

**Trinity College**  
**Consolidated Financial Statements**  
**June 30, 2018 and 2017**

**Trinity College**  
**Index**  
**June 30, 2018 and 2017**

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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 statement of financial position as of June 30, 2018 and 2017 and the related consolidated statements of activities and of cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

Hartford, Connecticut  
October 22, 2018

**Trinity College**  
**Consolidated Statements of Financial Position**  
**June 30, 2018 and 2017**

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 15,957,476	\$ 13,487,729
Restricted cash	1,000,000	1,000,000
Short-term investments	3,544,099	4,406,748
Loan receivable	3,458,495	3,650,878
Receivables, net of allowance for doubtful accounts of \$427,000 and \$492,448	1,927,326	1,577,374
Government grants receivable	612,580	752,765
Contributions receivable, net of allowance for doubtful accounts of \$1,013,867 and \$1,859,310	16,248,455	19,579,262
Student loans receivable, net of allowance for doubtful accounts of \$958,000 and \$820,000	5,138,315	5,604,381
Investments, at fair value	608,186,990	576,541,701
Funds held by bond trustee	12,024,777	17,910,437
Beneficial interest in funds held in trust by others	30,528,007	26,910,079
Other assets	2,980,429	561,497
Fixed assets, net of accumulated depreciation	265,881,679	269,479,217
Total assets	<u>\$ 967,488,628</u>	<u>\$ 941,462,068</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 18,659,789	\$ 18,861,311
Government advances for student loans	2,212,596	2,815,852
Accrued postretirement benefits	4,984,575	5,430,073
Split interest obligations	5,298,377	5,337,982
Bonds and notes payable	141,882,240	147,156,719
Asset retirement obligation	30,475,866	29,077,802
Other liability	-	335,048
Total liabilities	<u>203,513,443</u>	<u>209,014,788</u>
<b>Net Assets</b>		
Unrestricted	120,194,346	112,209,870
Temporarily restricted	286,797,399	284,141,470
Permanently restricted	356,983,440	336,095,940
Total net assets	<u>763,975,185</u>	<u>732,447,280</u>
Total liabilities and net assets	<u>\$ 967,488,628</u>	<u>\$ 941,462,068</u>

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

**Trinity College**  
**Consolidated Statements of Activities**  
**Year Ended June 30, 2018 with Summarized Comparative Totals for 2017**

	2018			2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating revenues and other net assets</b>				<b>Total</b>
Tuition and fees	\$ 122,330,162	\$ -	\$ -	\$ 122,330,162
Room and board	22,989,176	-	-	22,989,176
Less: Financial aid	(51,895,049)	-	-	(51,895,049)
Net tuition and fees	93,424,289	-	-	93,424,289
Federal and state grants	1,408,269	-	-	1,408,269
Contributions	7,340,497	8,214,355	-	15,554,852
Endowment income distribution	446,092	25,997,721	-	26,443,813
Net gains on investments	246	45,372	-	45,618
Other investment income	819,287	83,847	-	903,134
Other operating income	3,994,935	292,427	-	4,287,362
Revenues of auxiliary enterprises	5,384,013	-	-	5,384,013
Net assets released from restrictions	36,780,220	(36,780,220)	-	-
Total operating revenues and other net assets	149,597,849	(2,146,498)	-	147,451,351
<b>Expenses</b>				
Instruction, research and related programs	61,236,469	-	-	61,236,469
Academic support	21,070,338	-	-	21,070,338
General institutional services	25,866,474	-	-	25,866,474
Student services	15,747,721	-	-	15,747,721
Auxiliary expenses	21,195,321	-	-	21,195,321
Total expenses	145,116,323	-	-	145,116,323
<b>Other changes in net assets</b>				
Defeasance of CHEFA Series J	-	-	-	(2,443,532)
Postretirement related changes other than net periodic cost	553,915	-	-	553,915
Operating and other fund transfers	(1,454,796)	1,454,796	-	-
Transfers from endowment	1,777,695	12,235	-	1,789,930
Total other changes	876,814	1,467,031	-	2,343,845
Increase (decrease) in operating and other net assets	5,358,340	(679,466)	-	4,678,873
<b>Endowment and similar net assets</b>				
Investment income	117,217	4,122,242	136,971	4,376,430
Net gains on investments	641,071	32,438,352	1,705,939	34,785,362
Endowment distributed for spending	(446,092)	(26,036,830)	39,109	(26,443,813)
Investment management fees	(43,604)	(2,533,530)	(28,252)	(2,605,386)
Other changes	(535,732)	(480,986)	-	(1,016,718)
Net investment gain (loss) and amounts distributed for spending	(267,140)	7,509,248	1,853,767	9,095,875
Contributions	1,284,610	-	16,010,401	17,295,011
Change in value of split-interest agreements	28,529	63,410	2,156,137	2,248,076
Other endowment changes and transfers	3,357,833	(4,225,027)	867,195	-
Transfers to operating funds	(1,777,696)	(12,235)	-	(1,789,930)
Other endowment changes	2,893,276	(4,173,852)	19,033,733	17,753,157
Increase in endowment and similar net assets	2,626,136	3,335,396	20,887,500	26,849,032
<b>Net assets</b>				
Beginning of year	112,209,870	284,141,470	336,095,940	732,447,280
Total increase in net assets	7,984,476	2,655,929	20,887,500	31,527,905
End of year	\$ 120,194,346	\$ 286,797,399	\$ 356,983,440	\$ 763,975,185

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

**Trinity College**  
**Consolidated Statements of Activities**  
**Year Ended June 30, 2017**

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating revenues and other net assets</b>				
Tuition and fees	\$ 119,224,982	\$ -	\$ -	\$ 119,224,982
Room and board	22,630,851	-	-	22,630,851
Less: Financial aid	(47,336,226)	-	-	(47,336,226)
Net tuition and fees	94,519,607	-	-	94,519,607
Federal and state grants	2,686,598	-	-	2,686,598
Contributions	6,634,113	11,938,096	-	18,572,210
Endowment income distribution	1,585,537	23,854,151	-	25,439,688
Net gain (loss) on investments	(7,650)	50,491	-	42,841
Other investment income	378,036	70,031	-	448,067
Other operating income	3,807,193	214,178	-	4,021,370
Revenues of auxiliary enterprises	5,667,001	-	-	5,667,001
Net assets released from restrictions	36,433,652	(36,433,652)	-	-
Total operating revenues and other net assets	151,704,087	(306,705)	-	151,397,382
<b>Expenses</b>				
Instruction, research and related programs	57,324,032	-	-	57,324,032
Academic support	20,433,632	-	-	20,433,632
General institutional services	24,203,574	-	-	24,203,574
Student services	15,334,422	-	-	15,334,422
Auxiliary expenses	21,930,660	-	-	21,930,660
Total expenses	139,226,319	-	-	139,226,319
<b>Other changes in net assets</b>				
Defeasance of CHEFA Series K				-
Defeasance of CHEFA Series J	(2,443,532)	-	-	(2,443,532)
Postretirement related changes other than net periodic cost	377,184	-	-	377,184
Operating and other fund transfers	1,206,199	(576,234)	(629,965)	-
Transfers from endowment	-	-	-	-
Total other changes	(860,149)	(576,234)	(629,965)	(2,066,348)
Increase (decrease) in operating and other net assets	11,617,619	(882,940)	(629,965)	10,104,715
<b>Endowment and similar net assets</b>				
Investment income	47,246	1,029,626	133,264	1,210,135
Net gains (losses) on investments	285,900	69,417,204	694,773	70,397,877
Endowment distributed for spending	(389,526)	(25,083,903)	33,741	(25,439,688)
Investment management fees	(5,467)	(3,941,023)	(52,895)	(3,999,384)
Other changes	(515,124)	(557,801)	-	(1,072,924)
Net investment gain (loss) and amounts distributed for spending	(576,971)	40,864,103	808,883	41,096,015
Contributions	361,609	-	9,193,896	9,555,506
Change in value of split-interest agreements	(27,429)	483,762	3,367,739	3,824,072
Other endowment changes and transfers	452,527	(8,276,549)	7,824,022	-
Transfers to operating funds	-	-	-	-
Other endowment changes	786,708	(7,792,787)	20,385,657	13,379,578
Increase in endowment and similar net assets	209,737	33,071,316	21,194,540	54,475,594
<b>Net assets</b>				
Beginning of year	100,382,514	251,953,093	315,531,364	667,866,971
Total increase in net assets	11,827,356	32,188,377	20,564,576	64,580,309
End of year	\$ 112,209,870	\$ 284,141,470	\$ 336,095,940	\$ 732,447,280

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

# Trinity College

## Consolidated Statements of Cash Flows

### Years Ended June 30, 2018 and 2017

	2018	2017
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 31,527,905	\$ 64,580,309
Adjustments		
Depreciation, amortization and accretion	15,383,503	15,087,525
Realized and unrealized gains on investments	(33,824,713)	(70,403,425)
Provision for student loans receivables	138,000	25,000
Provision for contributions receivable	(845,443)	147,875
Contributions receivable discount	(318,774)	(520,634)
Donated securities	(6,415,143)	(6,076,416)
Proceeds from donated securities	6,095,292	1,873,905
Student loans written off	26,231	60,895
Contributions restricted for long-term investments, net	(4,349,217)	(10,159,099)
Post retirement related changes other than net periodic cost	(553,915)	(377,184)
Change in balances		
Receivables and other assets	199,184	(497,945)
Contributions receivable	4,495,024	1,081,740
Accounts payable and other liabilities	2,142,957	(1,679,632)
Government advances for student loans	(603,256)	(389,163)
Accrued postretirement benefits	108,417	(613,451)
Total adjustments	(18,321,853)	(72,440,009)
Net cash provided by (from) operating activities	13,206,052	(7,859,700)
<b>Cash flows from investing activities</b>		
Student loans granted	(589,722)	(714,194)
Student loans repaid	891,557	824,926
Purchase of fixed assets	(12,754,178)	(19,340,156)
Purchases of investments	(987,216,637)	(167,319,735)
Sales of investments	989,396,061	185,470,569
Change in short-term investments, net	862,649	453,718
Increase from bond proceeds deposited with trustee	(3,477,397)	(10,666,224)
Use of bond issuance proceeds deposited with trustee	9,363,057	17,382,152
Net cash provided by (from) investing activities	(3,524,610)	6,091,056
<b>Cash flows from financing activities</b>		
Contributions restricted for long-term investments, net	4,349,217	10,159,099
Proceeds restricted for long term purpose	319,851	273,855
Change in value of split-interest obligations	(39,605)	(78,799)
Change in the value of funds held in trust by others	(3,617,928)	(3,102,092)
Proceeds from bond issuance	-	51,100,000
Change in interest rate SWAP valuation	(2,970,548)	(3,938,641)
Repayments of bonds and notes	(5,392,939)	(55,055,016)
Payments on bond issuance costs	140,257	(211,860)
Net cash from financing	(7,211,695)	(853,454)
Net (decrease) increase in cash and equivalents	2,469,747	(2,622,097)
<b>Cash and cash equivalents</b>		
Beginning of year	13,487,729	16,109,826
End of year	\$ 15,957,476	\$ 13,487,729
<b>Noncash</b>		
Additions to fixed assets financed through accounts payable	\$ 624,019	\$ 2,968,499
Contributed securities	6,415,143	6,076,416
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ 3,575,660	\$ 5,245,915

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



# Trinity College

## Notes to Consolidated Financial Statements

### June 30, 2018 and 2017

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#### 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 Accountants' Audit and Accounting Guide "Not-for-Profits" 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.

# Trinity College

## Notes to Consolidated Financial Statements

### June 30, 2018 and 2017

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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.   |

# **Trinity College**

## **Notes to Consolidated Financial Statements**

### **June 30, 2018 and 2017**

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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 \$167,503,852 and \$23,318,291 at June 30, 2018 and 2017, 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.

# **Trinity College**

## **Notes to Consolidated Financial Statements**

### **June 30, 2018 and 2017**

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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, 2018, 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, 2018 and 2017 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.

# Trinity College

## Notes to Consolidated Financial Statements

### June 30, 2018 and 2017

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#### **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. These agreements are created when a donor contributes assets to a non-profit organization and the organization is not the only beneficiary of the assets donated. All of the College's split interest agreements stipulate that the donor, or designee will receive a fixed payment every year for either a fixed number of years or for the remaining life of the donor, or designee. 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 trust agreements. Fund values were \$8,303,279 and \$8,196,334 which includes \$482,676 and \$471,380 in distributions to designated beneficiaries for fiscal years 2018 and 2017 respectively. Trust termination proceeds of \$55,422 and \$202,263 were distributed to the College in 2018 and 2017 respectively.

The College is also the beneficiary of a number of charitable remainder trusts and perpetual trust for which unrelated third parties serve as trustees, which are recorded as beneficial interests in funds held in trust by others. During fiscal year 2018, \$11,075,984 was transferred out of the charitable remainder trusts and perpetual trusts. These transfers to the College were due to the death of the beneficiaries and the 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

# Trinity College

## Notes to Consolidated Financial Statements

### June 30, 2018 and 2017

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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.

#### **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 is still evaluating 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 is still evaluating 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)

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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 is still evaluating the impact this adoption will have on the Consolidated Financial Statements.

ASU 2018-08: "Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made" In June 2018 the FASB issued ASU 2018-08, that aims to assist entities in (1) evaluating whether transactions should be accounted for as contributions or exchange transactions and (2) determining whether a contribution is conditional. The guidance is applicable for the College's fiscal 2019 and will be implemented simultaneously with ASC 606. The College will apply the new standard on a modified prospective basis. The College is currently assessing the impact on its consolidated financial statements.

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**Notes to Consolidated Financial Statements**  
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**2. Investments**

Investments at June 30, 2018 and 2017 consist of:

	<b>Market Value</b>	
	<b>2018</b>	<b>2017</b>
<b>Endowment funds</b>		
Short-term investments	\$ 430,646,089	\$ 28,774,541
Fixed income	3,110,848	18,931,218
Domestic equity	7,557,460	8,125,212
Private equity	149,685,469	135,838,139
Real estate	6,517,810	9,162,015
Hedge funds/absolute return		
Domestic equities	9,702,378	146,930,708
Private equities	374,511	443,558
Global equities	-	151,716,622
Other	-	76,064,990
	<u>607,594,565</u>	<u>575,987,002</u>
<b>Other funds</b>		
Domestic and global equities	383,552	345,826
Real estate	208,873	208,873
	<u>592,425</u>	<u>554,699</u>
Total investments	<u>\$ 608,186,990</u>	<u>\$ 576,541,701</u>

At June 30, 2018, the College is obligated to fund \$83,612,616 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:

	<b>2018</b>	<b>2017</b>
<b>Endowment and other long-term investments</b>		
Investment income	\$ 4,376,430	\$ 1,210,135
Net realized and unrealized gains, net of investment management fees and other costs	<u>32,179,977</u>	<u>66,398,493</u>
Return on endowment and other long-term investments	<u>36,556,407</u>	<u>67,608,628</u>
<b>Operating investments</b>		
Investment income	903,134	448,067
Net realized and unrealized gains	<u>45,618</u>	<u>42,841</u>
Return on operating investments	<u>948,752</u>	<u>490,908</u>
Total return on investments	<u>\$ 37,505,159</u>	<u>\$ 68,099,536</u>



**Trinity College**  
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The following table presents the financial instruments carried at fair value as of June 30, 2018 and 2017, by caption on the statements of financial position by the fair value measurements and disclosures valuation hierarchy defined in Note 1.

	2018				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total Fair Value
<b>Assets</b>					
Short term investments	\$ 430,646,089	\$ -	\$ -	\$ -	\$ 430,646,089
Fixed income	3,110,848	-	-	-	3,110,848
Domestic and global equities	4,430,745	-	-	3,510,267	7,941,012
Private equity	-	-	-	149,685,469	149,685,469
Real estate	1,162,859	-	2,992,000	2,452,572	6,607,431
Hedge funds/absolute return	-	-	-	10,076,889	10,076,889
Other	-	-	119,252	-	119,252
Total investments	439,350,541	-	3,111,252	165,725,197	608,186,990
Beneficial interests held by 3rd parties	-	-	1,663,715	-	1,663,715
Perpetual trusts held by 3rd parties	-	-	28,864,292	-	28,864,292
Total assets at fair value	\$ 439,350,541	\$ -	\$ 33,639,259	\$ 165,725,197	\$ 638,714,997

	2017				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total Fair Value
<b>Assets</b>					
Short term investments	\$ 28,774,541	\$ -	\$ -	\$ -	\$ 28,774,541
Fixed income	18,931,218	-	-	-	18,931,218
Domestic and global equities	6,293,112	-	-	2,177,926	8,471,038
Private equity	-	-	-	135,838,139	135,838,139
Real estate	1,099,579	-	5,475,000	2,605,057	9,179,636
Hedge funds/absolute return	-	-	-	375,155,878	375,155,878
Other	-	-	191,252	-	191,252
Total investments	55,098,449	-	5,666,252	515,777,000	576,541,701
Beneficial interests held by 3rd parties	-	-	11,658,833	-	11,658,833
Perpetual trusts held by 3rd parties	-	-	15,251,246	-	15,251,246
Total assets at fair value	\$ 55,098,449	\$ -	\$ 32,576,331	\$ 515,777,000	\$ 603,451,780

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.

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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, 2018.

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 73% of investments held by the partnerships consists of marketable securities and approximately 27% 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, 2018 and 2017.

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:

	<b>Real Estate</b>	<b>Other</b>	<b>Total Investments</b>
<b>Fair value at June 30, 2017</b>	\$ 5,475,000	\$ 191,252	\$ 5,666,252
Realized and unrealized gains	45,000	-	45,000
Net purchases, sales, settlements	(2,600,000)	-	(2,600,000)
<b>Fair value at June 30, 2018</b>	<u>\$ 2,920,000</u>	<u>\$ 191,252</u>	<u>\$ 3,111,252</u>

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	<b>Beneficial Interests Held by 3rd Party</b>	<b>Perpetual Trusts Held by 3rd Party</b>
<b>Fair value at June 30, 2017</b>	\$ 11,658,833	\$ 15,251,246
Realized and unrealized gains	58,630	2,149,842
Net purchases, sales, settlements	-	11,463,204
Transfers out	(10,053,748)	-
<b>Fair value at June 30, 2018</b>	<u>\$ 1,663,715</u>	<u>\$ 28,864,292</u>

Accumulated unrealized gains for assets classified within Level 3 as of June 30, 2018 and June 30, 2017 are \$578,075 and \$589,075, respectively.

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:

<b>Category</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Lockup</b>	<b>Inside/ Outside of Lockup</b>	<b>Redemption Frequency (if Eligible)</b>	<b>Redemption Notice</b>
<b>Hedge funds/absolute return</b>						
Long/short	\$ 374,511	\$ -	None	N/A	Monthly-Quarterly	10-120 Days
Fixed income strategies	9,702,378	-	36 months rolling	Inside	Every 2 years	90 Days
Multi-strategy	-	-	None	N/A	Quarterly	90 Days
Total hedge funds	<u>10,076,889</u>	<u>-</u>				
<b>Private equity</b>						
Fund of funds	145,890,387	77,810,092	None	N/A	N/A- Annual	None-180
Buyout	3,714,143	4,106,640	None	N/A	N/A	None
Venture capital	17,712	-	None	N/A	N/A	None
Fixed income	63,227	492,934	None	N/A	N/A	None
Total private equity	<u>149,685,469</u>	<u>82,409,666</u>				
<b>Real estate</b>						
Real estate	6,535,431	1,202,950	None	N/A	N/A	None
Total real estate	<u>6,535,431</u>	<u>1,202,950</u>				
	<u>\$ 166,297,789</u>	<u>\$ 83,612,616</u>				

# Trinity College

## Notes to Consolidated Financial Statements

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#### 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:

Derivatives Not Designated as Hedging Instruments	Consolidated Statements of Financial Position	2018 Fair Value	2017 Fair Value
Index futures contracts	Investments, at fair value	\$ -	\$ (2,520)

As of June 30, 2018 and 2017 there were 0 and 33 futures contracts open respectively. The volume of futures is based on the quarterly number of contracts held during the year. For the year ended June 30, 2018 and 2017 the average number of contracts for futures was 15 and 35, respectively.

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

Derivatives Not Designated as Hedging Instruments	Consolidated Statements of Activities Location	Net Realized or Net Change in Unrealized Gain (Loss) 2018	Net Realized or Net Change in Unrealized Gain (Loss) 2017
<b>Net realized gain</b>			
Index futures contracts	Net gains on investments	\$ 282,372	\$ 723,982
<b>Net change in unrealized gains and losses</b>			
Index futures contracts	Net gains (losses) on investments	\$ 2,520	\$ (15,842)

### 3. Endowment Funds

Principal balances at June 30 were as follows:

	Fair Value	
	2018	2017
Endowment funds held by Trinity	\$ 585,918,047	\$ 562,124,627
Funds held in trust by others	28,864,292	15,251,246
Pledges outstanding	6,408,547	7,123,521
	<u>\$ 621,190,886</u>	<u>\$ 584,499,394</u>

# Trinity College

## Notes to Consolidated Financial Statements

### June 30, 2018 and 2017

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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

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**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 \$250,185 and \$1,197,991 in fiscal 2018 and 2017, 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, 2018.

	<b>Unrestricted Endowment</b>	<b>Temporarily Restricted Endowment</b>	<b>Permanently Restricted Endowment</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 238,397,662	\$ 349,971,101	\$ 588,368,763
Funds functioning as endowment funds	9,321,676	18,856,779	4,643,668	32,822,123
<b>Total funds</b>	<b>\$ 9,321,676</b>	<b>\$ 257,254,441</b>	<b>\$ 354,614,769</b>	<b>\$ 621,190,886</b>

  

	<b>Unrestricted Endowment</b>	<b>Temporarily Restricted Endowment</b>	<b>Permanently Restricted Endowment</b>	<b>Year to Date as of June 30</b>
<b>Beginning balance June 30, 2017</b>	<b>\$ 6,721,012</b>	<b>\$ 252,777,721</b>	<b>\$ 325,000,661</b>	<b>\$ 584,499,394</b>
Investment Income and loss, net of fees	26,374	1,545,874	(28,252)	1,543,996
Net appreciation (realized and unrealized)	545,378	31,855,920	3,157,143	35,558,441
<b>Total investment return</b>	<b>571,752</b>	<b>33,401,794</b>	<b>3,128,891</b>	<b>37,102,437</b>
Contributions	1,284,610	-	15,856,783	17,141,393
Appropriation of endowment assets for expenditure	(446,092)	(26,036,830)	39,109	(26,443,813)
Other changes, transfers, and releases from restriction	1,190,394	(2,888,244)	10,589,325	8,891,475
<b>Net assets as of June 30, 2018</b>	<b>\$ 9,321,676</b>	<b>\$ 257,254,441</b>	<b>\$ 354,614,769</b>	<b>\$ 621,190,886</b>

Endowment Net Asset Composition by Type of Fund as of June 30, 2017.

	<b>Unrestricted Endowment</b>	<b>Temporarily Restricted Endowment</b>	<b>Permanently Restricted Endowment</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 232,393,132	\$ 320,307,915	\$ 552,701,047
Funds functioning as endowment funds	6,721,012	20,384,589	4,692,746	31,798,347
<b>Total funds</b>	<b>\$ 6,721,012</b>	<b>\$ 252,777,721</b>	<b>\$ 325,000,661</b>	<b>\$ 584,499,394</b>

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	<b>Unrestricted Endowment</b>	<b>Temporarily Restricted Endowment</b>	<b>Permanently Restricted Endowment</b>	<b>Year to Date as of June 30</b>
<b>Beginning balance June 30, 2016</b>	<b>\$ 6,579,351</b>	<b>\$ 212,876,785</b>	<b>\$ 312,888,350</b>	<b>\$ 532,344,486</b>
Investment Income, net of fees	(4,303)	(3,024,300)	(52,895)	(3,081,498)
Net appreciation (realized and unrealized)	101,604	69,403,231	1,902,643	71,407,478
Total investment return	97,301	66,378,931	1,849,748	68,325,980
Contributions	351,713	-	9,163,515	9,515,228
Appropriation of endowment assets for expenditure	(389,526)	(25,083,903)	33,741	(25,439,688)
Other changes, transfers, and releases from restriction	82,173	(1,394,092)	1,065,307	(246,612)
<b>Net assets as of June 30, 2017</b>	<b>\$ 6,721,012</b>	<b>\$ 252,777,721</b>	<b>\$ 325,000,661</b>	<b>\$ 584,499,394</b>

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 2018 and 2017 was 5%. This resulted in approved spending of \$28,491,034 and \$27,115,054, which includes \$26,443,813 and \$25,439,688 appropriated for expenditure and \$2,047,221 and \$1,675,366 unspent in 2018 and 2017, respectively.

Other endowment changes in the statements of activities include transfers due to changes in donor intent in the amount of \$503,253 and \$195,976 for the years ended June 30, 2018 and 2017, respectively.

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

	<b>2018</b>	<b>2017</b>
Number of units for income allocation	23,296,304	22,322,668
Market value per unit	\$ 25.00	\$ 25.00
Total return per unit	1.49	3.00
Total return distributed per unit	1.18	1.18

#### **4. Contributions Receivable**

Contributions receivable at June 30 consisted of unconditional promises to give (net of discount of \$1,726,709 and \$2,045,483 and allowance of \$1,013,867 and \$1,859,310 for 2018 and 2017, respectively), which are expected to be collected in the following periods:

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	2018	2017
In one year or less	\$ 10,008,166	\$ 10,920,455
Between one year and five years	5,893,127	8,257,150
In more than five years	347,162	401,657
	<u>\$ 16,248,455</u>	<u>\$ 19,579,262</u>

Discount rates used to calculate the present value of contributions receivable ranged from 2.46% to 6.09%.

**5. Other Assets**

Other assets at June 30 include:

	2018	2017
Prepaid expenses	\$ 414,298	\$ 282,387
Inventories	73,778	91,573
Other *	2,492,353	187,537
	<u>\$ 2,980,429</u>	<u>\$ 561,497</u>

\*Other in Other Assets contains 2,300,452 in SWAP valuation as referred to in Note 8.

**6. Fixed Assets**

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

	2018	2017
Land and land improvements	\$ 49,020,662	\$ 48,754,246
Buildings	417,141,679	401,584,304
Equipment	62,471,972	60,305,708
Construction-in-progress	2,869,037	10,449,393
	<u>531,503,350</u>	<u>521,093,651</u>
Less: Accumulated depreciation	<u>(265,621,671)</u>	<u>(251,614,434)</u>
	<u>\$ 265,881,679</u>	<u>\$ 269,479,217</u>

Depreciation expense included in operating expense amounted to \$14,339,474 and \$13,544,625 for the years ended June 30, 2018 and 2017. 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.



# Trinity College

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The College recognized accretion on the asset retirement obligations net of abatement and other changes of approximately \$1,398,063 and \$1,243,086 in 2018 and 2017. 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:

	2018	2017
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 \$1,775,156 and \$1,735,450 at June 30, 2018 and 2017	\$ 6,875,000	\$ 8,380,000
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 \$556,914 and \$563,211 at June 30, 2018 and 2017	10,910,000	11,465,000
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 \$446,862 and \$443,146 at June 30, 2018 and 2017	16,870,000	16,960,000
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.	15,336,320	17,214,236
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.	20,480,000	21,295,000
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.	21,691,308	22,241,331
Connecticut Health and Educational Facilities Authority (CHEFA) Series Q bonds, issued April 2017, variable interest rate equal to .65% of one-month LIBOR plus 1.87%; maturities to 2026; not insured. These bonds were used to refund the Series J bonds. There is no sinking fund reserve required for this series as the College pays the purchaser directly.	51,100,000	51,100,000
	143,262,628	148,655,567
Bond issuance costs, net of accumulated amortization	(1,529,126)	(1,669,383)
Bond premium discount net of accumulated amortization	148,738	170,535
Total bonds and notes payable	\$ 141,882,240	\$ 147,156,719

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

2018–2019	\$ 5,548,764
2019–2020	5,620,871
2020–2021	5,779,778
2021–2022	5,934,019
2022–2023	6,088,602
Thereafter	114,290,595

The College has entered into an interest rate swap agreements for Series N, P and Q 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, 2018:

	<b>Counterparty A</b>	<b>Counterparty B</b>	<b>Counterparty C</b>
Trade/effective date	11/26/2013	12/15/2015	4/26/2017
Initial notional amount	\$ 22,535,000	\$ 23,000,000	\$ 51,100,000
Current notional amount	15,336,320	21,691,308	51,100,000
Termination date	7/1/2026	12/1/2025	4/1/2026
Fixed rate paid by college	2.670 %	2.39%	2.53%
Rate paid by counterparty	.68 of one-month LIBOR plus 85 bps	.65 of one-month LIBOR plus 154 bps	.68 of one-month LIBOR plus 187 bps

The gains that were recognized for interest rate swap agreements for series N, P, and Q for the years ended June 30, 2018 and 2017 were \$2,635,500 and \$3,938,641 respectively, and have been netted against interest expense on the consolidated statement of activities. The swap was in an asset position of \$2,300,452 and a liability position of \$335,048 as of June 30, 2018 and June 30, 2017, respectively.

In April 2017, the College borrowed \$51,100,000 in the form of CHEFA Revenue Bonds, Series Q. The proceeds from the issue were used to refund the College's borrowings under the CHEFA Revenue Bonds, Series J. The proceeds were deposited in a refunding trust to refund the Series J bonds, in the outstanding principal plus future interest amount of \$49,805,000. 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 J bonds were defeased. The refunding resulted in a redemption price of the Series J bonds and its carrying value in the amount of \$1,240,488 that has been recorded as a loss in the accompanying consolidated statement of activities, which includes the unamortized debt issuance cost of \$1,203,044.

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 31, 2019. 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

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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 \$545,000, \$540,000, \$570,000, \$580,000 \$590,000 and \$8,085,000.

The College has a line of credit agreement with a national financial institution, which provides up to \$10 million. There was no balance outstanding at June 30, 2018 or 2017. 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 40 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 2017 and 2018.

**9. Unrestricted Net Assets**

Unrestricted net assets at June 30, 2018 and 2017 consist of the following:

	<b>2018</b>	<b>2017</b>
Unrestricted endowment	\$ 9,321,676	\$ 6,721,011
Investment in plant assets	98,094,381	95,756,693
Life income funds	736,515	711,043
Operating funds	<u>12,041,774</u>	<u>9,021,123</u>
Total unrestricted net assets	<u>\$ 120,194,346</u>	<u>\$ 112,209,870</u>

**10. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes:

	<b>2018</b>	<b>2017</b>
Plant additions/renovation	\$ 5,819,295	\$ 6,456,457
Life income funds	1,720,663	2,861,987
Capital campaign	4,762	7,515
Endowment funds	257,254,441	252,777,721
Operating and restricted funds	18,211,250	18,645,968
Loan funds	<u>3,786,988</u>	<u>3,391,822</u>
Total temporarily restricted net assets	<u>\$ 286,797,399</u>	<u>\$ 284,141,470</u>

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**11. Permanently Restricted Net Assets**

Permanently restricted net assets at June 30, 2018 and 2017 consist of the following:

	<b>2018</b>	<b>2017</b>
Income restricted		
Instruction funds	\$ 103,531,874	\$ 102,906,917
Scholarship funds	110,412,123	106,018,028
Library	10,060,615	9,911,128
Chapel funds	3,474,500	3,445,603
Athletics	9,316,316	8,922,004
Prize funds	913,025	913,000
Other purposes	17,522,859	16,626,839
Unrestricted as to use of income	<u>99,383,457</u>	<u>76,257,142</u>
Total investments in perpetuity in endowment	354,614,769	325,000,661
Student loan funds		-
Life income funds	<u>2,368,671</u>	<u>11,095,279</u>
Total permanently restricted net assets	<u><u>\$ 356,983,440</u></u>	<u><u>\$ 336,095,940</u></u>

**12. Net Assets Released From Restrictions**

Net assets were released from donor restrictions during the periods ended June 30, 2018 and 2017 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:

	<b>2018</b>	<b>2017</b>
Instruction and research	\$ 10,605,459	\$ 10,589,802
Financial aid	8,599,875	6,970,903
Plant	1,288,012	4,922,934
General institutional	12,226,090	9,609,929
Student services	905,370	978,981
Academic support	<u>3,155,414</u>	<u>3,361,103</u>
Total net assets released from restrictions	<u><u>\$ 36,780,220</u></u>	<u><u>\$ 36,433,652</u></u>

**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, 2018 and 2017 is \$4,448,372 and \$4,291,704. 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.

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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:

	2018	2017
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ 5,430,073	\$ 6,420,708
Service cost	8,554	8,848
Interest cost	172,943	159,925
Plan participants' contributions	91,237	90,919
Actuarial loss	(364,453)	(805,699)
Benefits paid	(353,779)	(444,628)
Benefit obligation at end of year	<u>4,984,575</u>	<u>5,430,073</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	-	-
Employer contributions	262,542	353,709
Plan participants' contributions	91,237	90,919
Benefits paid	(353,779)	(444,628)
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (4,984,575)</u>	<u>\$ (5,430,073)</u>
<b>Balances recognized in unrestricted net assets</b>		
Unrecognized prior service benefit	\$ -	\$ -
Net actuarial loss	1,980,332	2,534,248
	<u>\$ 1,980,332</u>	<u>\$ 2,534,248</u>
<b>Postretirement related changes other than net periodic benefit cost</b>		
Current actuarial (gains)	\$ (364,453)	\$ (805,699)
Amortization of unrecognized amounts	(189,462)	428,515
	<u>\$ (553,915)</u>	<u>\$ (377,184)</u>
<b>Components of net periodic benefit cost</b>		
Service cost	\$ 8,554	\$ 8,848
Interest cost	172,943	159,925
Expected return on plan assets	-	-
Amortization of prior service benefit	-	(660,850)
Amortization of actuarial loss	189,462	232,335
Net periodic benefit gain	<u>\$ 370,959</u>	<u>\$ (259,742)</u>
<b>Amortization amounts in following year</b>		
Prior service gain	\$ -	\$ (660,850)
Net actuarial loss	144,432	194,078
	<u>\$ 144,432</u>	<u>\$ (466,772)</u>

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**Assumptions**

	<b>2018</b>	<b>2017</b>
Discount rate used to determine benefit obligations at June 30	3.83 %	3.31 %
Discount rate used to determine net periodic benefit cost for years ended June 30	3.31 %	2.81 %
Assumed health care cost trend rates at June 30	7.00 %	7.50 %
Health care cost trend rate assumed for next year	7.00 %	7.50 %
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	2020

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:

	<b>1-Percentage-Point</b>	
	<b>Increase</b>	<b>Decrease</b>
Effect on total of service and interest cost	\$ 15,595	\$ (13,780)
Effect on postretirement benefit obligation	422,801	(375,516)

**Contributions**

Trinity College expects to contribute \$419,072 to its postretirement health insurance benefit plan in fiscal year 2018.

**Estimated Future Benefit Payments**

Expected benefit payments for the fiscal year ending:

	<b>Postretirement Benefits</b>
2019	\$ 417,652
2020	416,278
2021	410,920
2022	402,635
Thereafter	1,844,830

**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.

# **Trinity College**

## **Notes to Consolidated Financial Statements**

### **June 30, 2018 and 2017**

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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, 2018 was \$3,458,495. The interest rate is 8% and the term expires January 15, 2029.

In December 2016, the College entered in an agreement to sell one of its buildings located at 200 Constitution Plaza, Hartford, Connecticut for \$2,600,000. Additionally, the College agreed to lease two different locations in Hartford; 1 and 10 Constitution Plaza. Lease terms are 15 years commencing on January 1, 2018.

#### **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 \$425,373 and \$2,080,138 at June 30, 2018 and 2017.

#### **16. Subsequent Events**

Management has evaluated subsequent events for the period after June 30, 2018, through October 22, 2018, the date of the consolidated financial statements were issued.