in fixed assets if the fair value can be readily determined. Contributed collection items are not reflected in the financial statements unless a fair value can be readily determined. Proceeds from the sale of unrecorded collection items or insurance recoveries are reflected as increases in the appropriate net asset class.

Trinity College

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Asset Retirement Obligations

An asset retirement obligation ("ARO") is a legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time and changes to either the timing or the amount of the original estimate of undiscounted cash flows. The College derecognizes ARO liabilities when the related obligations are settled.

Tax Status

The College has a letter of exemption from federal income tax from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and therefore has incurred no income tax expense related to the activities of the College.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates. Significant estimates include the valuation of certain investments, collectability of gifts, contributions receivable, student loans receivable and accounts receivable, estimated useful lives of fixed assets, the assumptions used in calculating of the postretirement benefit plan, and asset retirement obligations.

Risks and Uncertainties

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in values of such investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Reclassifications

Certain 2011 amounts have been reclassified to conform with 2012 presentation.

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

2. Investments

Investments at June 30, 2012 and 2011 consist of:

	Market Value	
	2012	2011
Endowment funds		
Short-term investments	\$ 27,882,471	\$ 24,769,541
Fixed income	11,892,750	11,143,043
Domestic equity	7,568,931	8,472,660
Private equity	100,758,600	98,686,170
Real estate	12,794,297	15,223,076
Hedge funds/absolute return		
Domestic equities	108,098,936	111,412,380
Private equities	1,335,727	1,680,927
Global equities	74,943,879	71,218,796
Other	63,834,341	61,384,809
	<u>409,109,932</u>	<u>403,991,402</u>
Other funds		
Fixed income	7,480	8,346
Domestic and global equities	343,548	334,970
International equity	7,547	10,709
Real estate	23,620	25,622
Other	119,256	119,256
	<u>501,451</u>	<u>498,903</u>
Total investments	<u>\$ 409,611,383</u>	<u>\$ 404,490,305</u>

At June 30, 2012 and 2011, the College is obligated to fund \$63,374,683 and \$61,424,600 for future additional purchases of certain limited partnerships. This obligation will be funded by the reallocation of investments, future earnings, new contributions, or available cash.

A summary of the College's investment return is presented below:

	2012	2011
Endowment and other long-term investments		
Endowment income	\$ 2,688,905	\$ 988,744
Net realized and unrealized (losses) gains, net of investment management fees and other costs	<u>(1,702,575)</u>	<u>64,726,871</u>
Return on endowment investments	<u>986,330</u>	<u>65,715,615</u>
Operating investments		
Investment income	450,568	498,743
Net realized and unrealized losses	<u>(68,771)</u>	<u>(76,093)</u>
Return on operating investments	<u>381,797</u>	<u>422,650</u>
Total return on investments	<u>\$ 1,368,127</u>	<u>\$ 66,138,265</u>

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

The following table presents the financial instruments carried at fair value as of June 30, 2012 and 2011, by caption on the statements of financial position by the fair value measurements and disclosures valuation hierarchy defined in Note 1.

	2012			Total Fair Value
	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Short term investments	\$ 27,882,471	\$ -	\$ -	\$ 27,882,471
Fixed income	11,892,750	7,480	-	11,900,230
Domestic and global equities	4,369,049	-	3,543,430	7,912,479
Private equity	-	-	100,758,600	100,758,600
International equity	7,547	-	-	7,547
Real estate	16,999	-	12,800,918	12,817,917
Hedge funds/absolute return	-	232,597,328	15,615,555	248,212,883
Other	-	-	119,256	119,256
Total investments	<u>44,168,816</u>	<u>232,604,808</u>	<u>132,837,759</u>	<u>409,611,383</u>
Beneficial interests held by 3rd parties	-	-	15,559,409	15,559,409
Perpetual trusts held by 3rd parties	-	-	13,453,316	13,453,316
Total assets at fair value	<u>\$ 44,168,816</u>	<u>\$ 232,604,808</u>	<u>\$ 161,850,484</u>	<u>\$ 438,624,108</u>
2011				
	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Short term investments	\$ 24,769,541	\$ -	\$ -	\$ 24,769,541
Fixed income	11,143,043	8,346	-	11,151,389
Domestic and global equities	4,379,153	-	4,428,477	8,807,630
Private equity	-	-	98,686,170	98,686,170
International equity	10,709	-	-	10,709
Real estate	17,001	-	15,231,697	15,248,698
Hedge funds/absolute return	-	231,007,234	14,689,678	245,696,912
Other	-	-	119,256	119,256
Total investments	<u>40,319,447</u>	<u>231,015,580</u>	<u>133,155,278</u>	<u>404,490,305</u>
Beneficial interests held by 3rd parties	-	-	17,108,389	17,108,389
Perpetual trusts held by 3rd parties	-	-	13,748,930	13,748,930
Total assets at fair value	<u>\$ 40,319,447</u>	<u>\$ 231,015,580</u>	<u>\$ 164,012,597</u>	<u>\$ 435,347,624</u>

Following is a description of the College's valuation methodologies for assets and liabilities measured at fair value.

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

Fair value for Level 1 is based on quoted prices in active markets that the College has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The College does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3, is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

There were no transfers between any levels during the year ended June 30, 2012.

Investments included in Level 3 primarily consists of the College's ownership in alternative investments (principally limited partnership interests in hedge, private equity, real estate, and other similar funds). The value of certain alternative investments represents the ownership interest in the net assets of the respective partnership. Approximately 10.13% of investments held by the partnerships consists of marketable securities and approximately 89.87% are securities that do not have readily determinable fair values. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The College has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2012 and 2011. Fund investments that have observable inputs (published NAVs) and from which the College has the ability to redeem within 90 days of June 30 are classified as Level 2.

Beneficial and perpetual trusts held by 3rd parties are valued at the present value of the future distributions expected to be received over the term of the agreement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a rollforward of the statements of financial position amounts for financial instruments classified by the College within Level 3 of the fair value hierarchy defined above:

	Domestic Equity	Private Equity	Real Estate	Hedge Funds	Other	Total Investments
Fair value at July 1, 2011	\$ 4,428,477	\$ 98,686,170	\$ 15,231,697	\$ 14,689,678	\$ 119,256	\$ 133,155,278
Realized gains (losses)	(1,048,967)	4,777,381	-	46,269	-	3,774,683
Unrealized gains (losses)	781,068	(4,339,603)	(918,062)	1,109,471	-	(3,367,126)
Purchases	-	20,220,828	-	57,552	-	20,278,380
Sales	(617,147)	(18,586,175)	(1,512,717)	(287,417)	-	(21,003,456)
Transfers in/out	-	-	-	-	-	-
Fair value at June 30, 2012	\$ 3,543,431	\$ 100,758,601	\$ 12,800,918	\$ 15,615,553	\$ 119,256	\$ 132,837,759

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

	Beneficial Interests Held By 3rd Party	Perpetual Trusts Held By 3rd Party
Fair value at July 1, 2011	\$ 17,108,389	\$ 13,748,930
Realized gains (losses)	-	-
Unrealized gains (losses)	(1,548,980)	271,519
Purchases	-	-
Sales	-	-
Transfers in/out	-	(567,133)
Fair value at June 30, 2012	\$ 15,559,409	\$ 13,453,316

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying statements of activities. Net unrealized gains (losses) relate to those financial instruments held by the College at June 30, 2012 and 2011.

The information provided in the table below has been disaggregated based upon sub-strategy of the investments available redemption data and uncalled commitments are listed as follows:

Category	Fair Value	Unfunded Commitments	Lockup	Inside/Outside of Lockup	Redemption Frequency (if Eligible)	Redemption Notice
Hedge funds/absolute return						
Long/short	\$ 143,092,091	\$ -	None	N/A	Daily - Monthly	None
Fixed income strategies	14,279,828	-	36 months rolling	Inside	Every 2 years	90 days
Multi strategy	90,840,964	-	None	N/A	Monthly	None
Total hedge funds	<u>248,212,883</u>	<u>-</u>				
Private equity						
Fund of funds	81,865,989	54,249,684	None	N/A	N/A - Annual	None -180 days
Buyout	14,554,038	6,608,986	None	N/A	N/A	None
Venture capital	853,791	-	None	N/A	N/A	None
Fixed income	3,484,782	1,278,653	None	N/A	N/A	None
Total private equity	<u>100,758,600</u>	<u>62,137,323</u>				
Real estate						
Real estate	12,817,917	1,237,360	None	N/A	N/A	None
Total real estate	<u>12,817,917</u>	<u>1,237,360</u>				
	<u>\$ 361,789,400</u>	<u>\$ 63,374,683</u>				

3. Endowment Funds

Principal balances at June 30 were as follows:

	Fair Value	
	2012	2011
Endowment funds held by Trinity	\$ 409,059,576	\$ 402,779,510
Funds held in trust by others	13,453,316	13,748,929
Pledges outstanding	16,607,151	20,124,361
	<u>\$ 439,120,043</u>	<u>\$ 436,652,800</u>

Trinity College

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

The College's endowment consists of over 1,000 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees or management to function as endowment. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds functioning as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Temporarily restricted endowment net assets include accumulated appreciation on donor-restricted endowment funds, as well as donor-restricted, spendable gifts designated by the Board or management for long-term support of the College. Permanently restricted endowment net assets include those funds designated by donors to be invested in perpetuity to provide a permanent source of income.

The College follows the accounting guidance for Presentation of Financial statements of Not-For-Profit-Entities, which requires net asset classification of funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and enhanced disclosures for all endowment funds, which establishes guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted Uniform Prudent Management of Institutional Funds Act. The accounting guidance requires not-for-profit entities subject to an enacted version of UPMIFA to classify the portion of the endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets (time restricted) until appropriated for expenditure by the organization.

Interpretation of Relevant Law

The trustees of the College interpret the Uniform Prudent Management of Institutional Funds Act of the State of Connecticut, 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 stipulation to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the College and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the College
- The investment policies of the College

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

Funds with Deficiencies

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 that are reported in unrestricted net assets were \$4,622,209 and \$1,825,948 as of June 30, 2012 and 2011. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

In accordance with the terms of donor gift instruments, the College is permitted to reduce the balance of several restricted endowments below the original amount of the gift. Subsequent investment gains are then used to restore the balance up to the fair market value of the original amount of the gift. Subsequent gains above that amount are recorded to temporarily restricted net assets.

Endowment Net Asset Composition by Type of Fund as of June 30, 2012

	Unrestricted Endowment	Temporarily Restricted Endowment	Permanently Restricted Endowment	Total
Donor-restricted endowment funds	\$ (4,622,209)	\$ 146,889,444	\$ 264,187,481	\$ 406,454,716
Funds functioning as endowment funds	9,412,991	18,715,858	4,536,478	32,665,327
Total funds	<u>\$ 4,790,782</u>	<u>\$ 165,605,302</u>	<u>\$ 268,723,959</u>	<u>\$ 439,120,043</u>

	Unrestricted Endowment	Temporarily Restricted Endowment	Permanently Restricted Endowment	Year to Date as of June 30, 20112
Endowment net assets, beginning of year	\$ 4,979,360	\$ 176,774,825	\$ 254,898,615	\$ 436,652,800
Investment return				
Investment income (loss), net of fees	41,296	(399,981)	(43,626)	(402,311)
Net appreciation (realized and unrealized)	141,837	1,362,167	(323,760)	1,180,244
Total investment return	183,133	962,186	(367,386)	777,933
Contributions	2,520,298	151,719	14,157,569	16,829,586
Appropriation of endowment assets for expenditure	(292,321)	(16,073,324)	-	(16,365,645)
Other changes, transfers, and releases from restriction	(2,599,688)	3,789,896	35,161	1,225,369
Net assets as of June 30, 2012	<u>\$ 4,790,782</u>	<u>\$ 165,605,302</u>	<u>\$ 268,723,959</u>	<u>\$ 439,120,043</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2011

	Unrestricted Endowment	Temporarily Restricted Endowment	Permanently Restricted Endowment	Total
Donor-restricted endowment funds	\$ (1,825,948)	\$ 160,779,588	\$ 250,662,324	\$ 409,615,964
Funds functioning as endowment funds	6,805,308	15,995,237	4,236,291	27,036,836
Total funds	<u>\$ 4,979,360</u>	<u>\$ 176,774,825</u>	<u>\$ 254,898,615</u>	<u>\$ 436,652,800</u>

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

	Unrestricted Endowment	Temporarily Restricted Endowment	Permanently Restricted Endowment	Year to Date as of June 30, 2011
Endowment net assets, beginning of year	\$ (8,101,305)	\$ 139,538,210	\$ 239,370,322	\$ 370,807,227
Investment return				
Investment income (loss), net of fees	(61,239)	(2,795,516)	(67,139)	\$ (2,923,894)
Net appreciation (realized and unrealized)	1,427,556	66,148,639	2,143,793	69,719,988
Total investment return	1,366,317	63,353,123	2,076,654	66,796,094
Contributions	365,226	600,000	13,198,638	14,163,864
Appropriation of endowment assets for expenditure	(286,861)	(14,941,399)	-	(15,228,260)
Other changes, transfers, and releases from restriction	11,635,983	(11,775,109)	253,001	113,875
Net assets as of June 30, 2011	<u>\$ 4,979,360</u>	<u>\$ 176,774,825</u>	<u>\$ 254,898,615</u>	<u>\$ 436,652,800</u>

Assets of endowment funds are pooled on a market value basis with each individual fund subscribing to or disposing of units on the basis of the market value per unit at the beginning of the monthly period within which the transactions take place. In addition, the College maintains separately invested funds as stipulated by donors. Endowment income is distributed based on the number of units subscribed to at the end of each month.

The College has a total return (income plus change in fair value) spending policy. The endowment spending policy was designed to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. The annual spending rate for 2012 was calculated as a percentage of the June 30, 2011 endowment market value. The spending rate approved by the Board of Trustees was 5% for 2012. This resulted in approved spending of \$17,297,172 and \$16,036,876, which includes \$16,365,645 and \$15,228,260 appropriated for expenditure and \$931,527 and \$808,616 unspent in 2012 and 2011, respectively. Accumulated gains of \$13,947,447 and \$14,433,449 were transferred from endowment net assets to operating and other net assets to meet endowment spending for 2012 and 2011, respectively.

The College owns certain strategic neighborhood properties. Total return on these neighborhood properties, which are held as endowment assets, was 10% and (21.0%) for the year ended June 30, 2012 and 2011, respectively.

Other endowment changes in the statement of activities include transfers due to changes in donor intent in the amount of \$1,037,377 and \$12,095 for the year ended June 30, 2012 and 2011, respectively.

The following table sets forth activity in the pool at June 30:

	2012	2011
Number of units for income allocation	16,224,600	15,938,010
Market value per unit	\$ 25.00	\$ 25.00
Income earned per unit	\$ 0.10	\$ 4.12
Income distributed per unit	\$ 1.01	\$ 0.95

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

4. Contributions Receivable

Contributions receivable at June 30 consisted of unconditional promises to give (net of discount of \$10,682,495 and \$11,149,094 and allowance of \$850,754 and \$1,228,543 for 2012 and 2011, respectively), which are expected to be realized in the following periods:

	2012	2011
In one year or less	\$ 11,303,734	\$ 14,786,498
Between one year and five years	16,035,329	16,983,143
In more than five years	<u>6,205,998</u>	<u>6,484,609</u>
	<u>\$ 33,545,061</u>	<u>\$ 38,254,250</u>

Discount rates used to calculate the present value of contributions receivable ranged from 2.46% to 6.18%.

5. Other Assets

Other assets at June 30 include:

	2012	2011
Bond issuance costs, net of accumulated amortization	\$ 3,230,727	\$ 3,376,610
Prepaid expenses	471,371	566,726
Inventories	113,338	100,242
Other	<u>183,759</u>	<u>134,689</u>
	<u>\$ 3,999,195</u>	<u>\$ 4,178,267</u>

6. Fixed Assets

Land and land improvements, buildings and equipment, less accumulated depreciation at June 30, are as follows:

	2012	2011
Land and land improvements	\$ 27,612,933	\$ 27,546,747
Buildings	365,329,328	357,595,192
Equipment	49,813,611	52,609,107
Construction-in-progress	<u>5,467,287</u>	<u>3,557,216</u>
	448,223,159	441,308,262
Less: Accumulated depreciation	<u>(198,094,577)</u>	<u>(189,964,980)</u>
	<u>\$ 250,128,582</u>	<u>\$ 251,343,282</u>

Depreciation expense included in operating expense amounted to \$11,861,502 and \$11,953,803 for the year ended June 30, 2012 and 2011. The cost of the Trinity College main campus purchased in 1873 consisting of 78 acres and smaller parcels purchased in subsequent years is not included in the land total above. The historical cost of this land is not practical to estimate.

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

7. Contributions Due to Others

The College receives and distributes assets, on behalf of other not-for-profit organizations, under certain agreements in accordance with the provisions of certain accounting guidance. Amounts received and distributed under these relationships totaled \$15,000 and \$27,209 for the year ended June 30, 2012.

The amounts received on behalf of other not-for-profit organizations, but not yet distributed totaled \$89,932 and \$102,140 at June 30, 2012 and 2011, and are included on the statements of financial position as contributions due to others.

8. Asset Retirement Obligations

The College recalculates its asset retirement obligation annually, adjusting the liability to reflect obligations incurred or settled in the current period, accretion expense, and changes in estimated cash flows.

The College recognized accretion on the asset retirement obligations net of abatement and other changes of approximately \$941,513 and \$765,223 in 2012 and 2011. Accretion is reported as an operating expense in the statements of activities.

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

9. Bonds and Notes Payable

The following is a summary of bonds and notes payable at June 30:

	2012	2011
Connecticut Health and Educational Facilities Authority (CHEFA) Series F bonds, issued 1998, interest rates ranging from 5.0% to 5.50%; maturities to 2028; insured by Municipal Bond Insurance Authority (MBIA). The trustee held a sinking fund reserve of \$269,822 and \$269,822 at June 30, 2012 and 2011	\$ 9,805,000	\$ 9,805,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series H bonds, issued 2005, interest rates ranging from 2.0% to 5.0%; maturities to 2026; insured by MBIA. The trustee held a sinking fund reserve of \$1,879,525 and \$1,860,488 at June 30, 2012 and 2011	26,215,000	27,420,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series L bonds, issued 2008, variable interest with an initial rate of 1.65%; and a maximum rate of 12%; maturities to 2034. The trustee held a sinking fund reserve of \$523,241 and \$510,458 at June 30, 2012 and 2011	13,990,000	14,465,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series J bonds, issued 2007, interest rates ranging from 4.5% to 5.5%; maturities to 2037; insured by MBIA. The trustee held a sinking fund reserve of \$1,101,200 and \$1,101,200 at June 30, 2012 and 2011	49,805,000	49,805,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series K bonds, issued 2007, interest rates ranging from 4.5% to 5.5%; maturities to 2037; insured by MBIA. The trustee held a sinking fund reserve of \$992,521 and \$987,341 at June 30, 2012 and 2011	23,215,000	23,690,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series M bonds, issued 2010, interest rates ranging from 2.0% to 5.0%; maturities to 2028; not insured. These bonds were used to refinance the callable portion of the Series F bonds. The trustee held a sinking fund reserve of \$1,234,578 at June 30, 2012	21,470,000	22,230,000
Mortgage Payable - Payable to seller with monthly payments based on 5 year term at 8% annual interest rate maturing on September 1, 2012	22,510	108,195
Mortgage Payable - Payable to seller with monthly payments based on 20 year term at 8% annual interest rate with balloon payoff September 1, 2013	244,561	254,657
	<u>144,767,071</u>	<u>147,777,852</u>
Less: Unamortized net discount/premium	337,031	373,079
Total bonds and notes payable	<u>\$ 145,104,102</u>	<u>\$ 148,150,931</u>

Maturities of the above bonds and notes payable are as follows:

2012-2013	\$ 3,066,461
2013-2014	3,345,610
2014-2015	3,795,000
2015-2016	3,945,000
2016-2017	4,120,000
Thereafter	126,495,000

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

In July 2008, the College entered into an irrevocable Letter of Credit and Reimbursement Agreement (the "Letter of Credit") in the amount of \$15,345,000 with JPMorgan Chase Bank, N.A., which expires August 5, 2014. In the event that the College receives notice of any optional tender on its Series L variable-rate demand bonds, or if these bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the College will be obligated to purchase the bonds tendered by drawing on the Letter of Credit (LOC). Amounts borrowed under the Letter of Credit must be repaid in full on the expiration date or, at the option of the College, may be converted to a three year term loan with quarterly payments commencing in the third month following the conversion. The term loan bears interest at the higher of the Federal Funds Effective Rate plus 3.5% or Prime Rate plus 3.0%. If the full amount of the bonds are put and the LOC is utilized, principal amounts on the Series L bonds due over the next five years and thereafter would be \$475,000, \$505,000, \$515,000, \$525,000, \$555,000, and \$10,910,000.

The College has a line of credit agreement with a national financial institution, which provides up to \$15 million. There was no balance outstanding at June 30, 2012 or 2011. Interest is assessed at the higher of the bank's prime rate or the one month LIBOR plus 250 basis points for borrowings less than \$500,000, and LIBOR plus 75 basis points for borrowings in excess of \$500,000. There is also a 10 basis point charge for the unused portion of the credit line, payable quarterly in arrears.

The fair value of the College's long-term debt is estimated at approximately \$149,484,475 based on the quoted market prices for the same or similar issues or on the current rates offered to the College for debt of the same remaining maturities.

The College's debt with CHEFA is collateralized by the fixed assets of the College. The College's two mortgages are collateralized by the associated buildings. The College is subject to certain financial and nonfinancial covenants and was in compliance with these covenants during 2011 and 2012.

10. Unrestricted Net Assets

Unrestricted net assets at June 30, 2012 and 2011 consist of the following:

	2012	2011
Capital campaign	\$ (11,787,119)	\$ (8,233,909)
Unrestricted endowment	4,790,783	4,979,361
Investment in plant assets	81,572,774	74,772,796
Life income funds	644,796	643,920
Operating funds	<u>12,367,461</u>	<u>14,605,647</u>
Total unrestricted net assets	<u>\$ 87,588,695</u>	<u>\$ 86,767,815</u>

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

11. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 and 2011 are available for the following purposes:

	2012	2011
Plant additions/renovation	\$ 9,886,188	\$ 10,232,584
Life income funds	15,619,898	17,257,204
Capital campaign	32,911	506,887
Endowment funds	165,605,302	176,774,825
Operating and restricted funds	18,736,969	19,685,366
Loan funds	<u>1,893,447</u>	<u>2,675,565</u>
Total temporarily restricted net assets	<u>\$ 211,774,715</u>	<u>\$ 227,132,431</u>

12. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2012 and 2011 consist of the following:

	2012	2011
Income restricted		
Instruction funds	\$ 93,226,484	\$ 90,771,460
Scholarship funds	81,728,550	75,310,705
Library	9,145,806	6,684,141
Chapel funds	839,215	839,215
Athletics	8,864,870	5,959,444
Prize funds	723,691	778,571
Other purposes	10,027,089	11,115,006
Unrestricted as to use of income	<u>64,168,255</u>	<u>63,440,073</u>
Total investments in perpetuity in endowment	268,723,960	254,898,615
Student loan funds	320,978	210,020
Life income funds	<u>1,862,470</u>	<u>1,792,998</u>
Total permanently restricted net assets	<u>\$ 270,907,408</u>	<u>\$ 256,901,633</u>

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

13. Net Assets Released From Restrictions

Net assets were released from donor restrictions during the periods ended June 30, 2012 and 2011 as a result of incurred expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Such assets were utilized to fund expenditures in the following categories:

	2012	2011
Instruction and research	\$ 10,242,254	\$ 8,936,776
Financial aid	4,166,832	4,055,035
Plant	2,965,476	2,585,066
General institutional	<u>5,678,253</u>	<u>5,833,336</u>
Total net assets released from restrictions	<u>\$ 23,052,815</u>	<u>\$ 21,410,213</u>

14. Employee Benefit Plans

The College participates in the Teacher's Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF) as a defined contribution retirement plan for most of its employees. Total pension expense for the year ended June 30, 2012 and 2011 is \$3,571,674 and \$3,491,029. The College has no liability for any unfunded pension costs under this plan.

The College provides health insurance benefits for employees who were full-time employees with at least ten years of service, were 60 or older, and who retired by June 30, 2007. Retirees after June 30, 2007 may participate in the plan; however they must pay the full costs. The College also provides life insurance benefits for retired employees who were full-time employees as of December 1, 1977.

The following represents the applicable disclosures as required by accounting guidance for defined benefit pension and other postretirement plans.

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

Pertinent information relating to this plan is as follows, based on a June 30 measurement date:

	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 5,125,636	\$ 5,405,707
Service cost	11,270	10,523
Interest cost	226,001	236,321
Plan participants' contributions	70,617	66,009
Actuarial (gain) loss	990,121	(97,708)
Benefits paid	<u>(516,924)</u>	<u>(495,216)</u>
Benefit obligation at end of year	<u>5,906,721</u>	<u>5,125,636</u>
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	446,307	429,207
Plan participants' contributions	70,617	66,009
Benefits paid	<u>(516,924)</u>	<u>(495,216)</u>
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (5,906,721)</u>	<u>\$ (5,125,636)</u>
Balances recognized in unrestricted net assets		
Unrecognized prior service benefit	\$ (3,304,266)	\$ (3,965,120)
Net actuarial loss	<u>3,635,979</u>	<u>2,860,259</u>
	<u>\$ 331,713</u>	<u>\$ (1,104,861)</u>
Postretirement related changes other than net periodic benefit cost		
Current actuarial loss (gain)	\$ 990,121	\$ (97,708)
Amortization of unrecognized amounts	<u>446,453</u>	<u>455,754</u>
	<u>\$ 1,436,574</u>	<u>\$ 358,046</u>
Components of net periodic benefit cost		
Service cost	\$ 11,270	\$ 10,523
Interest cost	226,001	236,321
Expected return on plan assets	-	-
Amortization of prior service benefit	(660,854)	(660,854)
Amortization of actuarial loss	<u>214,401</u>	<u>205,100</u>
Net periodic benefit gain	<u>\$ (209,182)</u>	<u>\$ (208,910)</u>
Amortization amounts in following year		
Prior service gain	\$ (660,854)	\$ (660,854)
Net actuarial loss	<u>284,608</u>	<u>201,865</u>
	<u>\$ (376,246)</u>	<u>\$ (458,989)</u>

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

Assumptions

	2012	2011
Discount rate used to determine benefit obligations at June 30	3.22 %	4.61 %
Discount rate used to determine net periodic benefit cost for years ended June 30	4.61 %	4.75 %
Assumed health care cost trend rates at June 30	10.00 %	8.00 %
Health care cost trend rate assumed for next year	9.00 %	7.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00 %	5.00 %
Year that the rate reaches the ultimate trend rate	2017	2014

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost	\$ 19,450	\$ (17,276)
Effect on postretirement benefit obligation	525,724	(465,252)

Contributions

Trinity College expects to contribute \$480,300 to its postretirement health insurance benefit plan in fiscal year 2012.

Estimated Future Benefit Payments

Expected benefit payments for the calendar year:

	Postretirement Benefits
2012	\$ 480,300
2013	484,639
2014	487,478
2015	488,847
2016	481,950
Thereafter	2,149,551

Trinity College
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

15. Commitments and Contingencies

The College is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to those actions will not materially affect the College's financial position, changes in net assets or cash flows.

16. Related Parties

The College invests a portion of their endowment investments in limited liability partnerships and mutual funds where some members of the Board of Trustees have significant influence. The total fair value of related party investments was \$20,403,655 and \$9,259,467 at June 30, 2012 and 2011.

17. Subsequent Events

The college has performed an evaluation of subsequent events through October 12, 2012, the date on which the consolidated financial statements were issued.