Trinity College
Consolidated Financial Statements
June 30, 2008 and 2007

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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, 2008 and 2007, 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 Note 15 to the consolidated financial statements, the College changed the manner in which it accounts for other postretirement plans effective June 30, 2007.

PricewaterhouseCoopers LLP

October 1, 2008

Trinity College
Consolidated Statements of Financial Position
June 30, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents	$ 9,298,777	$ 32,349,894
Receivables, net of allowance for doubtful accounts of $170,000	1,536,842	1,434,278
Government grants receivable	300,777	340,197
Contributions receivable, net of allowance for doubtful accounts of $1,204,297 and $833,876, respectively	43,082,529	42,716,232
Student loans receivable, net of allowance for doubtful accounts of $330,000	4,516,838	4,130,490
Investments	425,979,378	427,800,418
Funds held by bond trustee	12,421,695	32,996,584
Beneficial interest in funds held in trust by others	17,440,409	18,997,578
Other assets	5,160,336	5,453,985
Fixed assets, net of depreciation	256,536,193	227,386,783
Total assets	$ 776,273,774	$ 793,606,439
Liabilities		
Accounts payable and other liabilities	24,676,501	16,568,364
Federal student loan funds	3,161,861	3,232,499
Contributions due to others	109,045	85,840
Accrued postretirement benefits	5,059,396	5,271,338
Split interest obligations	3,513,227	3,238,607
Bonds and notes payable	156,352,260	158,016,726
Asset retirement obligation	21,652,692	21,294,204
Total liabilities	$ 214,524,982	$ 207,707,578
Net assets		
Unrestricted	260,028,963	298,696,932
Temporarily restricted	64,741,761	71,503,940
Permanently restricted	236,978,068	215,697,989
Total net assets	561,748,792	585,898,861
Total liabilities and net assets	$ 776,273,774	$ 793,606,439

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

Trinity College
Consolidated Statements of Activities
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating and other net assets				
Revenue and reclassifications				
Tuition and fees	$ 89,748,063	$ -	$ -	$ 89,748,063
Less: Financial aid	(26,149,026)	-	-	(26,149,026)
Net tuition and fees	63,599,037	-	-	63,599,037
Federal and state grants	2,129,241	-	-	2,129,241
Contributions	7,371,024	7,965,303	2,021,137	17,357,464
Endowment income	17,195,303	2,154,950	225,508	19,575,761
Other investment income	3,476,210	11,486	157,567	3,645,263
Other operating income	2,413,839	409,457	3,539	2,826,835
Net gains (losses) on investments	(1,018,565)	(41,624)	(314,327)	(1,374,516)
Change in value of split interest agreements	204,471	(1,443,367)	(369,039)	(1,607,935)
Revenues of auxiliary enterprises	17,166,688	-	-	17,166,688
Total revenue	112,537,248	9,056,205	1,724,385	123,317,838
Net assets released from restrictions	8,953,977	(8,953,977)	-	-
Total revenue and reclassifications	$ 121,491,225	102,228	1,724,385	123,317,838
Expenses				
Instruction, research and related programs	63,971,918	-	-	63,971,918
General institutional services	42,730,097	-	-	42,730,097
Expenditures of auxiliary enterprises	15,533,353	-	-	15,533,353
Total expenses	122,235,368	-	-	122,235,368
Other changes				
Transfers from (to) endowment	(745,274)	1,198,428	524,781	977,935
Postretirement related changes other than net periodic benefit cost	(262,843)	-	-	(262,843)
Total other changes	(1,008,117)	1,198,428	524,781	715,092
Increase (decrease) in operating and other net assets	(1,752,260)	1,300,656	2,249,166	1,797,562
Operating and other net assets, beginning of year	90,941,348	31,296,132	3,382,909	125,620,389
Operating and other net assets, end of year	$ 89,189,088	$ 32,596,788	$ 5,632,075	$ 127,417,951

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

Trinity College
Consolidated Statements of Activities
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
Investment return				
Endowment income	$ 5,161,065	$ 762,025	$ 57,173	$ 5,980,263
Net losses on investments	(18,890,130)	(3,378,538)	(276,213)	(22,544,881)
Amount distributed for spending	(17,195,303)	(2,154,950)	(225,508)	(19,575,761)
Investment management fees	(5,743,868)	(1,056,591)	(85,892)	(6,886,351)
Net investment loss and amount distributed for spending	(36,668,236)	(5,828,054)	(530,440)	(43,026,730)
Contributions	-	345,100	18,980,916	19,326,016
Change in value of split-interest agreements	-	-	(1,241,319)	(1,241,319)
Amounts transferred (to) from operating funds	745,274	(1,198,428)	(524,781)	(977,935)
Other endowment changes	(992,747)	(1,381,453)	2,346,537	(27,663)
Increase (decrease) in endowment net assets	(36,915,709)	(8,062,835)	19,030,913	(25,947,631)
Endowment net assets, beginning of year	207,755,584	40,207,808	212,315,080	460,278,472
Endowment net assets, end of year	$ 170,839,875	$ 32,144,973	$ 231,345,993	$ 434,330,841
Total net assets				
Net assets, beginning of year	$ 298,696,932	$ 71,503,940	$ 215,697,989	$ 585,898,861
Increase (decrease) in endowment net assets	(36,915,709)	(8,062,835)	19,030,913	(25,947,631)
Decrease (increase) in operating and other net assets	(1,752,260)	1,300,656	2,249,166	1,797,562
Total increase (decrease) in net assets	(38,667,969)	(6,762,179)	21,280,079	(24,150,069)
Net assets, end of year	$ 260,028,963	$ 64,741,761	$ 236,978,068	$ 561,748,792

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				
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	53,411	44,726,743
Contributions	-	-	22,944,505	22,944,505
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 Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Change in net assets	$ (24,150,069)	$ 95,213,726
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation, amortization and accretion	11,961,543	11,106,187
Postretirement related changes other than net periodic benefit cost	(262,842)	-
Cumulative effect of a change in accounting principle	-	(3,116,733)
Net realized and unrealized gains on investments	23,919,397	(63,555,104)
Pledge allowance	370,419	(50,206)
Change in pledge discount	(813,260)	9,342,989
Student loans written off	81,461	45,789
Loss on defeasance of CHEFA Series G	-	2,320,597
Contributions restricted for long-term investment	(13,766,925)	(9,972,893)
Receipt of contributed securities	(7,122,370)	(5,832,033)
Change in operating assets and liabilities		
Receivables and other assets	134,492	(591,644)
Contributions receivable	76,544	(35,112,758)
Accounts payable and other liabilities	33,925	2,300,442
Federal student loan funds	(70,638)	(16,946)
Contributions due to others	23,205	(15,592)
Postretirement benefits	50,900	(479,890)
Total adjustments	14,615,851	(93,627,795)
Net cash (used in) provided by operating activities	(9,534,218)	1,585,931
Cash flows from investing activities		
Student loans granted	(1,017,550)	(863,866)
Student loans repaid	549,741	993,726
Purchases of fixed assets	(32,587,190)	(18,016,439)
Purchases of investments	(503,176,428)	(242,064,409)
Sales of investments	481,078,071	250,716,367
Proceeds from sales of contributed securities	7,122,370	5,832,033
Proceeds from bond issuance deposited with bond trustee	(9,959,815)	(33,731,927)
Use of bond issuance proceeds deposited with bond trustee	30,534,704	18,787,995
Net cash used in investing activities	(27,456,097)	(18,346,520)
Cash flows from financing activities		
Contributions restricted for long-term investment	13,766,925	9,972,893
Change in value of split-interest obligations	274,620	264,508
Change in the value of funds held in trust by others	1,557,169	(2,657,016)
Proceeds from Mortgage Payable	375,000	-
Proceeds from bond issuance	-	74,534,903
Repayment of bonds and notes	(2,034,516)	(51,372,921)
Payments of bond issuance costs		(2,208,954)
Net cash provided by financing activities	13,939,198	28,533,413
Net increase in cash and cash equivalents	(23,051,117)	11,772,824
Cash and cash equivalents at beginning of year	32,349,894	20,577,070
Cash and cash equivalents at end of year	$ 9,298,777	$ 32,349,894
Supplemental disclosure of cash flow information		
Interest paid during the year	$ 6,484,682	$ 6,147,295
Noncash transactions		
Additions to fixed assets	$ 8,074,212	$ 1,360,232
Contributed securities	$ 7,122,370	$ 5,832,033

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 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") as of June 30, 2007. 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.

In July 2006, the National Conference of Commissions on Uniform State Laws (NCCUSL) released the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") of 2006. This is a modernized version of UMIFA with similar provisions. The state of Connecticut has adopted UPMIFA as of July 2007.

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, 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. The College recognizes 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. 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.

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.

During the fiscal year 2008, the College adopted FASB, Interpretation No. 48 "*Accounting for Uncertainty in Income Taxes - an Interpretation of SFAS No. 109, Accounting for Income Taxes*" ("FIN 48"). The adoption did not have a material effect on the financial statements.

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.

2. Investments

Investments at June 30, 2008 and 2007 consist of:

	Market Value	
	2008	2007
Endowment funds		
Short-term investments	$ 47,361,906	$ 30,451,494
Fixed income	6,626,781	10,462,345
Domestic equities	70,288,107	120,942,307
Private equities	66,438,289	34,161,368
International equities	92,272,593	115,804,565
Real estate	14,025,684	11,982,390
Hedge funds	97,551,620	97,335,928
	394,564,980	421,140,397
Other funds		
Fixed income	27,669,449	2,552,670
Domestic equities	3,580,941	3,825,733
Mutual funds	8,929	16,357
Real estate	35,823	30,823
Other	119,256	234,438
	31,414,398	6,660,021
Total investments	$ 425,979,378	$ 427,800,418

At June 30, 2008, the College was obligated to fund $86,921,806 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:

	2008	2007
Endowment and other long-term investments		
Endowment income	$ 5,980,263	$ 6,966,724
Realized and unrealized gain/(loss), net of investment management fees and other costs	(29,431,232)	57,051,339
Return on endowment investments	(23,450,969)	64,018,063
Operating investments		
Investment income	3,645,263	3,949,874
Realized and unrealized gains/(losses)	(1,374,516)	630,016
Return on operating investments	2,270,747	4,579,890
Total return on investments	$ (21,180,222)	$ 68,597,953

3. Endowment Funds

Principal balances at June 30 were as follows:

	2008 Fair Value	2007 Fair Value
Endowment funds held by Trinity	$ 400,012,328	$ 425,483,610
Funds held in trust by others	13,469,844	14,711,162
Pledges outstanding	20,848,669	20,083,700
Total	$ 434,330,841	$ 460,278,472

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 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 $995,485 and $42,000 at June 30, 2008 and June 30, 2007, 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 5.6% and 5.8% for 2008 and 2007, respectively. This resulted in approved spending of $20,030,226 and $20,017,735 in 2008 and 2007, respectively, which excludes income earned on funds held in trust and separately invested of $969,774 and $882,264 in 2008 and 2007, respectively. Current year and prior year accumulated gains of $14,436,656 and $12,324,596 were transferred from endowment net assets to operating and other net assets to meet endowment spending for 2008 and 2007, respectively.

The College owns certain strategic neighborhood properties. Total return on these neighborhood properties, which are held as endowment assets, was (6.8%) and (3.8%) for the years ended June 30, 2008 and 2007, respectively.

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

	2008	**2007**
Number of units for income allocation	15,632,035	14,601,132
Market value per unit	$ 25.00	$ 28.50
Income earned per unit	$ (1.49)	$ 4.33
Income distributed per unit	$ 1.28	$ 1.37

In order to reduce the administrative burden of share rounding differences, the College adjusted the market value per unit price from $28.50 to $25.00 and recast shares based on donor balances at December 31, 2007. While the recast increased the number of shares each donor was allocated, it had no effect on donor balances or the funds total value.

4. Contributions Receivable

Contributions receivable at June 30 consisted of unconditional promises to give (net of discount of $10,242,105 and $11,055,340 and allowance of $1,204,297 and $833,876 for 2008 and 2007, respectively), which are expected to be realized in the following periods:

	2008	2007
In one year or less	$ 13,291,562	$ 11,763,394
Between one year and five years	20,368,801	21,513,167
In more than five years	9,422,166	9,439,671
	$ 43,082,529	$ 42,716,232

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:

	2008	2007
Bond issuance costs, net of accumulated amortization	$ 3,985,365	$ 4,081,378
Prepaid expenses	1,031,746	1,128,442
Inventories	85,228	92,432
Other	57,997	151,733
	$ 5,160,336	$ 5,453,985

6. Fixed Assets

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

	2008	2007
Land and land improvements	$ 26,437,600	$ 25,850,768
Buildings	302,419,355	295,241,890
Equipment	49,520,504	45,748,330
Construction-in-progress	34,910,264	5,785,332
	413,287,723	372,626,320
Less accumulated depreciation	(156,751,530)	(145,239,537)
	$ 256,536,193	$ 227,386,783

Depreciation expense included in operating expenses amounted to $11,511,992 and $10,340,689 for the years ended June 30, 2008 and 2007, 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:

	2008	2007
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 $1,870,780 at June 30, 2008 and $1,839,483 at June 30, 2007	$ 35,020,000	$ 35,960,000
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 $1,790,481 at June 30, 2008 and $1,759,635 at June 30, 2007	30,760,000	31,800,000
Connecticut Health and Educational Facilities Authority (CHEFA) Series I bonds, issued 2005, interest rates ranging from 1.8% to 4.96%; 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 4.5% to 5.5%; maturities to 2037; insured by MBIA. The trustee held a sinking fund reserve of $1,101,200 at June 30, 2008 and $697,427 at June 30, 2007	49,805,000	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 $958,541 at June 30, 2008 and $341,076 at June 30, 2007	25,000,000	25,000,000
Mortage Payable - Payable to seller with monthly payments based on 5 year term at 8% annual interest rate maturing on September 1, 2012	327,823	-
Mortage Payable - Payable to seller with monthly payments based on 20 year term at 8% annual interest rate with balloon payoff September 1, 2013	280,536	287,875
	156,193,359	157,852,875
Less unamortized net premium	158,901	163,851
Total bonds and notes payable	$ 156,352,260	$ 158,016,726

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

2008-2009	$ 2,549,035	2014-2018	$ 19,335,511
2009-2010	3,046,549	2019-2023	24,070,000
2010-2011	3,163,317	2024-2028	28,990,000
2011-2012	3,320,648	2029-2033	30,565,000
2012-2013	3,378,300	2034-2038	37,775,000

The College has a line of credit agreement with a national financial institution, which provides up to $15 million. There was no balance outstanding at June 30, 2008 and June 30, 2007. Interest is assessed at LIBOR plus 75 basis points.

The fair value of the College's long-term debt is estimated at approximately $151,612,000, 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 $30,000 and $29,795 for the year ended June 30, 2008 and $32,000 and $47,592 for the year ended June 30, 2007.

The amounts received on behalf of other not-for-profit organizations, but not yet distributed totalled $109,045 and $85,840 at June 30, 2008 and 2007, respectively, and are included on the statement of financial position as contributions due to others.

9. 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 $730,000 and $706,000 in 2008 and 2007, respectively. Accretion is reported as an operating expense in the statement of activities.

10. Unrestricted Net Assets

Unrestricted net assets at June 30, 2008 and 2007 consist of the following:

	2008	2007
Capital campaign	$ 754,276	$ 2,410,243
Unrestricted endowment	171,835,361	207,755,585
Investment in plant assets	80,002,453	81,362,082
Life income funds	1,157,164	1,651,701
Operating funds	7,275,194	5,517,321
Total unrestricted net assets	$ 261,024,448	$ 298,696,932

11. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2008 and 2007 are available for the following purposes:

	2008	2007
Plant additions/renovation	$ 9,413,252	$ 5,925,052
Life income funds	1,803,369	3,115,184
Capital Campaign	711,797	2,798,605
Endowment funds	32,144,973	40,207,809
Operating and restricted funds	20,668,370	19,457,290
Total temporarily restricted net assets	$ 64,741,761	$ 71,503,940

12. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2008 and 2007 consist of the following:

	2008	2007
Income restricted		
Instruction funds	$ 77,311,512	$ 71,494,804
Scholarship funds	68,823,629	59,144,775
Library	6,087,025	6,083,551
Chapel funds	782,254	778,089
Prize funds	780,665	651,378
Other purposes	15,890,596	12,127,983
Unrestricted as to use of income	61,670,313	62,034,500
Total investments in perpetuity	231,345,994	212,315,080
Student loan funds	1,970,953	1,061,611
Life income funds	3,661,121	2,321,298
Total permanently restricted net assets	$ 236,978,068	$ 215,697,989

13. Net Assets Released From Restrictions

Net assets were released from donor restrictions during the period ended June 30, 2008 and 2007 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:

	2008	2007
Instruction and research	$ 3,309,335	$ 2,471,640
Financial aid	500,730	299,431
Plant	2,348,783	2,555,605
General institutional	2,795,129	1,435,799
Total net assets released from restrictions	$ 8,953,977	$ 6,762,475

14. Government and Other Grants

Government grant awards not yet funded or recorded at June 30, 2008 and 2007 total approximately $712,605 and $474,872, 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, 2008 and 2007 was $3,634,272 and $3,786,983, 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:

	2008	2007
Change in benefit obligation		
Benefit obligation at beginning of year	$ 5,271,338	$ 5,955,128
Service cost	301	285
Interest cost	287,426	298,064
Plan participants' contributions	36,796	32,206
Actuarial (gain) loss	(125,689)	(574,000)
Benefits paid	(410,776)	(440,345)
Benefit obligation at end of year	5,059,396	5,271,338
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	373,980	408,139
Plan participants' contributions	36,796	32,206
Benefits paid	(410,776)	(440,345)
Fair value of plan assets at end of year	-	-
Funded status	$ (5,059,396)	$ (5,271,338)
Amounts recognized in unrestricted net assets		
Prior service cost	$ (5,947,682)	$ (6,608,536)
Net actuarial loss	3,093,791	3,491,803
	$ (2,853,891)	$ (3,116,733)
Amortization amounts in following year (estimate)		
Prior service cost	$ (660,854)	$ (660,854)
Net actuarial loss	253,711	269,515
	$ (407,143)	$ (391,339)
Transitional adjustment to unrestricted net assets for SFAS 158	N/A	$ (3,116,733)
Postretirement related changes other than net periodic benefit cost		
Actuarial gain	(125,689)	N/A
Amortization of unrecognized amounts	388,531	N/A
	$ 262,842	N/A
Components of net periodic benefit cost		
Service cost	301	285
Interest cost	287,425	298,064
Expected return on plan assets	-	-
Amortization of prior service benefit	(660,854)	(660,854)
Amortization of actuarial (gain)/loss	272,323	290,754
Net periodic benefit cost	$ (100,805)	$ (71,751)

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

	2008	2007
Discount rate used to determine benefit obligations at June 30	6.50%	5.75%
Discount rate used to determine net periodic benefit cost for years ended June 30	5.75%	5.75%
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	2013	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	$ 22,445	$ (19,927)
Effect on postretirement benefit obligation	399,835	(356,476)

Contributions

Trinity College expects to contribute $444,938 to its postretirement health insurance benefit plan in fiscal year 2009.

Estimated Future Benefit Payments

Expected benefit payments for the fiscal year:

	Postretirement Benefits
2008	$ 444,938
2009	465,553
2010	481,115
2011	490,971
2012	492,546
Thereafter	2,326,758

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 $71,420,849 and $77,203,989 at June 30, 2008 and 2007, respectively.

18. Subsequent Event

In July 2008, the College defeased its Series I CHEFA bonds and issued Series L bonds totaling $15,345,000. The Series L bonds are variable rate demand bonds, with an initial interest rate of 1.65% and a maximum rate of 12%, and maturities through July 1, 2034. 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 dated as of August 5, 2008 with JPMorgan Chase Bank, N.A

19. Upcoming Effective Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157, does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of information. This statement is effective for the College beginning July 1, 2008. The College's management is currently assessing the potential impact that adoption of SFAS 157 may have on the consolidated financial statements.

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of SFAS No. 115* ("SFAS 159"). SFAS 159 provides the irrevocable option to carry many financial assets and liabilities at fair value, with changes in fair value recognized in earnings. SFAS 159 is effective for the College beginning July 1, 2008. The College's management is currently assessing the potential impact that adoption of SFAS 159 may have on the consolidated financial statements should fair value options be elected.

In August 2008, the FASB Issued Staff Position (FSP) 117- 1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures*, which provides guidance on the net asset classification of donor-restricted endowment funds subject to UPMIFA. The FSP will require all unspent appreciation on permanently restricted endowment funds to be classified as temporarily restricted net assets. The FSP also expands required disclosures about an organizations endowment, including both donor restricted and board-designated funds, whether or not the organization is subject to UPMIFA. The FSP is effective for fiscal years ending after December 15, 2008. Since the state of Connecticut has adopted UPMIFA, the College's presentation of net assets will change when it adopts the FSP. The amount of unspent appreciation which will require reclassification from unrestricted to temporarily restricted net assets as of July 1, 2008 is approximately $165,000,000.