Trinity College

Consolidated Financial Statements
June 30, 2007 and 2006

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June 30, 2007 and 2006

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

The Trustees of Trinity College
Hartford, Connecticut

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the financial position of Trinity College (the "College") at June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 9 and 15 to the consolidated financial statements, the College changed the manner in which it accounts for conditional asset retirement obligations effective June 30, 2006, and the manner in which it accounts for other postretirement plans effective June 30, 2007.

PricewaterhouseCoopers LLP

September 28, 2007

Trinity College
Consolidated Statements of Financial Position
June 30, 2007 and 2006

	2007	2006
Assets		
Cash and cash equivalents	$ 32,349,894	$ 20,577,070
Receivables, net of allowance for doubtful accounts of $170,000	1,434,278	1,342,327
Receivable for securities sold	-	51,665
Government grants receivable	340,197	188,574
Contributions receivable, net of allowance for doubtful accounts of $833,876 and $889,277, respectively	42,716,232	16,896,257
Student loans receivable, net of allowance for doubtful accounts of $330,000	4,130,490	4,306,139
Investments	427,800,418	373,596,444
Funds held by bond trustee	32,996,584	18,052,652
Beneficial interest in funds held in trust by others	18,997,578	16,340,562
Other assets	5,453,985	3,912,365
Fixed assets, net of depreciation	227,386,783	218,350,798
Total assets	$ 793,606,439	$ 673,614,853
Liabilities		
Accounts payable and other liabilities	16,568,364	12,907,690
Payable for securities purchased	-	750,837
Federal student loan funds	3,232,499	3,249,445
Contributions due to others	85,840	101,432
Accrued postretirement benefits	5,271,338	8,867,961
Split interest obligations	3,238,607	2,974,099
Bonds and notes payable	158,016,726	133,490,134
Asset retirement obligation	21,294,204	20,588,120
Total liabilities	$ 207,707,578	$ 182,929,718
Net assets		
Unrestricted	298,696,932	255,586,511
Temporarily restricted	71,503,940	50,729,103
Permanently restricted	215,697,989	184,369,521
Total net assets	585,898,861	490,685,135
Total liabilities and net assets	$ 793,606,439	$ 673,614,853

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

Trinity College
Consolidated Statements of Activities
Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating and other net assets				
Revenue and reclassifications				
Tuition and fees	$ 85,649,205	$ -	$ -	$ 85,649,205
Less: Financial aid	(23,270,200)	-	-	(23,270,200)
Net tuition and fees	62,379,005	-	-	62,379,005
Federal and state grants	1,764,936	-	-	1,764,936
Contributions	9,462,591	20,206,853	482,359	30,151,803
Endowment income	16,969,662	2,172,579	149,079	19,291,320
Other investment income	3,791,843	20,193	137,838	3,949,874
Other operating income	2,427,721	2,001,706	72,899	4,502,326
Net gains on investments	292,114	28,443	309,459	630,016
Change in value of split interest agreements	(81,315)	414,398	(180,228)	152,855
Revenues of auxiliary enterprises	17,591,890	-	-	17,591,890
Total revenue	114,598,447	24,844,172	971,406	140,414,025
Net assets released from restrictions	6,762,475	(6,762,475)	-	-
Total revenue and reclassifications	$ 121,360,922	18,081,697	971,406	140,414,025
Expenses				
Instruction, research and related programs	64,270,619	-	-	64,270,619
General institutional services	32,703,933	-	-	32,703,933
Expenditures of auxiliary enterprises	17,850,121	-	-	17,850,121
Total expenses	114,824,673	-	-	114,824,673
Other changes				
Transfers to endowment	(1,357,546)	(876,835)	(1,805,001)	(4,039,382)
Defeasance of CHEFA Series G	(2,320,597)	-	-	(2,320,597)
Total other changes	(3,678,143)	(876,835)	(1,805,001)	(6,359,979)
Increase (decrease) in operating and other net assets before cumulative effect of a change in accounting principle (FAS 158)	2,858,106	17,204,862	(833,595)	19,229,373
Cumulative effect of a change in accounting principle (FAS 158)	3,116,733	-	-	3,116,733
Increase (decrease) in operating and other net assets after cumulative effect of a change in accounting principle (FAS 158)	5,974,839	17,204,862	(833,595)	22,346,106
Operating and other net assets, beginning of year	84,966,509	14,091,270	4,216,504	103,274,283
Operating and other net assets, end of year	$ 90,941,348	$ 31,296,132	$ 3,382,909	$ 125,620,389

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

Trinity College
Consolidated Statements of Activities
Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
Contributions	$ -	$ -	$ 22,944,505	$ 22,944,505
Investment return				
Endowment income	2,705,724	4,057,709	203,291	6,966,724
Net gains (losses) on investments	55,761,538	7,164,351	(801)	62,925,088
Amount distributed for spending	(16,969,662)	(2,172,579)	(149,079)	(19,291,320)
Investment management fees	(5,873,749)	-	-	(5,873,749)
Reinvested investment return	35,623,851	9,049,481	22,997,916	67,671,248
Change in value of split-interest agreements	-	-	1,104,618	1,104,618
Amounts transferred from operating funds	1,357,546	876,835	1,805,001	4,039,382
Other endowment changes	154,185	(6,356,341)	6,254,528	52,372
Increase in endowment net assets	37,135,582	3,569,975	32,162,063	72,867,620
Endowment net assets, beginning of year	170,620,002	36,637,833	180,153,017	387,410,852
Endowment net assets, end of year	$ 207,755,584	$ 40,207,808	$ 212,315,080	$ 460,278,472
Total net assets				
Net assets, beginning of year	$ 255,586,511	$ 50,729,103	$ 184,369,521	$ 490,685,135
Increase in endowment net assets	37,135,582	3,569,975	32,162,063	72,867,620
Increase (decrease) in operating and other net assets	2,858,106	17,204,862	(833,595)	19,229,373
Cumulative effect of a change in accounting principle (FAS 158)	3,116,733	-	-	3,116,733
Total increase in net assets	43,110,421	20,774,837	31,328,468	95,213,726
Net assets, end of year	$ 298,696,932	$ 71,503,940	$ 215,697,989	$ 585,898,861

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

Trinity College
Consolidated Statements of Activities
Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating and other net assets				
Revenue and reclassifications				
Tuition and fees	$ 80,370,551	$ -	$ -	$ 80,370,551
Less: Financial aid	(22,298,306)	-	-	(22,298,306)
Net tuition and fees	58,072,245	-	-	58,072,245
Federal and state grants	1,274,978	-	-	1,274,978
Contributions	8,074,387	13,091,237	26,914	21,192,538
Endowment income	18,246,953	2,387,300	111,116	20,745,369
Other investment income	1,869,388	21,992	21,546	1,912,926
Other operating income	1,977,125	317,942	148,835	2,443,902
Net gains (losses) on investments	109,638	(20,449)	83,769	172,958
Change in value of split interest agreements	216,673	-	64,278	280,951
Revenues of auxiliary enterprises	16,652,725	-	-	16,652,725
Total revenue	106,494,112	15,798,022	456,458	122,748,592
Net assets released from restrictions	9,392,612	(9,392,612)	-	-
Total revenue and reclassifications	$ 115,886,724	6,405,410	456,458	122,748,592
Expenses				
Instruction, research and related programs	65,276,486	-	-	65,276,486
General institutional services	26,395,543	-	-	26,395,543
Expenditures of auxiliary enterprises	18,751,460	-	-	18,751,460
Total expenses	110,423,489	-	-	110,423,489
Other changes				
Transfers from (to) endowment	28,000,000	(15,735,372)	(12,763)	12,251,865
Total other changes	28,000,000	(15,735,372)	(12,763)	12,251,865
Increase (decrease) in operating and other net assets before cumulative effect of a change in accounting principle (FIN 47)	33,463,235	(9,329,962)	443,695	24,576,968
Cumulative effect of a change in accounting principle (FIN 47)	(19,802,244)	-	-	(19,802,244)
Increase (decrease) in operating and other net assets after cumulative effect of a change in accounting principle (FIN 47)	13,660,991	(9,329,962)	443,695	4,774,724
Operating and other net assets, beginning of year	71,305,518	23,421,232	3,772,809	98,499,559
Operating and other net assets, end of year	$ 84,966,509	$ 14,091,270	$ 4,216,504	$ 103,274,283

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

Trinity College
Consolidated Statements of Activities
Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
Contributions	$ 32,305	$ -	$ 5,863,355	$ 5,895,660
Investment return				
Endowment income	4,087,040	2,387,300	111,116	6,585,456
Net gains on investments	30,327,522	949,635	-	31,277,157
Amount distributed for spending	(18,246,953)	(2,387,300)	(111,116)	(20,745,369)
Investment management fees	(4,242,707)	-	-	(4,242,707)
Reinvested investment return	11,957,207	949,635	5,863,355	18,770,197
Change in value of split-interest agreements	-	-	435,164	435,164
Amounts transferred (to) from operating funds	(28,000,000)	15,735,372	12,763	(12,251,865)
Other endowment changes	(5,354,152)	(656,438)	6,058,162	47,572
(Decrease) increase in endowment net assets	(21,396,945)	16,028,569	12,369,444	7,001,068
Endowment net assets, beginning of year	192,016,947	20,609,264	167,783,573	380,409,784
Endowment net assets, end of year	$ 170,620,002	$ 36,637,833	$ 180,153,017	$ 387,410,852
Total net assets				
Net assets, beginning of year	$ 263,322,465	$ 44,030,496	$ 171,556,382	$ 478,909,343
(Decrease) increase in endowment net assets	(21,396,945)	16,028,569	12,369,444	7,001,068
Increase (decrease) in operating and other net assets	33,463,235	(9,329,962)	443,695	24,576,968
Cumulative effect of a change in accounting principle (FIN 47)	(19,802,244)	-	-	(19,802,244)
Total (decrease) increase in net assets	(7,735,954)	6,698,607	12,813,139	11,775,792
Net assets, end of year	$ 255,586,511	$ 50,729,103	$ 184,369,521	$ 490,685,135

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

Trinity College
Consolidated Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Change in net assets	$ 95,213,726	$ 11,775,792
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation, amortization and accretion	11,106,187	11,392,145
Cumulative effect of a change in accounting principle	(3,116,733)	19,802,243
Net realized and unrealized gains on investments	(63,555,104)	(31,450,115)
Pledge allowance	(50,206)	159,986
Change in pledge discount	9,342,989	(78,353)
Student loans written off	45,789	23,531
Loss on defeasance of CHEFA Series G	2,320,597	-
Contributions restricted for long-term investment	(13,128,234)	(5,381,016)
Change in operating assets and liabilities		
Receivables and other assets	(591,644)	2,479,888
Contributions receivable	(35,112,758)	(3,052,371)
Accounts payable and other liabilities	2,300,442	1,566,056
Federal student loan funds	(16,946)	(58,627)
Contributions due to others	(15,592)	9,112
Postretirement benefits	(479,890)	(1,723,422)
Total adjustments	(90,951,103)	(6,310,943)
Net cash provided by operating activities	4,262,623	5,464,849
Cash flows from investing activities		
Student loans granted	(863,866)	(850,672)
Student loans repaid	993,726	730,700
Purchases of fixed assets	(18,016,439)	(10,964,120)
Purchases of investments	(242,064,409)	(252,012,056)
Sales of investments	250,716,367	283,739,734
Proceeds from bond issuance deposited with bond trustee	(33,731,927)	(9,116,089)
Use of bond issuance proceeds deposited with bond trustee	18,787,995	10,133,134
Net cash (used in) provided by investing activities	(24,178,553)	21,660,631
Cash flows from financing activities		
Contributions restricted for long-term investment	13,128,234	5,381,016
Change in value of split-interest obligations	264,508	(64,278)
Change in the value of funds held in trust by others	(2,657,016)	(960,655)
Proceeds from Mortgage Payable	-	300,000
Proceeds from bond issuance	74,534,903	-
Repayment of bonds and notes	(51,372,921)	(12,389,808)
Payments of bond issuance costs	(2,208,954)	-
Net cash provided by (used in) financing activities	31,688,754	(7,733,725)
Net increase in cash and cash equivalents	11,772,824	19,391,755
Cash and cash equivalents at beginning of year	20,577,070	1,185,315
Cash and cash equivalents at end of year	$ 32,349,894	$ 20,577,070
Supplemental disclosure of cash flow information		
Interest paid during the year	$ 6,147,295	$ 6,247,639
Noncash transactions		
Construction in progress included in accounts payable	$ 1,360,232	$ 1,926,196
FIN 47 fixed asset addition, net	$ -	$ 785,877
FIN 47 asset retirement obligation	$ -	$ 20,588,120

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

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 (the "College") include the accounts of Trinity College and its wholly owned subsidiary, the Barbieri Center, Inc., an Italian campus operation, the accounts of 97-99 Cresent Street, Inc., a corporation established for the purpose of purchasing and operating real estate, the accounts of Lemkuil I LLC, GHRMC I LLC, Limited LLC and Zion LLC, which were established by Trinity College, with the College and 97-99 Cresent Street, Inc. as partners, for the purpose of purchasing and operating real estate properties. 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 Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", and SFAS No. 117, "Financial Statements of Not-For-Profit-Organizations". 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 a portion of the appreciation on endowment investments.

Temporarily Restricted Net Assets
Net assets that are 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 donor-imposed restrictions.

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

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. 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 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.

Administration of the College's endowment is subject to the general provisions of the Uniform Management of Institutional Funds Act ("UMIFA"). Under the provisions of this state law, a governing board may appropriate for expenditure, for the uses and purposes for which an endowment fund is established, so much of the net appreciation as is deemed prudent based on standards established by the Act. While a governing board must exercise ordinary business care in the appropriation of such appreciation, the general provisions of UMIFA do not mandate that institutions retain endowment gains permanently. Accordingly, SFAS No. 117 requires institutions that are subject to general UMIFA provisions to report gains on endowment assets as increases in unrestricted net assets or temporarily restricted net assets based on the absence or existence of donor-imposed restrictions. However, if a specific gift instrument explicitly requires the reinvestment of appreciation, or a portion thereof, such reinvested amounts shall be classified within permanently restricted net assets. The original gift portion of endowment assets is classified within the permanently restricted net asset class, pursuant to the provisions of SFAS No. 117.

Other endowment changes in the statement of activities include transfers due to changes in donor intent.

c. Operations

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

d. Cash and Short-Term Investments

Cash and short-term investments include U.S. Treasury notes, commercial paper, 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.

e. Contributions

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

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free 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.

f. 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 investment 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.

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

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

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

Contribution revenues for irrevocable charitable gift annuities and charitable remainder trusts are recognized at fair value at the dates the agreements are established after recording liabilities for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. For pooled income funds, contribution revenue is recognized upon establishment of the agreement at the fair value of the estimated future receipts, discounted for the estimated time period to complete the agreement. Discount rates used to calculate the present value of split interest agreements range from approximately 3.5% to 11.6%. 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.

h. 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.

i. 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 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.

j. 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.

k. 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.

Effective June 30, 2006, the College adopted FIN 47 which clarifies the term conditional asset retirement obligation as used in FASB No. 143, "Accounting for Asset Retirement Obligations." With the adoption of FIN 47, the College recognized conditional asset retirement obligations as liabilities when sufficient information existed to reasonably estimate the fair value. Any uncertainty about the amount and/or timing of future settlement of a conditional asset retirement obligation is factored into the measurement of the liability.

l. Employee Benefit Plans

Effective June 30, 2007, the College adopted Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an Amendment of FASB Statements No. 87, 88, 106 and 132(R" (SFAS 158). This statement requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Under SFAS 158, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting standards must be recognized in net assets, until they are amortized as a component of net period benefit cost. Based on the funded status of the College's plan as of June 30, 2007, the adoption of SFAS 158 increased total net assets by $3,116,733.

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.

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, collectibility 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. Reclassifications

Certain reclassifications have been made to the 2006 financial statements to make them consistent with the 2007 presentation.

2. Investments

Investments at June 30, 2007 and 2006 consist of:

	2007		2006	
	Market Value	Cost	Market Value	Cost
Endowment funds				
Short-term investments	$ 29,180,071	$ 29,140,620	$ 11,025,755	$ 11,010,091
Fixed income	10,462,345	10,198,062	14,808,977	14,427,875
Domestic equities	126,228,893	97,125,822	115,421,819	103,549,457
Private equities	20,845,401	16,619,565	22,494,703	20,325,380
International equities	118,309,247	80,770,683	113,366,862	87,578,240
Venture capital	6,796,122	6,982,056	9,174,404	9,234,020
Real estate	11,982,390	8,908,754	10,076,012	6,408,778
Hedge funds	97,335,928	81,454,140	70,819,223	64,114,826
	421,140,397	331,199,702	367,187,755	316,648,667
Other funds				
Fixed income	2,552,670	2,706,869	2,381,813	2,564,408
Domestic equities	3,825,733	2,831,054	3,734,333	3,055,927
Mutual funds	16,357	11,173	13,366	12,138
Real estate	30,823	30,823	44,739	38,766
Other	234,438	234,438	234,438	234,438
	6,660,021	5,814,357	6,408,689	5,905,677
Total investments	$ 427,800,418	$ 337,014,059	$ 373,596,444	$ 322,554,344

At June 30, 2007, the College was obligated to fund $44,077,875 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:

	2007	2006
Endowment and other long-term investments		
Endowment income	$ 6,966,724	$ 6,585,456
Realized and unrealized gain/(loss), net of investment management fees and other costs	57,051,339	27,034,450
Return on endowment investments	64,018,063	33,619,906
Operating investments		
Investment income	3,949,874	1,912,926
Realized and unrealized gains/(losses)	630,016	172,958
Return on operating investments	4,579,890	2,085,884
Total return on investments	$ 68,597,953	$ 35,705,790

3. Endowment Funds

Principal balances at June 30 were as follows:

	2007 Fair Value	2006 Fair Value
Endowment funds held by Trinity	$ 425,483,610	$ 368,798,165
Funds held in trust by others	14,711,162	13,606,545
Pledges outstanding	20,083,700	5,006,142
Total	$ 460,278,472	$ 387,410,852

The change in endowment net assets is reflected under the "Endowment" heading in the Statement of Activities.

Endowment funds are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only income be utilized. Funds functioning as endowment, also known as quasi-endowment funds, have been established by the Trustees for the same purposes as endowment funds. However, any portion of the funds functioning as endowment may be expended with the approval of the Trustees.

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.

To the extent that realized and unrealized losses are in excess of accumulated gains for certain endowment funds, they are reported as decreases in unrestricted net assets in accordance with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". The College administers all endowment funds in accordance with the State of Connecticut Uniform Management of Institutional Funds Act ("UMIFA"), which it does or does not require that such investment losses be replenished or funded by unrestricted net assets. The College had certain endowment funds for which the market value had declined below the original historical cost of the funds in the amounts of approximately $42,000 and $911,000 at June 30, 2007 and June 30, 2006, respectively. No reduction in permanently restricted net assets has been reflected in the financial statements for the declines in the historical cost of these endowment funds.

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 5.8% and 6.0% for 2007 and 2006, respectively. This resulted in approved spending of $20,017,735 and $20,178,986 in 2007 and 2006, respectively, which excludes income earned on funds held in trust and separately invested of $882,264 and $737,014 in 2007 and 2006, respectively. Current year and prior year accumulated gains of $12,324,596 and $14,159,913 were transferred from endowment net assets to operating and other net assets to meet endowment spending for 2007 and 2006, respectively.

The College owns certain strategic neighborhood properties. Total return on these neighborhood properties, which are held as endowment assets, was (3.8%) and (7.4%) for the years ended June 30, 2007 and 2006, respectively.

In 2006, management changed its practice of recording accumulated gains for all unrestricted and restricted funds on a pooled basis to allocating unspent accumulated gains to each fund. As a result, it was determined that special draws from the board designated funds should have been allocated to specific funds rather than taken from the cumulative pooled gains account. The impact of these accounting entries was to restore unrestricted gains to certain unrestricted funds and reduce board designated funds. There is no impact on the total unrestricted net assets or total net assets.

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

	2007	2006
Number of units for income allocation	14,601,132	12,608,940
Market value per unit	$ 28.50	$ 28.50
Income earned per unit	$ 4.33	$ 2.56
Income distributed per unit	$ 1.37	$ 1.25

4. Contributions Receivable

Contributions receivable at June 30 consisted of unconditional promises to give (net of discount of $11,055,340 and $1,608,511 and allowance of $833,876 and $889,275 for 2007 and 2006, respectively), which are expected to be realized in the following periods:

	2007	2006
In one year or less	$ 11,763,394	$ 6,878,485
Between one year and five years	21,513,167	8,988,256
In more than five years	9,439,671	1,029,516
	$ 42,716,232	$ 16,896,257

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

In addition, as of June 30, 2007 and 2006, the College has $332,674 of cumulative conditional promises to give that are not recognized as assets in the statement of financial position.

5. Other Assets

Other assets at June 30 include:

	2007	2006
Bond issuance costs, net of accumulated amortization	$ 4,081,378	$ 2,887,828
Prepaid expenses	1,128,442	836,686
Inventories	92,432	80,812
Other	151,733	107,039
	$ 5,453,985	$ 3,912,365

6. Fixed Assets

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

	2007	2006
Land and land improvements	$ 25,850,768	$ 25,502,467
Buildings	295,241,890	269,185,352
Equipment	45,748,330	41,984,190
Construction-in-progress	5,785,332	16,577,640
	372,626,320	353,249,649
Less accumulated depreciation	(145,239,537)	(134,898,851)
	$ 227,386,783	$ 218,350,798

Upon adoption of FIN 47 (Note 9), the College recorded asset retirement costs in the amount of $5,178,318 at June 30, 2006. Accumulated depreciation on these assets was $4,474,808 and $4,392,441 at June 30, 2007 and 2006, respectively.

The insured replacement value of the College's plant and equipment at June 30, 2007 was approximately $519,000,000.

Depreciation expense included in operating expenses amounted to $10,340,689 and $11,386,909 for the years ended June 30, 2007 and 2006, respectively.

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. Bonds and Notes Payable

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

	2007	2006
Connecticut Health and Educational Facilities Authority (CHEFA) Series F bonds, issued 1998, interest rates ranging from 3.75% to 5.50%; maturities to 2028; insured by Municipal Bond Insurance Authority (MBIA). The trustee held a sinking fund reserve of $1,839,483 at June 30, 2007 and $1,832,042 at June 30, 2006	$ 35,960,000	$ 36,860,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series G bonds, issued 2001, interest rates ranging from 3.45% to 5.50%; maturities to 2031; insured by Ambac.	-	48,110,000
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 $1,759,635 at June 30, 2007 and $1,759,286 at June 30, 2006	31,800,000	32,810,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series I bonds, issued 2005, interest rates ranging from 1.4% to 2.35%; maturities to 2034; insured by MBIA.	15,000,000	15,000,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series J bonds, issued 2007, interest rates ranging from 4.25% to 4.5%; maturities to 2037; insured by MBIA. The trustee held a sinking fund reserve of $697,427 at June 30, 2007	49,805,000	-
Connecticut Health and Educational Facilities Authority (CHEFA) Series K bonds, issued 2007, interest rates ranging from 4.0% to 5.0%; maturities to 2037; insured by MBIA. The trustee held a sinking fund reserve of $341,076 at June 30, 2007	25,000,000	-
	157,565,000	132,780,000
Plus unamortized net premium	163,851	414,942
	157,728,851	133,194,942
Mortage Payable - Payable to seller with monthly payments based on 20 year term at 8% annual interest rate with balloon payoff September 1, 2013	287,875	295,192
Total Bonds and Mortgage Payable	$ 158,016,726	$ 133,490,134

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

2007-2008	$ 1,987,339	2013-2017	$ 18,584,561
2008-2009	2,882,948	2018-2022	23,045,000
2009-2010	2,973,608	2023-2027	28,980,000
2010-2011	3,109,322	2028-2032	29,430,000
2011-2012	3,235,096	2033-2038	43,625,000

In March 2007, the College borrowed $49,805,000 in the form of CHEFA Revenue Bonds, Series J. The proceeds from the issue were used to refund the College's borrowings under the CHEFA Revenue Bonds, Series G and to pay the costs of issuance and the bond insurance premium. The proceeds were deposited in a refunding trust to refund the outstanding Series G bonds, in the outstanding principal amount of $47,115,000. 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 G bonds were defeased and are not reflected in the accompanying consolidated financial statements. The refunding resulted in a difference between the redemption price of the Series G bonds and its carrying value, including its unamortized debt issuance costs, in the amount of $2,320,597 that has been recorded as a loss in the accompanying consolidated statement of activities.

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, 2007 and June 30, 2006. Interest is assessed at LIBOR plus 75 basis points.

The fair value of the College's long-term debt is estimated at $155,571,735, 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.

8. 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 SFAS 136 "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contribution for Others". Amounts received and distributed under these relationships totaled $32,000 and $47,592 for the year ended June 30, 2007 and $67,000 and $57,888 for the year ended June 30, 2006.

The amounts received on behalf of other not-for-profit organizations, but not yet distributed totaled $85,840 and $101,432 at June 30, 2007 and 2006, respectively, and are included on the statement of financial position as contributions due to others.

9. Asset Retirement Obligations

In March of 2005, the FASB issued FIN 47, which was issued to provide clarity surrounding the recognition of conditional asset retirement obligations, as referred to in FASB Statement No. 143 “Accounting for Asset Retirement Obligations.” FIN 47 defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation, does not defer recognition of a liability. The obligation to perform the asset retirement activity is unconditional, and accordingly, a liability should be recognized. FIN 47 also provides guidance with respect to the criteria to be used to determine whether sufficient information exists to reasonably estimate the fair value of an asset retirement obligation. Based on the guidance in FIN 47, management of the College determined that sufficient information was available to reasonably estimate the fair value of known retirement obligations.

FIN 47 requires the initial application of the interpretation to be recognized as a cumulative effect change in an accounting principle. Specifically, FIN 47 requires the recognition of the cumulative accretion and accumulated depreciation for the period from the date the liability was incurred to the date of adoption of this interpretation. The liability incurred date is presumed to be the date upon which the legal requirement to perform the asset retirement activity was enacted. Upon adoption of FIN 47 on June 30, 2006, the College recognized asset retirement obligations related to asbestos contamination in buildings and recorded a non-cash transition impact of approximately $19,800,000 which was reported as a cumulative effect change in accounting principle in the statements of activities and a liability for conditional asset retirement obligation of approximately $20,600,000 as reported in the statements of financial position. The difference of $800,000 was recorded as an asset retirement cost.

The following table illustrates the effect on change in net assets from operations as if this interpretation had been applied for the year ended June 30, 2006:

Change in net assets from operations, as reported	$ 24,576,968
Less: Total depreciation and interest accretion costs	(996,937)
Proforma change in net assets from operations	$ 23,580,031

During 2007, the College recognized accretion on the asset retirement obligations of approximately $706,000, which is reported as an operating expense in the statement of activities. The liability for asset retirement obligations is approximately $21,300,000 at June 30, 2007.

10. Unrestricted Net Assets

Unrestricted net assets at June 30, 2007 and 2006 consist of the following:

	2007	2006
Capital campaign	$ 2,410,243	$ 3,222,360
Unrestricted endowment	207,755,585	170,620,002
Investment in plant assets	81,362,082	83,909,020
Life income funds	1,651,701	1,024,874
Operating funds	5,517,321	(3,189,745)
Total unrestricted net assets	$ 298,696,932	$ 255,586,511

11. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2007 and 2006 are available for the following purposes:

	2007	2006
Plant additions/renovation	$ 5,925,052	$ 253,663
Life income funds	3,115,184	2,600,957
Capital Campaign	2,798,605	3,008,447
Endowment funds	40,207,809	36,637,833
Operating and restricted funds	19,457,290	8,228,203
Total temporarily restricted net assets	$ 71,503,940	$ 50,729,103

12. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2007 and 2006 consist of the following:

	2007	2006
Income restricted		
Instruction funds	$ 71,494,804	$ 48,451,329
Scholarship funds	59,144,775	51,414,570
Library	6,083,551	6,044,929
Chapel funds	778,089	675,089
Prize funds	651,378	633,297
Other purposes	12,127,983	11,295,154
Unrestricted as to use of income	62,034,500	61,638,649
Total investments in perpetuity	212,315,080	180,153,017
Student loan funds	1,061,611	2,535,183
Life income funds	2,321,298	1,681,321
Total permanently restricted net assets	$ 215,697,989	$ 184,369,521

13. Net Assets Released From Restrictions

Net assets were released from donor restrictions during the period ended June 30, 2007 and 2006 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:

	2007	2006
Instruction and research	$ 2,471,640	$ 3,505,452
Financial aid	299,431	359,701
Plant	2,555,605	4,633,900
General institutional	1,435,799	893,559
Total net assets released from restrictions	$ 6,762,475	$ 9,392,612

14. Government and Other Grants

Government grant awards not yet funded or recorded at June 30, 2007 and 2006 total approximately $474,872 and $822,080, respectively. They are expected to be collected over the ensuing year.

15. 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, 2007 and 2006 was approximately $3,786,983 and $4,207,266, respectively. The College has no liability for any unfunded pension costs under this plan.

The College provides health insurance benefits for retired employees who were full-time employees with at least ten years of service and who have attained the age of sixty. The College also provides life insurance benefits for retired employees who were full-time employees as of December 1, 1977.

Effective June 30, 2006, the College changed its retiree health insurance benefits. The College will continue to fund these benefits to currently retired employees and those with 10 years of service, 60 or older, and who retire by June 30, 2007. Retirees after June 30, 2007 may participate in the plan, however they must pay the full costs. The impact of this change is reflected as a curtailment in the change in benefit obligation. During 2006, the College amended its policy for health insurance benefits. This impact is reflected as an amendment in the change in benefit obligation.

As discussed in Note 1, the College adopted the statement of financial position recognition requirements of SFAS 158 on June 30, 2007. The following represents the applicable disclosures as required by Statement of Financial Accounting Standards No. 132, "*Employers' Disclosures About Pensions and Other Postretirement Benefits: An Amendment of FASB Statements No. 87, 88 and 106,*" as amended by SFAS 158.

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

	2007	**2006**
Change in benefit obligation		
Benefit obligation at beginning of year	$ 5,955,128	$ 14,126,869
Service cost	285	715,247
Interest cost	298,064	752,539
Plan participants' contributions	32,206	83,532
Amendments	-	(3,847,051)
Curtailment	-	(7,269,390)
Actuarial (gain) loss	(574,000)	1,992,252
Benefits paid	(440,345)	(598,870)
Benefit obligation at end of year	$ 5,271,338	$ 5,955,128
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	408,139	515,338
Plan participants' contributions	32,206	83,532
Benefits paid	(440,345)	(598,870)
Fair value of plan assets at end of year	-	-
Funded status	(5,271,338)	(5,955,128)
Unrecognized net actuarial loss	3,491,803	4,356,557
Unrecognized prior service benefit	(6,608,536)	(7,269,390)
Transitional adjustment to unrestricted net assets (FAS 158)	3,116,733	-
Funded status	-	-
Net amount recognized as a liability	$ (5,271,338)	$ (8,867,961)

	2007	2006
Components of Net Periodic Benefit Cost		
Service cost	$ 285	$ 715,247
Interest cost	298,064	752,539
Expected return on plan assets	-	-
Amortization of prior service benefit	(660,854)	(242,932)
Amortization of actuarial (gain)/loss	290,754	366,967
Net periodic benefit cost	$ (71,751)	$ 1,591,821

The College estimates the amount of amortization of prior service benefit and actuarial loss to be $660,854 and $269,515, respectively, for the year ending June 30, 2008.

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

	2007	2006
Discount rate used to determine benefit obligations at June 30	5.75%	5.75%
Discount rate used to determine net periodic benefit cost for years ended June 30	5.75%	5.00%
Assumed health care cost trend rates at June 30		
Health care cost trend rate assumed for next year	9.00%	10.00%
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	2011	2011

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	$ 21,852	$ (19,382)
Effect on postretirement benefit obligation	401,879	(356,462)

Contributions
Trinity College expects to contribute approximately $421,797 to its postretirement health insurance benefit plan in fiscal year 2008.

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

	Postretirement Benefits
2008	$ 421,797
2009	440,830
2010	455,773
2011	463,505
2012	465,092
Thereafter	2,219,796

16. 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.

17. 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 $77,203,989 and $75,415,440 at June 30, 2007 and 2006, respectively.