Trinity College
Consolidated Financial Statements
June 30, 2016 and 2015

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Report of Independent Auditors

To the Board of Trustees of Trinity College

We have audited the accompanying consolidated financial statements of Trinity College ("the College"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015 and the related consolidated statements of activities and changes in net assets and of cash flows for the year then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the College's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trinity College as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Hartford, Connecticut
October 19, 2016.

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Trinity College
Consolidated Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	$ 16,109,826	$ 15,345,366
Restricted cash	1,000,000	1,000,000
Short-term investments	931,811	1,255,956
Loan receivable	3,829,010	3,993,947
Receivables, net of allowance for doubtful accounts of $462,000 and $490,000	1,278,685	1,450,473
Government grants receivable	512,809	264,186
Contributions receivable, net of allowance for doubtful accounts of $1,711,435 and $1,059,015	20,288,243	24,507,505
Student loans receivable, net of allowance for doubtful accounts of $795,000 and $668,000	5,801,008	5,915,501
Investments, at fair value	524,289,110	569,927,701
Funds held by bond trustee	24,626,364	4,750,736
Beneficial interest in funds held in trust by others	23,807,987	34,708,170
Other assets	424,064	535,180
Fixed assets, net of accumulated depreciation	260,318,763	250,040,705
Total assets	$ 883,217,680	$ 913,695,426
Liabilities		
Accounts payable and accrued expenses	$ 18,259,874	$ 18,519,343
Federal student loan funds	3,205,015	3,205,015
Accrued postretirement benefits	6,420,708	5,923,536
Split interest obligations	5,416,781	5,383,254
Bonds and notes payable	149,939,926	130,415,242
Asset retirement obligation	27,834,716	26,619,336
Other liability	4,273,689	603,962
Total liabilities	215,350,709	190,669,688
Net Assets		
Unrestricted	100,382,514	104,726,439
Temporarily restricted	251,953,093	316,682,841
Permanently restricted	315,531,364	301,616,458
Total net assets	667,866,971	723,025,738
Total liabilities and net assets	$ 883,217,680	$ 913,695,426

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

Trinity College
Consolidated Statements of Activities
Year Ended June 30, 2016 with Summarized Comparative Totals for 2015

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues and other net assets					
Tuition and fees	$ 116,507,666	$ -	$ -	$ 116,507,666	$ 113,267,638
Room and board	22,082,471	-	-	22,082,471	21,298,338
Less: Financial aid	(43,007,432)	-	-	(43,007,432)	(39,288,418)
Net tuition and fees	95,582,705	-	-	95,582,705	95,277,558
Federal and state grants	1,574,934	-	-	1,574,934	1,640,520
Contributions	8,267,140	5,642,111	-	13,909,251	16,459,243
Endowment income distribution	711,926	21,652,120	-	22,364,046	21,657,281
Net gain (loss) on investments	(18,653)	(1,530)	-	(20,183)	(170,672)
Other investment income	823,009	62,900	53,630	939,539	1,057,676
Other operating income	3,596,774	184,883	14,231	3,795,888	3,875,007
Revenues of auxiliary enterprises	5,932,160	-	-	5,932,160	5,880,191
Net assets released from restrictions	29,188,030	(29,188,030)	-	-	-
Total operating revenues and other net assets	145,658,025	(1,647,546)	67,861	144,078,340	145,676,804
Expenses					
Instruction, research and related programs	62,964,847	-	-	62,964,847	58,676,783
Academic support	20,961,108	-	-	20,961,108	19,633,590
General institutional services	24,843,344	-	-	24,843,344	24,985,255
Student services	14,691,113	-	-	14,691,113	13,947,557
Auxiliary expenses	22,381,263	-	-	22,381,263	22,549,136
Total expenses	145,841,675	-	-	145,841,675	139,792,321
Other changes in net assets					
Defeasance of CHEFA Series H	-	-	-	-	(208,341)
Defeasance of CHEFA Series K	(2,028,431)	-	-	(2,028,431)	-
Postretirement related changes other than net periodic cost	(1,068,782)	-	-	(1,068,782)	(1,068,561)
Operating and other fund transfers	109,149	(109,149)	-	-	-
Transfers from endowment	-	790	-	790	6,853,354
Total other changes	(2,988,064)	(108,359)	-	(3,096,423)	5,576,452
Increase (decrease) in operating and other net assets	(3,171,714)	(1,755,905)	67,861	(4,859,758)	11,460,935
Endowment and similar net assets					
Investment income	93,591	1,686,891	164,636	1,945,118	1,896,621
Net gains (losses) on investments	(565,366)	(30,391,522)	(255,725)	(31,212,613)	34,866,346
Endowment distributed for spending	(711,926)	(21,762,359)	110,239	(22,364,046)	(21,657,281)
Investment management fees	(65,528)	(2,440,329)	(52,592)	(2,558,449)	(4,256,989)
Other changes	(575,965)	(437,155)	-	(1,013,120)	(1,014,352)
Net investment gain (loss) and amounts distributed for spending	(1,825,194)	(53,344,474)	(33,442)	(55,203,110)	9,834,345
Contributions	272,630	(750)	5,124,271	5,396,151	16,367,830
Change in value of split-interest agreements	67,163	(447,193)	(111,230)	(491,260)	1,506,756
Other endowment changes and transfers	313,190	(9,180,636)	8,867,446	-	-
Transfers to operating funds	-	(790)	-	(790)	(6,853,354)
Other endowment changes	652,983	(9,629,369)	13,880,487	4,904,101	11,021,232
Increase (decrease) in endowment and similar net assets	(1,172,211)	(62,973,843)	13,847,045	(50,299,009)	20,855,577
Net assets					
Beginning of year	104,726,439	316,682,841	301,616,458	723,025,738	690,709,226
Total (decrease) in net assets	(4,343,925)	(64,729,748)	13,914,906	(55,158,767)	32,316,512
End of year	$ 100,382,514	$ 251,953,093	$ 315,531,364	$ 667,866,971	$ 723,025,738

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

Trinity College
Consolidated Statements of Activities
Year Ended June 30, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and other net assets				
Tuition and fees	$ 113,267,638	$ -	$ -	$ 113,267,638
Room and board	21,298,338	-	-	21,298,338
Less: Financial aid	(39,288,418)	-	-	(39,288,418)
Net tuition and fees	95,277,558	-	-	95,277,558
Federal and state grants	1,640,520	-	-	1,640,520
Contributions	7,641,664	8,817,579	-	16,459,243
Endowment income distribution	1,714,111	19,943,170	-	21,657,281
Net gain (loss) on investments	(178,491)	7,819	-	(170,672)
Other investment income	939,417	62,040	56,219	1,057,676
Other operating income	3,584,104	271,955	18,948	3,875,007
Revenues of auxiliary enterprises	5,880,191	-	-	5,880,191
Net assets released from restrictions	27,776,715	(27,776,715)	-	-
Total operating revenues and other net assets	144,275,789	1,325,848	75,167	145,676,804
Expenses				
Instruction, research and related programs	58,676,783	-	-	58,676,783
Academic support	19,633,590	-	-	19,633,590
General institutional services	24,985,255	-	-	24,985,255
Student services	13,947,557	-	-	13,947,557
Auxiliary expenses	22,549,136	-	-	22,549,136
Total expenses	139,792,321	-	-	139,792,321
Other changes in net assets				
Defeasance of CHEFA Series H	(208,341)	-	-	(208,341)
Postretirement related changes other than net periodic cost	(1,068,561)	-	-	(1,068,561)
Operating and other fund transfers	28,742	(28,742)	-	-
Transfers from (to) endowment	6,864,683	(11,329)	-	6,853,354
Total other changes	5,616,523	(40,071)	-	5,576,452
Increase in operating and other net assets	10,099,991	1,285,777	75,167	11,460,935
Endowment and similar net assets				
Investment income	114,613	1,590,200	191,808	1,896,621
Net gains on investments	572,350	33,773,814	520,182	34,866,346
Endowment distributed for spending	(1,714,111)	(20,010,324)	67,154	(21,657,281)
Investment management fees	(84,643)	(4,116,346)	(56,000)	(4,256,989)
Other changes	(602,992)	(411,360)	-	(1,014,352)
Net investment gain (loss) and amounts distributed for spending	(1,714,783)	10,825,984	723,144	9,834,345
Contributions	28,457	133,156	16,206,217	16,367,830
Change in value of split-interest agreements	35,641	1,223,149	247,966	1,506,756
Other endowment changes and transfers	424,152	(1,320,724)	896,572	-
Transfers (to) from operating funds	(6,864,683)	11,329	-	(6,853,354)
Other endowment changes	(6,376,433)	46,910	17,350,755	11,021,232
Increase (decrease) in endowment and similar net assets	(8,091,216)	10,872,894	18,073,899	20,855,577
Net assets				
Beginning of year	102,717,664	304,524,170	283,467,392	690,709,226
Total increase in net assets	2,008,775	12,158,671	18,149,066	32,316,512
End of year	$ 104,726,439	$ 316,682,841	$ 301,616,458	$ 723,025,738

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

Trinity College
Consolidated Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (55,158,767)	$ 32,316,512
Adjustments		
Depreciation, amortization and accretion	12,882,608	11,836,977
Realized and unrealized gains on investments	31,232,796	(34,010,558)
Provision for student loans receivables	127,000	(50,000)
Provision for contributions receivable	652,419	193,219
Contributions receivable discount	(910,502)	(5,780,660)
Student loans written off	63,981	21,071
Contributions restricted for long-term investments, net	(6,271,345)	(14,241,962)
Post retirement related changes other than net periodic cost	1,068,782	1,068,561
Change in balances		
Receivables and other assets	199,217	785,437
Contributions receivable	4,477,345	4,367,971
Accounts payable and other liabilities	(877,460)	(692,363)
Accrued postretirement benefits	(571,610)	(535,869)
Total adjustments	42,073,231	(37,038,176)
Net cash used in operating activities	(13,085,536)	(4,721,664)
Cash flows from investing activities		
Student loans granted	(919,693)	(1,111,897)
Student loans repaid	843,205	905,078
Purchase of fixed assets	(21,338,607)	(10,160,671)
Purchases of investments	(86,106,737)	(157,111,955)
Sales of investments	100,514,680	149,753,949
Change in short-term investments, net	324,145	18,686,061
Increase from bond proceeds deposited with trustee	(28,807,029)	(7,120,467)
Use of bond issuance proceeds deposited with trustee	8,931,400	9,001,755
Net cash provided by (used in) investing activities	(26,558,636)	2,841,853
Cash flows from financing activities		
Contributions restricted for long-term investments, net	5,687,981	12,914,769
Proceeds restricted for long term purpose	583,364	1,327,193
Change in value of split-interest obligations	33,527	(149,449)
Change in the value of funds held in trust by others	10,900,183	(745,139)
Restricted cash	-	(1,000,000)
Proceeds from bond issuance	49,559,727	22,638,521
Repayments of bonds and notes	(26,524,487)	(27,644,931)
Payments on bond issuance costs	168,337	(209,092)
Net cash provided by financing	40,408,632	7,131,872
Net increase in cash and equivalents	764,460	5,252,061
Cash and cash equivalents		
Beginning of year	15,345,366	10,093,305
End of year	$ 16,109,826	$ 15,345,366
Noncash		
Additions to fixed assets financed through accounts payable	$ 687,431	$ 69,439
Contributed securities	1,872,164	2,078,171
Supplemental disclosure of cash flow information		
Interest paid	$ 5,358,560	$ 5,718,416

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

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. The College also operates undergraduate programs internationally. 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.

The consolidated financial statements have been prepared on the accrual basis of accounting under U.S. Generally Accepted Accounting Principles.

The consolidated financial statements are also prepared following the provisions of the American Institute of Certified Public Accounts' Audit and Accounting Guide "Not-for-Profit Organization. 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.

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 type 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.

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 College 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 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.

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. Cash and cash equivalents awaiting investment in the endowment are reported as investments totaling $17,603,974 and $19,555,613 at June 30, 2016 and 2015, respectively.

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.

Restricted Cash
The amount presented as Restricted Cash represents the amount required to be maintained on deposit with a lending institution pursuant to the Series N financing and interest rate swap agreement described in Note 8.

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.

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. As of June 30, 2016, the College did not have any conditional promises to give.

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 non-repayment situations. In these situations the Federal portion of the loan balance is guaranteed. Management believes that the allowance for credit losses at June 30, 2016 and 2015 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.

The College records futures contracts at fair value based on the most recent available closing quotations on the applicable exchange.

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 line item of the Statement of Financial Position 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. During fiscal year 2016, approximately $10 million was transferred out of the charitable remainder trusts and perpetual trusts. This transfers were due to the death of the beneficiaries and clarification of the purpose of the ultimate remainder trust assets.

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 2.5% to 9.0%. Contribution revenue for perpetual trusts is recognized at the time the College is informed of the trust and has sufficient information to record the assets and liability.

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
Other assets consists of prepaid expenses and inventories which are categorized as such within other assets in the financial statements.

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.

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
The accompanying 2016 financial statements include comparative financial information for 2015. Certain items presented for fiscal 2015 have been reclassified to conform to the current year presentation. Such items include the movement of FY15 investments within the levelling hierarchy in Footnote 2 to NAV, as well as the reclassification of bond issuance costs from Other Assets to Bonds and notes payable.

Recently Adopted Accounting Standards
In May 2015, the FASB issued ASU No. 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)". Under the new guidance, investments measured at net asset value (NAV), as a practical expedient for fair value, are excluded from the fair value hierarchy. The College elected to retrospectively adopt the disclosure changes required by ASU No. 2015-07 for the fiscal year ended June 30, 2016. The effects of adopting the ASU are reflected in Note 2 – Investments and the prior year disclosures have been adjusted to conform to this new presentation.

In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs” which requires debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of debt premium or discount. The College elected to retrospectively adopt the provisions of ASU No. 2015-03 in the year ended June 30, 2016. As a result of the adoption, the College has reclassified unamortized bond issuance costs of approximately $2,828,902 from Other Assets on the accompanying Consolidated Balance Sheet for the year ended June 30, 2015 and presented the amount as a reduction to Long-term debt, net, as required. The accounting change which was applied retrospectively, is shown in the statement of financial position, Footnote 5, and Footnote 8 for both fiscal years 2016 and 2015. The adoption of the ASU had no impact on the College’s net assets, Consolidated Statement of Activities or Consolidated Statement of Cash Flows for the year ended June 30, 2015.

In January 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-01 “Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities”. This guidance removes the requirement to disclose the fair value of financial instruments carried at amortized cost. The College has elected to early adopt ASU 2016-01 and has removed the fair value disclosure of its debt from Footnote 8, Bonds and Notes Payable.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014- 09, “Revenue from Contracts with Customers (Topic 606)”. Under the new guidance, recognition of revenue from customer contracts is a principles-based framework. ASU No. 2014-09 is effective for the fiscal year ended June 30, 2019; the College has not yet evaluated the impact this adoption will have on the Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for the fiscal year ended June 30, 2020; the College has not yet evaluated the impact this adoption will have on the Consolidated Financial Statements.

In August 2016, the FASB issued ASU No. 2016-14, “Presentation of Financial Statements for Not-for-Profit Entities”. Under the new guidance, the existing three-category classification of net assets will be collapsed into two categories: with donor restrictions and without donor restrictions. Endowments that have a current fair value that is less than the original gift amount (underwater) will be classified in net assets with donor restrictions and expanded disclosures will be required. Additional requirements include disclosure of board-designated net assets, expanded reporting to present expenses by function and natural classification and eliminating the disclosure of investment expenses that are netted against investment returns. ASU No. 2016-14 is effective for the fiscal year ended June 30, 2019; the College has not yet evaluated the impact this adoption will have on the Consolidated Financial Statements.

2. Investments

Investments at June 30, 2016 and 2015 consist of:

	Market Value 2016	Market Value 2015
Endowment funds		
Short-term investments	$ 22,699,685	$ 24,830,402
Fixed income	18,236,500	16,790,477
Domestic equity	7,910,181	8,299,634
Private equity	118,254,722	121,763,113
Real estate	11,227,953	11,814,221
Hedge funds/absolute return		
Domestic equities	128,063,092	170,599,126
Private equities	1,020,273	1,002,830
Global equities	134,239,171	169,039,422
Other	82,114,257	45,268,384
	523,765,834	569,407,609
Other funds		
Fixed income	2,000	3,000
Domestic and global equities	312,399	305,837
International equity	-	2,392
Real estate	208,877	89,621
Other	-	119,242
	523,276	520,092
Total investments	$ 524,289,110	$ 569,927,701

At June 30, 2016, the College is obligated to fund $125,769,000 for future additional contributions to 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:

	2016	2015
Endowment and other long-term investments		
Investment income	$ 1,945,118	$ 1,896,621
Net realized and unrealized gains (losses), net of investment management fees and other costs	(33,771,062)	30,609,358
Return on endowment and other long-term investments	(31,825,944)	32,505,979
Operating investments		
Investment income	939,539	1,057,676
Net realized and unrealized losses	(20,183)	(170,672)
Return on operating investments	919,356	887,004
Total return on investments	$ (30,906,588)	$ 33,392,983

The following table presents the financial instruments carried at fair value as of June 30, 2016 and 2015, by caption on the statements of financial position by the fair value measurements and disclosures valuation hierarchy defined in Note 1.

	2016				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total Fair Value
Assets					
Short term investments	$ 22,699,685	$ -	$ -	$ -	$ 22,699,685
Fixed income	18,236,500	-	-	2,000	18,238,500
Domestic and global equities	6,004,707	-	-	2,217,873	8,222,580
Private equity	-	-	-	118,254,722	118,254,722
International equity	-	-	-	-	-
Real estate	1,093,216	-	6,371,256	3,972,358	11,436,830
Hedge funds/absolute return	-	-	-	345,436,793	345,436,793
Other	-	-	-	-	-
Total investments	48,034,108	-	6,371,256	469,883,746	524,289,110
Beneficial interests held by 3rd parties	-	-	9,631,483	-	9,631,483
Perpetual trusts held by 3rd parties	-	-	14,176,504	-	14,176,504
Total assets at fair value	$ 48,034,108	$ -	$ 30,179,243	$ 469,883,746	$ 548,097,097

	2015				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total Fair Value
Assets					
Short term investments	$ 24,830,402	$ -	$ -	$ -	$ 24,830,402
Fixed income	16,790,477		-	3,000	16,793,477
Domestic equity	6,226,502	-	-	2,378,969	8,605,471
Private equity	-	-	-	121,763,113	121,763,113
International equity	2,392	-	-	-	2,392
Real estate	13,001		5,894,667	5,996,174	11,903,842
Hedge funds/absolute return	-	-	-	385,909,762	385,909,762
Other	-	-	119,242	-	119,242
Total investments	47,862,774	-	6,013,909	516,051,018	569,927,701
Beneficial interests held by 3rd parties	-	-	19,933,246	-	19,933,246
Perpetual trusts held by 3rd parties	-	-	14,774,924	-	14,774,924
Total assets at fair value	$ 47,862,774	$ -	$ 40,722,079	$ 516,051,018	$ 604,635,871

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

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. 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.

Net asset values provided by third-parties have been utilized in determining fair value where there are significant unobservable inputs related to Level 3 assets. Investment managers utilize outside pricing services and administrators as well as their own internal valuation models in determining and verifying fair values. The College performs ongoing due diligence with the investment managers that include evaluation of manager operations and valuation procedures, site visits, investor calls, review of manager filings and audited financial statements among other items. The College's Investment Committee and the Board of Trustees monitors performance of the investment managers and meets formally with the managers on a periodic basis in addition to the ongoing due diligence performed by College investment staff.

There were no material transfers between any levels during the year ended June 30, 2016.

Investments included in Level 3 and Net Asset Value (NAV) primarily consist 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 24% of investments held by the partnerships consists of marketable securities and approximately 76% 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 market comparable calculations, income approaches such as discounted cash flows, 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 various data points, including 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 and its investment advisor have performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2016 and 2015.

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 agreements.

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:

	Real Estate	Other	Total Investments
Fair value at June 30, 2015	$ 5,894,667	$ 191,242	$ 6,085,909
Realized and unrealized gains losses	(254,481)	-	(254,481)
Net purchases, sales, settlements	611,828	-	611,828
Transfers in/out	119,242	(191,242)	(72,000)
Fair value at June 30, 2016	$ 6,371,256	$ -	$ 6,371,256

	Beneficial Interests Held by 3rd Party	Perpetual Trusts Held by 3rd Party
Fair value at June 30, 2015	$ 19,933,246	$ 14,774,924
Realized and unrealized losses	(448,483)	(9,262)
Net purchases, sales, settlements	-	(589,158)
Transfers out	(9,853,281)	-
Fair value at June 30, 2016	$ 9,631,483	$ 14,176,504

All net realized and unrealized losses in the table above are reflected in the accompanying statements of activities. Net unrealized losses relate to those financial instruments held by the College at June 30, 2016 and 2015.

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	$ 192,061,522	$ -	None	N/A	Monthly–Quarterly	10–120 Days
Fixed income strategies	14,607,664	-	36 months rolling	Inside	Every 2 years	90 Days
Multi-strategy	138,767,607	-	None	N/A	Quarterly	90 Days
Total hedge funds	345,436,793	-				
Private equity						
Fund of funds	106,980,747	119,126,209	None	N/A	N/A– Annual	None–180
Buyout	10,674,487	4,712,497	None	N/A	N/A	None
Venture capital	37,983	-	None	N/A	N/A	None
Fixed income	561,505	692,934	None	N/A	N/A	None
Total private equity	118,254,722	124,531,640				
Real estate						
Real estate	11,436,830	1,237,360	None	N/A	N/A	None
Total real estate	11,436,830	1,237,360				
	$ 475,128,345	$ 125,769,000				

Derivatives Contracts

The College enters into derivative instruments such as futures for trading purposes. The College uses this strategy to provide short term exposure to the market in a cash efficient manner. These products are not linked to specific assets and liabilities that appear on the balance sheet or to a forecasted transaction and, therefore, do not qualify for hedge accounting. The College is required to disclose derivative and hedging activities and thereby improve the transparency of financial reporting. The following table shows the fair value amounts of derivatives held by the College at June 30, 2016:

Derivatives Not Designated as Hedging Instruments	Consolidated Statements of Financial Position	Fair Value
Index futures contracts	Investments, at fair value	$ 13,322

As of June 30, 2016 there were 36 futures contracts open. The volume of futures is based on the quarterly number of contracts held during the year. For the year ended June 30, 2016 the average number of contracts for futures was 54.

The following table shows the net gains and losses on derivatives held by the College for the year ended June 30, 2016:

Derivatives Not Designated as Hedging Instruments	Consolidated Statements of Activities Location	Net Realized or Net Change in Unrealized Gain (Loss)
Net realized loss		
Index futures contracts	Net gains (losses) on investments	$ (1,407,243)
Net change in unrealized gain		
Index futures contracts	Net gains (losses) on investments	$ 110,742

3. Endowment Funds

Principal balances at June 30 were as follows:

	Fair Value 2016	Fair Value 2015
Endowment funds held by Trinity	$ 510,082,758	$ 547,406,714
Funds held in trust by others	14,176,504	14,774,924
Pledges outstanding	8,085,223	9,851,911
	$ 532,344,485	$ 572,033,549

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.

During 2015, the College transferred an unrestricted gift of $6,864,683 received during fiscal 2014 from the endowment to operating activities to cover costs associated with capital campaign efforts. The transfer was approved by the Trustees of the College.

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

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the College to retain as a fund of perpetual duration. These deficiencies would be the result of unfavorable market fluctuations that occur after the investment of new permanently restricted contributions and appropriation for certain programs that are deemed prudent by the Board of Trustees. There were deficiencies of this nature of $1,277,585 and $0 in fiscal 2016, and 2015, respectively.

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, 2016.

	Unrestricted Endowment	Temporarily Restricted Endowment	Permanently Restricted Endowment	Total
Donor-restricted endowment funds	$ -	$ 194,095,939	$ 308,196,754	$ 502,292,693
Funds functioning as endowment funds	6,579,351	18,780,846	4,691,596	30,051,793
Total funds	$ 6,579,351	$ 212,876,785	$ 312,888,350	$ 532,344,486

	Unrestricted Endowment	Temporarily Restricted Endowment	Permanently Restricted Endowment	Year to Date as of June 30, 2016
Beginning balance June 30, 2015	$ 7,671,321	$ 265,539,114	$ 298,823,114	$ 572,033,549
Investment return	(30,528)	(757,672)	(52,590)	(840,790)
Net appreciation (realized and unrealized)	(531,817)	(30,154,360)	(165,044)	(30,851,221)
Total investment return	(562,345)	(30,912,032)	(217,634)	(31,692,011)
Contributions	272,630	(750)	4,833,714	5,105,594
Appropriation of endowment assets for expenditure	(711,926)	(21,762,359)	110,239	(22,364,046)
Other changes, transfers, and releases from restriction	(90,329)	12,812	9,338,917	9,261,400
Net assets as of June 30, 2016	$ 6,579,351	$ 212,876,785	$ 312,888,350	$ 532,344,486

Endowment Net Asset Composition by Type of Fund as of June 30, 2015.

	Unrestricted Endowment	Temporarily Restricted Endowment	Permanently Restricted Endowment	Total
Donor-restricted endowment funds	$ -	$ 245,784,974	$ 294,179,496	$ 539,964,470
Funds functioning as endowment funds	7,671,321	19,754,140	4,643,618	32,069,079
Total funds	$ 7,671,321	$ 265,539,114	$ 298,823,114	$ 572,033,549

	Unrestricted Endowment	Temporarily Restricted Endowment	Permanently Restricted Endowment	Year to Date as of June 30, 2015
Beginning balance June 30, 2014	$ 15,560,612	$ 255,864,802	$ 280,372,784	$ 551,798,198
Investment return	(48,318)	(2,613,577)	(56,000)	(2,717,895)
Net appreciation (realized and unrealized)	630,991	33,776,979	725,042	35,133,012
Total investment return	582,673	31,163,402	669,042	32,415,117
Contributions	-	133,156	16,135,435	16,268,591
Appropriation of endowment assets for expenditure	(1,714,111)	(20,010,324)	67,154	(21,657,281)
Other changes, transfers, and releases from restriction	(6,757,853)	(1,611,922)	1,578,699	(6,791,076)
Net assets as of June 30, 2015	$ 7,671,321	$ 265,539,114	$ 298,823,114	$ 572,033,549

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's endowment spending policy was designed to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. For the 2015 fiscal year the College elected to change its spending policy from a percentage of actual value plus inflation, to a percentage of the average market value excluding funds held in trust, for the calendar year trailing twelve quarters. The spending rate approved by the board of trustees for 2016 was 5%. This resulted in approved spending of $23,537,940 and $22,990,133, which includes $22,364,046 and $21,657,281 appropriated for expenditure and $1,173,894 and $1,332,852 unspent in 2016, and 2015, respectively.

Other endowment changes in the statements of activities include transfers due to changes in donor intent in the amount of $523,011 and $76,914 for the years ended June 30, 2016 and 2015, respectively.

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

	2016	2015
Number of units for income allocation	20,242,609	21,721,873
Market value per unit	$ 25.00	$ 25.00
Total return per unit	(1.53)	1.50
Total return distributed per unit	1.13	1.03

4. Contributions Receivable

Contributions receivable at June 30 consisted of unconditional promises to give (net of discount of $2,566,117 and $3,476,619 and allowance of $1,711,435 and $1,059,015 for 2016 and 2015, respectively), which are expected to be collected in the following periods:

	2016	2015
In one year or less	$ 9,523,532	$ 11,192,374
Between one year and five years	10,280,859	12,527,854
In more than five years	483,852	787,277
	$ 20,288,243	$ 24,507,505

Discount rates used to calculate the present value of contributions receivable ranged from 2.46% to 6.26%.

5. Other Assets

Other assets at June 30 include:

	2016	2015
Prepaid expenses	$ 115,633	$ 253,012
Inventories	127,384	103,305
Other	181,047	178,863
	$ 424,064	$ 535,180

6. Fixed Assets

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

	2016	2015
Land and land improvements	$ 35,982,605	$ 30,943,333
Buildings	395,931,365	385,354,389
Equipment	57,793,473	54,467,953
Construction-in-progress	9,764,984	6,750,137
	499,472,427	477,515,812
Less: Accumulated depreciation	(239,153,664)	(227,475,107)
	$ 260,318,763	$ 250,040,705

Depreciation expense included in operating expense amounted to $12,568,750 and $12,217,786 for the years ended June 30, 2016 and 2015. 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.

7. 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 $1,215,380 and $523,435 in 2016 and 2015. Accretion is reported as an operating expense in the statements of activities.

8. Bonds and Notes Payable

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

	2016	2015
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 $1,694,637 and $269,824 at June 30, 2016 and 2015	$ 9,805,000	$ 9,805,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series L bonds, issued 2008, 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 $529,028 and $515,719 at June 30, 2016 and 2015	11,990,000	12,505,000
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, 2016 and 2015	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 $0 and $1,034,216 at June 30, 2016 and 2015	-	21,670,000
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 $444,496 and $1,830,496 at June 30, 2016 and 2015	17,050,000	18,490,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series N bonds, issued 2014, variable interest rate equal to 0.68 of one-month LIBOR plus 85 bps; maturities to 2026; not insured. These bonds were used to refund the Series H bonds. There is no sinking fund required for this series as the College pays the purchaser directly. However, there is a $1,000,000 compensating balance required by the purchaser.	19,092,153	20,970,070
Connecticut Health and Educational Facilities Authority (CHEFA) Series O bonds, issued 2015, interest rate equal to 2.675% maturities to 2037; not insured. These bonds were used to refund the Series K bonds. There is no sinking fund required for this series as the College pays the purchaser directly.	22,090,000	-
Connecticut Health and Educational Facilities Authority (CHEFA) Series P bonds, issued 2015, variable interest rate equal to .65% of one-month LIBOR plus 1.54%; maturities to 2025; not insured. These bonds were used to finance capital projects around campus. No sinking fund reserve required for this series as the College pays the purchaser directly.	22,778,430	-
	152,610,583	133,245,070
Bond issuance costs, net of accumulated amortization	(2,660,567)	(2,828,902)
Bond premium discount net of accumulated amortization	(10,090)	(926)
Total bonds and notes payable	$ 149,939,926	$ 130,415,241

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

2016–2017	$ 5,295,396
2017–2018	5,394,031
2018–2019	5,502,292
2019–2020	5,620,871
2020–2021	5,779,778
Thereafter	125,018,216

In July 2014, the College borrowed $22,535,000 in the form of CHEFA Revenue Bonds, Series N. The proceeds from the issue were used to refund the College's borrowings under the CHEFA Revenue Bonds, Series H. The proceeds were deposited in a refunding trust to refund the Series H bonds, in the outstanding principal amount of $22,285,000. Under the terms of the refunding trust agreement, the College has not retained control over the trust assets or responsibility for the refunded debt. As a result, the Series H bonds were defeased. The refunding resulted in a redemption price of the Series H bonds and its carrying value, including its unamortized debt issuance costs, in the amount of $208,341 that has been recorded as a loss in the accompanying consolidated statement of activities.

In December 2015, the College borrowed $23,000,000 in the form of CHEFA Revenue Bonds, Series P. The proceeds will be used to fund various construction projects around campus.

The College has entered into an interest rate swap agreements for Series N and P bonds used to economically hedge the interest rate risk associated with certain of its variable rate debt. The following summarizes the terms for the agreement as of June 30, 2016:

	Counterparty A	Counterparty B
Trade/effective date	11/26/2013	12/17/2015
Initial notional amount	$ 22,535,000	$ 23,000,000
Current notional amount	$ 19,092,153	$ 22,778,430
Termination date	July 1, 2026	Dec. 1 ,2025
Fixed rate paid by college	2.670 %	2.39%
Rate paid by counterparty	.68 of one-month LIBOR plus 85 bps	.65 of one-month LIBOR plus 154 bps

In April 2016, the College entered into a forward rate lock SWAP agreement for CHEFA Series Q which will be used to refinance its $49,805,000 Series J bonds at maturity in April 2017. The fixed rate to be paid by the College will be 2.53%. Rates to be paid by counterparty will be .65 of one-month LIBOR plus 187 bps.

The net loss that was recognized for interest rate swap agreements for series N, P, and Q for the years ended June 30, 2016 and 2015 were $3,669,727 and $103,521, respectively, and have been recorded as interest expense on the consolidated statement of activities. The fair value of the liability for the interest rate swap agreement at June 30, 2016 and 2015 is $4,273,689 and $603,962, respectively, and recorded as "Other liability" on the consolidated statements of financial position.

In July 2015, the College borrowed $22,890,000 in the form of CHEFA Revenue Bonds, Series O. The proceeds from the issue were used to refund the College's borrowings under the CHEFA Revenue Bonds, Series K. The proceeds were deposited in a refunding trust to refund the Series K bonds, in the outstanding principal plus future interest amount of $22,631,437. Under the terms of the refunding trust agreement, the College has not retained control over the trust assets or responsibility for the refunded debt. As a result, the Series K bonds were defeased. The refunding resulted in a redemption price of the Series K bonds and its carrying value, including its unamortized debt issuance costs, in the amount of $492,159 that has been recorded as a loss in the accompanying consolidated statement of activities.

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, 2017. 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 $525,000, $555,000, $545,000, $540,000 $570,000 and $9,255,000.

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, 2016 or 2015. 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 College's debt with CHEFA is uncollateralized. The College is subject to certain financial and nonfinancial covenants and was in compliance with these covenants during 2015 and 2016.

9. Unrestricted Net Assets

Unrestricted net assets at June 30, 2016 and 2015 consist of the following:

	2016	2015
Unrestricted endowment	$ 6,579,350	$ 7,671,320
Investment in plant assets	87,245,339	87,452,947
Life income funds	642,967	723,206
Operating funds	5,914,858	8,878,966
Total unrestricted net assets	$ 100,382,514	$ 104,726,439

10. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following purposes:

	2016	2015
Plant additions/renovation	$ 9,786,633	$ 9,870,620
Life income funds	9,691,607	20,003,121
Capital campaign	(77,819)	(24,313)
Endowment funds	212,876,785	265,539,114
Operating and restricted funds	16,644,044	18,594,335
Loan funds	3,031,843	2,699,964
Total temporarily restricted net assets	$ 251,953,093	$ 316,682,841

11. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2016 and 2015 consist of the following:

	2016	2015
Income restricted		
Instruction funds	$ 99,919,226	$ 99,061,873
Scholarship funds	101,628,780	99,360,180
Library	9,647,032	9,584,343
Chapel funds	885,543	839,365
Athletics	8,874,017	8,769,776
Prize funds	904,720	883,272
Other purposes	16,214,135	14,181,190
Unrestricted as to use of income	74,814,896	66,143,115
Total investments in perpetuity in endowment	312,888,349	298,823,114
Student loan funds	629,965	562,104
Life income funds	2,013,050	2,231,240
Total permanently restricted net assets	$ 315,531,364	$ 301,616,458

12. Net Assets Released From Restrictions

Net assets were released from donor restrictions during the periods ended June 30, 2016 and 2015 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:

	2016	2015
Instruction and research	$ 9,920,446	$ 8,581,588
Financial aid	7,252,835	6,989,121
Plant	2,299,252	1,318,940
General institutional	6,228,824	7,294,297
Student services	817,004	782,311
Academic support	2,669,669	2,810,458
Total net assets released from restrictions	$ 29,188,030	$ 27,776,715

13. 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 benefits expense for the years ended June 30, 2016 and 2015 is $4,029,778 and $4,028,977. The College has no liability for any unfunded 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 postretirement plans.

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

	2016	2015
Change in benefit obligation		
Benefit obligation at beginning of year	$ 5,923,536	$ 5,390,844
Service cost	4,295	4,454
Interest cost	208,981	206,788
Plan participants' contributions	89,303	81,048
Actuarial loss	658,366	704,058
Benefits paid	(463,773)	(463,656)
Benefit obligation at end of year	6,420,708	5,923,536
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	374,470	382,608
Plan participants' contributions	89,303	81,048
Benefits paid	(463,773)	(463,656)
Fair value of plan assets at end of year	-	-
Funded status	$ (6,420,708)	$ (5,923,536)
Balances recognized in unrestricted net assets		
Unrecognized prior service benefit	$ (660,850)	$ (1,321,704)
Net actuarial loss	3,572,281	3,164,353
	$ 2,911,431	$ 1,842,649
Postretirement related changes other than net periodic benefit cost		
Current actuarial loss	$ 658,366	$ 704,058
Amortization of unrecognized amounts	410,416	364,503
	$ 1,068,782	$ 1,068,561
Components of net periodic benefit cost		
Service cost	$ 4,295	$ 4,454
Interest cost	208,981	206,788
Expected return on plan assets	-	-
Amortization of prior service benefit	(660,854)	(660,854)
Amortization of actuarial loss	250,438	296,351
Net periodic benefit gain	$ (197,140)	$ (153,261)
Amortization amounts in following year		
Prior service gain	$ (660,850)	$ (660,854)
Net actuarial loss	292,436	256,687
	$ (368,414)	$ (404,167)

Assumptions

	2016	2015
Discount rate used to determine benefit obligations at June 30	2.81 %	3.68 %
Discount rate used to determine net periodic benefit cost for years ended June 30	3.68 %	3.40 %
Assumed health care cost trend rates at June 30	8.00 %	7.00 %
Health care cost trend rate assumed for next year	8.00 %	6.00 %
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	2020	2017

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	Decrease
Effect on total of service and interest cost	$ 17,308	$ (15,319)
Effect on postretirement benefit obligation	570,378	(503,295)

Contributions
Trinity College expects to contribute $476,121 to its postretirement health insurance benefit plan in fiscal year 2017.

Estimated Future Benefit Payments
Expected benefit payments for the fiscal year ending:

	Postretirement Benefits
2017	$ 482,977
2018	485,706
2019	485,121
2020	476,732
Thereafter	2,182,501

14. 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.

The College entered into a series of agreements with a third party property developer for the construction of dormitories which were completed during fiscal 2014. The Developer leased the land upon which the Dormitory is constructed from the College and the College manages the property. The Developer bears all financial risk and receives all the financial benefit from the Dormitories. Based on the terms of the agreements, the Developer constructed the Dormitories and funded the project primarily through a commercial bank loan and a $4,000,000 loan from the College. The balance of the loan from the College on June 30, 2016 was $3,829,010. The interest rate is 8% and the term expires January 15, 2029.

15. Related Parties

The College invests a portion of their endowment investments in limited liability partnerships and mutual funds where certain members of the Board of Trustees have significant influence. The total fair value of related party investments was $5,977,873 and $6,406,574 at June 30, 2016 and 2015.