

# **Trinity College**

**Consolidated Financial Statements**  
**June 30, 2010 and 2009**

**Trinity College**  
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**June 30, 2010 and 2009**

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**Report of Independent Auditors**

The Trustees of Trinity College  
Hartford, Connecticut

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the financial position of Trinity College (the "College") at June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

October 15, 2010

**Trinity College**  
**Consolidated Statements of Financial Position**  
**June 30, 2010 and 2009**

	2010	2009
<b>Assets</b>		
Cash and cash equivalents	\$ 31,955,912	\$ 29,955,483
Receivables, net of allowance for doubtful accounts of \$320,000 and \$270,000	2,085,837	1,323,066
Government grants receivable	755,584	359,545
Contributions receivable, net of allowance for doubtful accounts of \$828,006 and \$1,127,678	31,589,089	38,236,634
Student loans receivable, net of allowance for doubtful accounts of \$330,000	5,206,076	4,894,042
Investments	343,982,795	307,545,520
Funds held by bond trustee	6,627,223	6,284,773
Beneficial interest in funds held in trust by others	25,807,453	24,107,608
Other assets	3,819,561	4,486,467
Fixed assets, net of depreciation	254,352,178	258,607,160
Total assets	<u>\$ 706,181,708</u>	<u>\$ 675,800,298</u>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 16,619,723	\$ 15,195,720
Federal student loan funds	3,205,015	3,200,505
Contributions due to others	105,483	106,765
Accrued postretirement benefit	5,405,707	5,038,282
Split interest obligations	4,167,472	3,976,795
Bonds and notes payable	151,403,992	154,139,895
Asset retirement obligation	23,745,505	22,662,082
Total liabilities	<u>204,652,897</u>	<u>204,320,044</u>
<b>Net assets</b>		
Unrestricted	75,174,705	65,279,089
Temporarily restricted	184,107,227	168,336,558
Permanently restricted	242,246,879	237,864,607
Total net assets	<u>501,528,811</u>	<u>471,480,254</u>
Total liabilities and net assets	<u>\$ 706,181,708</u>	<u>\$ 675,800,298</u>

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

# Trinity College

## Consolidated Statements of Activities

### Years Ended June 30, 2010 and 2009

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating and other net assets</b>				
Tuition and fees	\$ 96,296,303	\$ -	\$ -	\$ 96,296,303
Financial aid	(31,257,567)			(31,257,567)
Net tuition and fees	65,038,736	-	-	65,038,736
Federal and state grants	2,052,734			2,052,734
Contributions	8,038,873	7,283,915		15,322,788
Endowment income	362,303	19,607,467		19,969,770
Net losses on investments	(122,547)	14,310		(108,237)
Other investment income	282,716	52,602	56,595	391,913
Other operating income	2,535,920	312,297	24,694	2,872,911
Revenues of auxiliary enterprises	19,435,706	-	-	19,435,706
Total revenue	97,624,441	27,270,591	81,289	124,976,321
Net assets released from restrictions	24,929,449	(24,929,449)	-	-
Total revenue and reclassifications	122,553,890	2,341,142	81,289	124,976,321
<b>Expenses</b>				
Instruction, research and related programs	64,025,169	-	-	64,025,169
General institutional services	45,666,094	-	-	45,666,094
Auxiliary expenses	15,996,020	-	-	15,996,020
Total expenses	125,687,283	-	-	125,687,283
<b>Other changes</b>				
Costs related to defeasance of CHEFA Series F	(323,635)	-	-	(323,635)
Postretirement related changes other than net periodic cost	(920,527)	-	-	(920,527)
Operating and other fund transfers	566,653	1,672,011	(2,238,664)	-
Transfers from (to) endowment	170	(11,059)	-	(10,889)
Total other changes	(677,339)	1,660,952	(2,238,664)	(1,255,051)
Increase (decrease) in operating and other net assets	(3,810,732)	4,002,094	(2,157,375)	(1,966,013)
<b>Endowment and similar net assets</b>				
Endowment income	58,574	249,093	117,982	425,649
Net gains on investments	1,221,670	45,271,562	(286,703)	46,206,529
Amount distributed for spending	(362,303)	(19,607,467)	-	(19,969,770)
Investment management fees	(63,287)	(2,860,747)	(115,416)	(3,039,450)
Other changes	(467,581)	52,576	(6,210)	(421,215)
Net investment gain and amount distributed for spending	387,073	23,105,017	(290,347)	23,201,743
Contributions	-	-	6,774,420	6,774,420
Change in value of split-interest agreements	(86,323)	674,502	1,439,339	2,027,518
Other endowment changes and transfers	13,405,768	(12,022,003)	(1,383,765)	-
Transfers (to) from operating funds	(170)	11,059	-	10,889
Other endowment changes	13,319,275	(11,336,442)	6,829,994	8,812,827
Increase (decrease) in endowment and similar net assets	13,706,348	11,768,575	6,539,647	32,014,570
Net assets, beginning of year	65,279,089	168,336,558	237,864,607	471,480,254
Total increase (decrease) in net assets	9,895,616	15,770,669	4,382,272	30,048,557
Net assets, end of year	\$ 75,174,705	\$ 184,107,227	\$ 242,246,879	\$ 501,528,811

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

# Trinity College

## Consolidated Statements of Activities

### Years Ended June 30, 2010 and 2009

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating and other net assets</b>				
Tuition and fees	\$ 92,556,460	\$ -	\$ -	\$ 92,556,460
Financial aid	(28,814,905)			(28,814,905)
Net tuition and fees	63,741,555	-	-	63,741,555
Federal and state grants	2,045,074			2,045,074
Contributions	7,612,880	3,626,686		11,239,566
Endowment income	671,819	18,747,903	983,286	20,403,008
Net losses on investments	(213,677)	(45,745)		(259,422)
Other investment income	624,507	1,771	33,326	659,604
Other operating income	4,383,299	455,511	3,265	4,842,075
Revenues of auxiliary enterprises	18,498,907			18,498,907
Total revenue	97,364,364	22,786,126	1,019,877	121,170,367
Net assets released from restrictions	26,455,073	(25,702,907)	(752,166)	-
Total revenue and reclassifications	123,819,437	(2,916,781)	267,711	121,170,367
<b>Expenses</b>				
Instruction, research and related programs	64,125,173			64,125,173
General institutional services	43,766,099			43,766,099
Auxiliary expenses	15,610,307			15,610,307
Total expenses	123,501,579	-	-	123,501,579
<b>Other changes</b>				
Costs related to defeasance of CHEFA Series I	(646,347)			(646,347)
Postretirement related changes other than net periodic cost	(470,456)			(470,456)
Operating and other fund transfers	(239,914)	239,914		-
Transfers from (to) endowment	10,014	(89,948)		(79,934)
Total other changes	(1,346,703)	149,966	-	(1,196,737)
Increase (decrease) in operating and other net assets	(1,028,845)	(2,766,815)	267,711	(3,527,949)
<b>Endowment and similar net assets</b>				
Endowment income	118,577	1,671,239	506,284	2,296,100
Net losses on investments	(2,252,959)	(75,159,048)	(3,518,144)	(80,930,151)
Amount distributed for spending	(671,819)	(18,747,903)	(983,286)	(20,403,008)
Other changes	(492,243)	75,742	797	(415,704)
Investment management fees	(82,460)	(3,473,201)	(85,534)	(3,641,195)
Net investment loss and amount distributed for spending	(3,380,904)	(95,633,171)	(4,079,883)	(103,093,958)
Contributions	307,877	13,915,734	9,477,014	23,700,625
Change in value of split-interest agreements	(232,462)	(3,824,653)	(3,370,075)	(7,427,190)
Other endowment changes and transfers	(25,971,718)	27,161,175	(1,189,457)	-
Transfers (to) from operating funds	(10,014)	89,948	-	79,934
Other endowment changes	(25,906,317)	37,342,204	4,917,482	16,353,369
Increase (decrease) in endowment and similar net assets	(29,287,221)	(58,290,967)	837,599	(86,740,589)
Net assets, beginning of year	260,028,963	64,741,761	236,978,068	561,748,792
Cumulative effect of a change in accounting principle (Note 3)	(164,433,808)	164,652,579	(218,771)	-
Net assets, beginning of year after cumulative effect of a change in accounting principle	95,595,155	229,394,340	236,759,297	561,748,792
Total increase (decrease) in net assets	(30,316,066)	(61,057,782)	1,105,310	(90,268,538)
Net assets, end of year	\$ 65,279,089	\$ 168,336,558	\$ 237,864,607	\$ 471,480,254

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

# Trinity College

## Consolidated Statements of Cash Flows

### Years Ended June 30, 2010 and 2009

	2010	2009
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 30,048,557	\$ (90,268,538)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation, amortization and accretion	13,837,738	13,265,978
Net realized and unrealized (gains)/losses on investments	(46,098,292)	81,189,574
Provision for bad debt expense	(299,672)	(76,618)
Pledge discount	(316,880)	248,347
Student loans written off	18,982	19,355
Loss on defeasance of CHEFA Series F (2010) + I (2009)	323,634	646,347
Contributions restricted for long-term investment	(12,103,906)	(9,688,250)
Receipt of contributed securities	(1,944,894)	(1,580,151)
Postretirement related changes other than net periodic cost	(920,527)	(470,456)
Change in balances		
Receivables and other assets	(866,632)	444,496
Contributions receivable	7,264,097	4,674,166
Accounts payable and other liabilities	1,421,141	(1,574,615)
Federal student loan funds	4,510	38,644
Contributions due to others	(1,282)	(2,280)
Postretirement benefits	1,287,952	449,342
Total adjustments	(38,394,031)	87,583,879
Net cash used in operating activities	(8,345,474)	(2,684,659)
<b>Cash flows from investing activities</b>		
Student loans granted	(861,988)	(809,139)
Student loans repaid	530,972	412,580
Purchases of fixed assets	(8,066,795)	(22,129,656)
Purchases of investments	(56,662,162)	(251,890,374)
Sales of investments	66,323,179	289,134,658
Proceeds from sales of contributed securities	1,944,894	1,580,151
Proceeds from bond issuance deposited with bond trustee	(9,723,432)	(10,972,111)
Use of bond issuance proceeds deposited with bond trustee	9,380,982	17,105,691
Net cash provided by investing activities	2,865,650	22,431,800
<b>Cash flows from financing activities</b>		
Contributions restricted for long-term investment	12,103,906	9,688,250
Change in value of split-interest obligations	190,677	463,568
Change in the value of funds held in trust by others	(1,699,845)	(6,667,199)
Proceeds from bond issuance	22,230,000	15,345,000
Repayment of bonds and notes	(25,211,662)	(17,550,404)
Payments of bond issuance costs	(132,823)	(369,650)
Net cash provided by financing activities	7,480,253	909,565
Net increase in cash and cash equivalents	2,000,429	20,656,706
Cash and cash equivalents at beginning of year	29,955,483	9,298,777
Cash and cash equivalents at end of year	\$ 31,955,912	\$ 29,955,483
<b>Supplemental disclosure of cash flow information</b>		
Interest paid during the year	\$ 6,419,774	\$ 6,756,180
<b>Noncash transactions</b>		
Additions to fixed assets through accounts payable	\$ 173,209	\$ 170,348
Contributed securities	\$ 1,944,894	\$ 1,580,151

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

# Trinity College

## Notes to Consolidated Financial Statements

### June 30, 2010 and 2009

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#### 1. Summary of Significant Accounting Policies

##### a. Nature of Organization

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

##### b. Basis of Presentation

The financial statements of Trinity College include the accounts of Trinity College and its wholly owned subsidiary, the Barbieri Center, Inc., an Italian campus operation. The financial statements of Trinity College also include the Watkinson Library Trust Funds, which are included in the College's endowment funds for the exclusive support of the Watkinson Library.

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

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

The College follows the provisions of accounting guidance for Revenue Recognition for Not-For-Profit-Entities for Contributions Received and Contributions Made and Presentation of Financial Statements of Not-For-Profit-Entities. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Brief definitions of the three classes of net assets are presented below.

##### **Unrestricted Net Assets**

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

##### **Temporarily Restricted Net Assets**

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

##### **Permanently Restricted Net Assets**

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

# Trinity College

## Notes to Consolidated Financial Statements

### June 30, 2010 and 2009

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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 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.

#### **c. Operations**

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

#### **d. Fair Value Measurements**

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

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

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

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

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

# Trinity College

## Notes to Consolidated Financial Statements

### June 30, 2010 and 2009

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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.

In 2009, new guidance related to the Fair Value Measurements and Disclosures Standard was issued for estimating the fair value of investments in investment companies (limited partnerships) that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with generally accepted accounting principles (GAAP). As a practical expedient, the College is permitted under GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP. The College's investments in private equity, real estate and hedge funds are fair valued based on the most current NAV received.

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 Disclosures Standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

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

#### **e. Cash and Short-Term Investments**

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

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

#### **f. 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, 2010 and 2009**

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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 substantially met.

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

#### **g. 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 non-marketable 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 non-hedging 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.

#### **h. Split-interest Agreements and Beneficial Interest in Funds Held in Trust by Others**

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

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

# **Trinity College**

## **Notes to Consolidated Financial Statements**

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Contribution revenues for irrevocable charitable gift annuities and charitable remainder trusts are recognized at fair value at the dates the agreements are established after recording liabilities for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. For pooled income funds, contribution revenue is recognized upon establishment of the agreement at the fair value of the estimated future receipts, discounted for the estimated time period to complete the agreement. Discount rates used to calculate the present value of split interest agreements range from approximately 3.3% to 6%. Contribution revenue for perpetual trusts is recognized at the time the College is informed of the trust.

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

#### **i. Other Assets**

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

#### **j. Fixed Assets**

Fixed assets are comprised primarily of land, 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.

#### **k. Collections**

Library and art collections are not included in assets. Purchases of such collections are recorded as decreases in unrestricted net assets in the period in which the items are acquired. Contributed collection items are not reflected in the financial statements. Proceeds from the sale of collection items or insurance recoveries are reflected as increases in the appropriate net asset class.

#### **l. 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 revisions 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.

#### **m. 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.

**Trinity College**  
**Notes to Consolidated Financial Statements**  
**June 30, 2010 and 2009**

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**n. 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, pledges receivable, student loans receivable and accounts receivable, the assumptions used in calculating of the postretirement benefit plan and asset retirement obligations.

**o. 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.

**p. Subsequent Events**

Management has evaluated subsequent events for the period after June 30, 2010 through October 15, 2010, the date the financial statements were issued.

**2. Investments**

Investments at June 30, 2010 and 2009 consist of:

	<b>Market Value</b>	
	<b>2010</b>	<b>2009</b>
Endowment funds		
Short-term investments	\$ 24,940,665	\$ 43,173,422
Fixed income	11,153,192	10,044,471
Domestic equity	7,708,538	8,776,644
Private equity	77,567,709	33,125,056
Real estate	15,198,739	11,899,065
Hedge funds (a)	206,941,247	200,068,306
	<u>343,510,090</u>	<u>307,086,964</u>
Other funds		
Fixed income	8,218	9,624
Domestic and global equities	309,410	292,488
Real estate	35,823	37,190
Other	119,254	119,254
	<u>472,705</u>	<u>458,556</u>
Total investments	<u>\$ 343,982,795</u>	<u>\$ 307,545,520</u>

- (a) Included in the hedge funds total are approximately \$93.1 million of domestic equities, \$8.6 million of private equities, and \$62.5 million of global equities, which are held in pooled investment vehicles.

**Trinity College**  
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At June 30, 2010 and 2009, the College is obligated to fund \$48,752,514 and \$66,840,619 for future additional purchases of certain limited partnerships. This obligation will be funded by the reallocation of investments.

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

	2010	2009
Endowment and other long-term investments		
Endowment income	\$ 425,649	\$ 2,296,100
Net realized and unrealized gains (losses), net of investment management fees and other costs	<u>43,167,079</u>	<u>(84,571,346)</u>
Return on endowment investments	<u>43,592,728</u>	<u>(82,275,246)</u>
Operating investments		
Investment income	391,913	659,604
Net realized and unrealized losses	<u>(108,237)</u>	<u>(259,422)</u>
Return on operating investments	<u>283,676</u>	<u>400,182</u>
Total return on investments	<u>\$ 43,876,404</u>	<u>\$ (81,875,064)</u>

The following table presents the financial instruments carried at fair value as of June 30, 2010 and 2009, by caption on the statement of financial position by the Fair Value Measurements and Disclosures valuation hierarchy defined in Note 1d.

	2010			
	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Assets</b>				
Short term investments	\$ 24,940,665	\$ -	\$ -	\$ 24,940,665
Fixed income	11,153,192	8,218	-	11,161,410
Domestic and global equities	3,068,973		4,948,975	8,017,948
Private equity			77,567,709	77,567,709
Real estate	19,201		15,215,361	15,234,562
Hedge funds		192,829,785	14,111,462	206,941,247
Other			119,254	119,254
Total investments	<u>39,182,031</u>	<u>192,838,003</u>	<u>111,962,761</u>	<u>343,982,795</u>
Beneficial interests held by 3rd parties			13,733,945	13,733,945
Perpetual trusts held by 3rd parties			12,073,508	12,073,508
Total assets at fair value	<u>\$ 39,182,031</u>	<u>\$ 192,838,003</u>	<u>\$ 137,770,214</u>	<u>\$ 369,790,248</u>

**Trinity College**  
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	2009			
	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Assets</b>				
Short term investments	\$ 43,173,422	\$ -	\$ -	\$ 43,173,422
Fixed income	10,044,471	9,624		10,054,095
Domestic and global equities	2,898,436		6,170,696	9,069,132
Private equity			33,125,056	33,125,056
Real estate		19,568	11,916,687	11,936,255
Hedge funds			200,068,306	200,068,306
Other			119,254	119,254
Total investments	56,116,329	29,192	251,399,999	307,545,520
Beneficial interests held by 3rd parties			13,052,138	13,052,138
Perpetual trusts held by 3rd parties			11,055,470	11,055,470
Total assets at fair value	\$ 56,116,329	\$ 29,192	\$ 275,507,607	\$ 331,653,128

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 for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

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

Investments included in Level 3 primarily consists of the College's ownership in alternative investments (principally limited partnership interests in hedge, private equity, real estate, and other similar funds). The value of certain alternative investments represents the ownership interest in the net assets of the respective partnership. Approximately 10.6% of investments held by the partnerships consists of marketable securities and approximately 89.4% are securities that do not have readily determinable fair values. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The College has performed significant due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2010 and 2009. Fund investments that have observable inputs (published NAVs) and from which the College has the ability to redeem within 90 days of June 30 are classified as Level 2.

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

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

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

	<b>Domestic Equity</b>	<b>Private Equity</b>	<b>Real Estate</b>	<b>Hedge Funds</b>	<b>Other</b>	<b>Total Investments</b>
Fair value, July 1, 2009	\$ 6,170,696	\$ 33,125,056	\$ 11,916,687	\$ 200,068,306	\$ 119,254	\$ 251,399,999
Realized gains/(losses)	44,283	1,985,957	-	144,644	-	2,174,884
Unrealized gains/(losses)	(876,975)	14,678,450	(1,388,749)	1,809,572	-	14,222,298
Net purchases, sales, settlements	(402,370)	3,645,576	4,688,419	(1,584,601)	-	6,347,024
Transfers in/out	13,341	24,132,670	(996)	(186,326,459)	-	(162,181,444)
Fair value, June 30, 2010	<u>\$ 4,948,975</u>	<u>\$ 77,567,709</u>	<u>\$ 15,215,361</u>	<u>\$ 14,111,462</u>	<u>\$ 119,254</u>	<u>\$ 111,962,761</u>
	<b>Beneficial Interests Held By 3rd Party</b>	<b>Perpetual Trusts Held By 3rd Party</b>				
Fair value, July 1, 2009	\$ 13,052,138	\$ 11,055,470				
Realized gains/(losses)	-	-				
Unrealized gains/(losses)	681,807	1,536,386				
Net purchases, sales, settlements	-	(518,348)				
Transfers in/out	-	(518,348)				
Fair value, June 30, 2010	<u>\$ 13,733,945</u>	<u>\$ 12,073,508</u>				

Fund investments that have observable inputs (published NAVs) and from which the College has the ability to redeem within 90 days of June 30 are classified as Level 2.

All net realized and unrealized gains/(losses) in the table above are reflected in the accompanying statement of activities. Net unrealized gains/(losses) relate to those financial instruments held by the College at June 30, 2010 and 2009.

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:

**Trinity College**  
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Category	Fair Value	Unfunded Commitments	Lockup	Inside/Outside of Lockup	Redemption Frequency (if eligible)	Redemption Notice
Hedge Funds/Absolute return						
Long/Short	\$ 126,548,658	\$ -	None	N/A	Daily - Monthly	none
Fixed income strategies	11,689,514	-	36 months rolling	Inside	Every 2 years	90 days
multi strategy	68,703,075	-	None	N/A	Monthly	none
<b>Total Hedge Funds</b>	<u>206,941,247</u>	<u>-</u>				
Private equity						
Fund of funds	59,024,256	32,016,544				
Buyout	11,070,714	12,997,048				
Venture capital	1,419,809	-				
Fixed income	6,052,930	1,742,934				
<b>Total Private Equity</b>	<u>77,567,709</u>	<u>46,756,526</u>				
Real Assets						
Real estate	9,008,739	1,995,988				
<b>Total Real Estate</b>	<u>9,008,739</u>	<u>1,995,988</u>				
<b>Total</b>	<u>\$ 293,517,695</u>	<u>\$ 48,752,514</u>				

### 3. Endowment Funds

Principal balances at June 30 were as follows:

	<b>Fair Value</b>	
	<b>2010</b>	<b>2009</b>
Endowment funds held by Trinity	\$ 344,682,147	\$ 308,334,085
Funds held in trust by others	12,073,508	11,055,470
Pledges outstanding	14,051,572	20,368,141
<b>Total</b>	<u>\$ 370,807,227</u>	<u>\$ 339,757,696</u>

The College endowment consists of 1,007 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.

# Trinity College

## Notes to Consolidated Financial Statements

### June 30, 2010 and 2009

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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. Connecticut enacted an UPMIFA statute effective October 1, 2007. The new 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. The College has adopted this guidance, effective July 1, 2008, and was required to reinstate income and appreciation related to donor-restricted endowment funds that were previously considered available to meet a time or purpose restriction, but that have never been appropriated for expenditure. The College has reclassified its net assets to reflect the time restriction in accordance with the new guidance as of June 30, 2008 as follows:

	<b>Balance as of June 30, 2008</b>	<b>Reclassification of Funds</b>	<b>Adjusted Balance</b>
Unrestricted endowment	\$ 170,839,875	\$ (164,433,808)	\$ 6,406,067
Temporarily restricted endowment	32,144,973	164,652,579	196,797,552
Permanently restricted endowment	231,345,993	(218,771)	231,127,222
Total funds	<u>\$ 434,330,841</u>	<u>\$ -</u>	<u>\$ 434,330,841</u>

#### **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:

- (1) The duration and preservation of the fund
- (2) The purpose of the College and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the College
- (7) 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 that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$13,497,952 and \$26,765,112 as of June 30, 2010 and 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

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

**Endowment Net Asset Composition by Type of Fund as of June 30, 2010**

	<b>Unrestricted Endowment</b>	<b>Temporarily Restricted Endowment</b>	<b>Permanently Restricted Endowment</b>	<b>Total</b>
Donor-restricted endowment funds	\$ (13,497,952)	\$ 126,722,732	\$ 235,419,177	\$ 348,643,957
Funds functioning as endowment funds	5,396,647	12,815,478	3,951,145	22,163,270
Total funds	<u>\$ (8,101,305)</u>	<u>\$ 139,538,210</u>	<u>\$ 239,370,322</u>	<u>\$ 370,807,227</u>

  

	<b>Unrestricted Endowment</b>	<b>Temporarily Restricted Endowment</b>	<b>Permanently Restricted Endowment</b>	<b>Year to Date as of June 30, 2010</b>
Endowment net assets, beginning of year	\$ (22,101,433)	\$ 128,471,450	\$ 233,387,679	\$ 339,757,696
Investment return				
Investment income (loss), net of fees	(45,605)	(2,065,630)	(115,416)	(2,226,651)
Net depreciation (realized and unrealized)	1,008,864	45,245,798	819,110	47,073,772
Total investment return	963,259	43,180,168	703,694	44,847,121
Contributions	-	-	6,478,224	6,478,224
Appropriation of endowment assets for expenditure	(362,303)	(19,607,467)	-	(19,969,770)
Other changes, transfers, and releases from restriction	13,399,172	(12,505,941)	(1,199,275)	(306,044)
Net assets as of June 30, 2010	<u>\$ (8,101,305)</u>	<u>\$ 139,538,210</u>	<u>\$ 239,370,322</u>	<u>\$ 370,807,227</u>

**Endowment Net Asset Composition by Type of Fund as of June 30, 2009**

	<b>Unrestricted Endowment</b>	<b>Temporarily Restricted Endowment</b>	<b>Permanently Restricted Endowment</b>	<b>Total</b>
Donor-restricted endowment funds	\$ (26,765,112)	\$ 113,880,303	\$ 233,387,679	\$ 320,502,870
Funds functioning as endowment funds	4,663,679	14,591,147	-	19,254,826
Total funds	<u>\$ (22,101,433)</u>	<u>\$ 128,471,450</u>	<u>\$ 233,387,679</u>	<u>\$ 339,757,696</u>

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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, 2009</b>
Endowment net assets, beginning of year	\$ 170,839,875	\$ 32,144,973	\$ 231,345,993	\$ 434,330,841
Net assets reclassification per FSP 117-1	<u>(164,433,808)</u>	<u>164,652,579</u>	<u>(218,771)</u>	<u>-</u>
Endowment net assets beginning of year after FSP 117-1 reclass	6,406,067	196,797,552	231,127,222	434,330,841
Investment return				
Investment income (loss), net of fees	(19,439)	(1,733,256)	295,413	(1,457,282)
Net depreciation (realized and unrealized)	<u>(1,830,168)</u>	<u>(75,110,422)</u>	<u>(4,814,303)</u>	<u>(81,754,893)</u>
Total investment return	<u>(1,849,607)</u>	<u>(76,843,678)</u>	<u>(4,518,890)</u>	<u>(83,212,175)</u>
Contributions	-	-	8,885,774	8,885,774
Appropriation of endowment assets for expenditure	(671,819)	(18,747,903)	(983,286)	(20,403,008)
Other changes, transfers, and releases from restriction	<u>(25,986,074)</u>	<u>27,265,479</u>	<u>(1,123,141)</u>	<u>156,264</u>
Net assets as of June 30, 2009	<u>\$ (22,101,433)</u>	<u>\$ 128,471,450</u>	<u>\$ 233,387,679</u>	<u>\$ 339,757,696</u>

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

The College has a total return (income plus change in fair value) spending policy. The endowment spending policy was designed to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. Annual spending rates are calculated as a percentage of the average market value of the endowment fund, excluding funds held in trust, for the calendar year trailing twelve quarters. The spending rate approved by the Board of Trustees was 5.4% for 2010 and 2009. This resulted in approved spending of \$21,089,926 and \$21,217,872, which includes \$19,969,769 and \$20,403,008 appropriated for expenditure and \$1,120,157 and \$814,317 returned to principal. Accumulated gains of \$1,120,156 and \$9,333,320 were transferred from endowment net assets to operating and other net assets to meet endowment spending for 2010 and 2009, respectively.

The College owns certain strategic neighborhood properties. Total return on these neighborhood properties, which are held as endowment assets, was (9.1%) and (7.8%) for the year ended June 30, 2010 and 2009, respectively.

Other endowment changes in the statement of activities include transfers due to changes in donor intent in the amount of \$2,212,252.

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

	<b>2010</b>	<b>2009</b>
Number of units for income allocation	13,594,011	12,091,225
Market value per unit	\$ 25.00	\$ 25.00
Income earned per unit	\$ 3.25	\$ (6.47)
Income distributed per unit	\$ 1.48	\$ 1.68

**Trinity College**  
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**4. Contributions Receivable**

Contributions receivable at June 30 consisted of unconditional promises to give (net of discount of \$10,173,572 and \$10,490,452 and allowance of \$828,006 and \$1,127,678 for 2010 and 2009, respectively), which are expected to be realized in the following periods:

	<b>2010</b>	<b>2009</b>
In one year or less	\$ 12,324,624	\$ 15,038,056
Between one year and five years	11,773,996	14,671,598
In more than five years	7,490,469	8,526,980
	<u>\$ 31,589,089</u>	<u>\$ 38,236,634</u>

Discount rates used to calculate the present value of contributions receivable ranged from 2.46% to 7.03%.

**5. Other Assets**

Other assets at June 30 include:

	<b>2010</b>	<b>2009</b>
Bond issuance costs, net of accumulated amortization	\$ 3,233,581	\$ 3,608,310
Prepaid expenses	387,382	694,732
Inventories	72,593	64,747
Other	126,005	118,678
	<u>\$ 3,819,561</u>	<u>\$ 4,486,467</u>

**6. Fixed Assets**

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

	<b>2010</b>	<b>2009</b>
Land and land improvements	\$ 26,679,007	\$ 26,566,207
Buildings	352,353,278	348,014,488
Equipment	54,121,777	52,295,179
Construction-in-progress	2,429,089	637,641
	435,583,151	427,513,515
Less accumulated depreciation	<u>(181,230,973)</u>	<u>(168,906,355)</u>
	<u>\$ 254,352,178</u>	<u>\$ 258,607,160</u>

Depreciation expense included in operating expense amounted to \$12,324,618 and \$12,154,822 for the year ended June 30, 2010 and 2009. 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.

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**7. Contributions Due to Others**

The College receives and distributes assets, on behalf of other not-for-profit organizations, under certain agreements in accordance with the provisions of certain accounting guidance. Amounts received and distributed under these relationships totaled \$30,000 and \$32,280 for the year ended June 30, 2010.

The amounts received on behalf of other not-for-profit organizations, but not yet distributed totaled \$105,483 and \$106,765 at June 30, 2010 and 2009, and are included on the statement of financial position as contributions due to others.

**8. Asset Retirement Obligations**

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

The College recognized accretion on the asset retirement obligations of approximately \$1,083,423 and \$1,009,390 in 2010 and 2009. Accretion is reported as an operating expense in the statement of activities.

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**9. Bonds Payable**

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

	2010	2009
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 \$1,911,039 and \$1,889,571 at June 30, 2010 and 2009	\$ 10,870,000	\$ 34,040,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series H bonds, issued 2005, interest rates ranging from 2.0% to 5.0%; maturities to 2026; insured by MBIA. The trustee held a sinking fund reserve of \$1,833,614 and \$1,808,395 at June 30, 2010 and 2009	28,575,000	29,685,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series L bonds, issued 2008, variable interest with an initial rate of 1.65%; and a maximum rate of 12%; maturities to 2034. The trustee held a sinking fund reserve of \$535,941 and \$505,770 at June 30, 2010 and 2009	14,930,000	15,345,000
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, 2010 and 2009	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 \$976,451 and \$965,291 at June 30, 2010 and 2009	24,145,000	24,580,000
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	22,230,000	-
Mortgage Payable - Payable to seller with monthly payments based on 5 year term at 8% annual interest rate maturing on September 1, 2012	187,312	260,367
Mortgage Payable - Payable to seller with monthly payments based on 20 year term at 8% annual interest rate with balloon payoff September 1, 2013	263,981	272,587
	<u>151,006,293</u>	<u>153,987,954</u>
Less unamortized net discount/premium	397,699	151,941
Total bonds and notes payable	<u>\$ 151,403,992</u>	<u>\$ 154,139,895</u>

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

2010-2011	\$ 3,986,735
2011-2012	3,035,648
2012-2013	3,093,000
2013-2014	3,920,610
2014-2015	3,850,000
Thereafter	133,120,000

# Trinity College

## Notes to Consolidated Financial Statements

### June 30, 2010 and 2009

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In July 2008, the College decreased its Series I CHEFA bonds and issued Series L variable-rate demand bonds totaling \$15,345,000. Bond issuance costs of \$394,480 will be amortized over the life of the bonds. In connection with these bonds, the College entered into an irrevocable Letter of Credit and Reimbursement Agreement (the "Letter of Credit") with JPMorgan Chase Bank, N.A., which expires August 5, 2011.

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. Amounts borrowed under the Letter of Credit (LOC) 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 \$0, \$0, \$3,836,250, \$5,115,000, \$5,115,000, and \$1,278,750.

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, 2010 and 2009. 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 20 basis point charge for the unused portion of the credit line, payable quarterly in arrears.

The fair value of the College's long-term debt is estimated at approximately \$151,149,721 based on the quoted market prices for the same or similar issues or on the current rates offered to the College for debt of the same remaining maturities. It is not practicable to estimate the fair value of internal borrowings.

#### 10. Unrestricted Net Assets

Unrestricted net assets at June 30, 2010 and 2009 consist of the following:

	2010	2009
Capital campaign	\$ (4,987,101)	\$ (1,689,382)
Unrestricted endowment	(8,101,305)	(22,101,433)
Investment in plant assets	74,584,970	77,856,922
Life income funds	83,662	377,443
Operating funds	13,594,479	10,835,539
Total unrestricted net assets	<u>\$ 75,174,705</u>	<u>\$ 65,279,089</u>

**Trinity College**  
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**11. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2010 and 2009 are available for the following purposes:

	2010	2009
Plant additions/renovation	\$ 8,109,047	\$ 7,395,440
Life income funds	12,540,317	11,838,502
Capital Campaign	786,172	628,800
Endowment funds	139,538,210	128,471,450
Operating and restricted funds	20,661,385	20,002,366
Loan funds	2,472,096	
Total temporarily restricted net assets	<u>\$ 184,107,227</u>	<u>\$ 168,336,558</u>

**12. Permanently Restricted Net Assets**

Permanently restricted net assets at June 30, 2010 and 2009 consist of the following:

	2010	2009
Income restricted		
Instruction funds	\$ 86,599,046	\$ 80,044,498
Scholarship funds	68,280,991	68,154,189
Library	6,522,439	6,395,156
Chapel funds	838,965	813,965
Prize funds	781,738	731,838
Other purposes	15,457,240	17,260,642
Unrestricted as to use of income	60,889,903	59,987,392
Total investments in perpetuity	239,370,322	233,387,680
Student loan funds	81,288	2,238,664
Life income funds	2,795,269	2,238,263
Total permanently restricted net assets	<u>\$ 242,246,879</u>	<u>\$ 237,864,607</u>

**13. Net Assets Released From Restrictions**

Net assets were released from donor restrictions during the period ended June 30, 2010 and 2009 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:

	2010	2009
Instruction and research	\$ 12,473,796	\$ 12,073,824
Financial aid	5,556,757	3,632,594
Plant	1,317,163	2,451,092
General institutional	5,581,733	8,297,563
Total net assets released from restrictions	<u>\$ 24,929,449</u>	<u>\$ 26,455,073</u>

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**14. Employee Benefit Plans**

The College participates in the Teacher's Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF) as a defined contribution retirement plan for most of its employees. Total pension expense for the year ended June 30, 2010 and 2009 is \$3,859,050 and \$3,891,722. The College has no liability for any unfunded pension costs under this plan.

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

The following represents the applicable disclosures as required by accounting guidance for Defined Benefit Pension and Other Postretirement Plans.

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

	2010	2009
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ 5,038,282	\$ 5,059,396
Service cost	14,654	13,774
Interest cost	288,791	310,378
Plan participants' contributions	29,898	50,958
Actuarial (gain)/loss	502,053	42,777
Benefits paid	(467,971)	(439,001)
Benefit obligation at end of year	<u>5,405,707</u>	<u>5,038,282</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	-	-
Employer contributions	438,073	388,043
Plan participants' contributions	29,898	50,958
Benefits paid	(467,971)	(439,001)
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
<b>Funded status</b>	<u>\$ (5,405,707)</u>	<u>\$ (5,038,282)</u>
<b>Amounts recognized in unrestricted net assets</b>		
Prior service cost	\$ (4,625,974)	\$ (5,286,828)
Net actuarial loss	3,163,067	2,903,394
	<u>\$ (1,462,907)</u>	<u>\$ (2,383,434)</u>
<b>Postretirement related changes other than net periodic benefit cost</b>		
Actuarial gain	502,053	42,776
Amortization of unrecognized amounts	418,474	427,680
	<u>\$ 920,527</u>	<u>\$ 470,456</u>
<b>Components of net periodic benefit cost</b>		
Service cost	14,654	13,774
Interest cost	288,791	310,378
Expected return on plan assets	-	-
Amortization of prior service benefit	(660,854)	(660,854)
Amortization of actuarial (gain)/loss	242,380	233,174
Net periodic benefit cost	<u>\$ (115,029)</u>	<u>\$ (103,528)</u>
<b>Amortization amounts in following year (estimate)</b>		
Prior service cost	\$ (660,854)	\$ (660,854)
Net actuarial loss	257,107	235,252
	<u>\$ (403,747)</u>	<u>\$ (425,602)</u>

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**Medicare Prescription Drug Act**

On December 7, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 was signed into law. Among other things, the Act provides for a direct government subsidy for employers who offer a retiree drug program that is deemed to be actuarially equivalent to the government plan. In 2006, the College amended its postretirement health insurance benefit plan and therefore does not qualify for the subsidy.

**Assumptions**

	2010	2009
Discount rate used to determine benefit obligations at June 30	4.75 %	6.00 %
Discount rate used to determine net periodic benefit cost for years ended June 30	6.00 %	6.50 %
Assumed health care cost trend rates at June 30		
Health care cost trend rate assumed for next year	9.00 %	9.00 %
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	2014	2013

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

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost	\$ 20,419	\$ (18,200)
Effect on postretirement benefit obligation	393,664	(352,646)

**Contributions**

Trinity College expects to contribute \$498,816 to its postretirement health insurance benefit plan in fiscal year 2011.

**Estimated Future Benefit Payments**

Expected benefit payments for the calendar year:

	Postretirement Benefits
2010	\$ 498,816
2011	508,601
2012	510,663
2013	504,583
2014	493,335
Thereafter	2,227,756

**15. Commitments and Contingencies**

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

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**16. Related Parties**

The College invests a portion of their endowment investments into Limited Liability Partnerships and Mutual Funds where some members of the Board of Trustees have significant influence. The total fair value of related party investments was \$4,749,228 and \$1,927,407 at June 30, 2010 and 2009.