# Trinity College

## Consolidated Financial Statements
## June 30, 2020 and 2019

# Trinity College
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## June 30, 2020 and 2019


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## Report of Independent Auditors

To the Board of Trustees of Trinity College

We have audited the accompanying consolidated financial statements of Trinity College and its subsidiaries (the "College"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and of cash flows for the years then ended.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trinity College and its subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Hartford, Connecticut
October 29, 2020

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# Trinity College
## Consolidated Statements of Financial Position
## June 30, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 27,227,867 | $ 16,108,715 |
| Restricted cash | 1,000,000 | 1,000,000 |
| Short-term investments | 570,147 | 3,768,063 |
| Loan receivable | 3,026,326 | 3,250,721 |
| Receivables, net of allowance for doubtful accounts of $742,160 and $484,650 | 2,921,204 | 2,017,209 |
| Government grants receivable | 628,998 | 660,136 |
| Contributions receivable, net of allowance for doubtful accounts of $2,520,801 and $2,449,449 | 25,067,817 | 18,135,192 |
| Student loans receivable, net of allowance for doubtful accounts of $928,000 and $983,000 | 3,990,371 | 4,600,845 |
| Investments, at fair value | 605,361,886 | 627,577,152 |
| Funds held by bond trustee | 3,009,084 | 8,384,094 |
| Beneficial interest in funds held in trust by others | 28,475,500 | 30,353,640 |
| Other assets | 964,192 | 922,263 |
| Fixed assets, net of accumulated depreciation | 258,920,717 | 261,267,522 |
| Total assets | $ 961,164,109 | $ 978,045,552 |
| **Liabilities** | | |
| Accounts payable and accrued expenses | $ 16,942,538 | $ 18,308,694 |
| Government advances for student loans | 1,599,867 | 2,251,674 |
| Accrued postretirement benefits | 3,421,473 | 3,154,369 |
| Split interest obligations | 4,936,712 | 4,955,422 |
| Bonds and notes payable | 134,339,017 | 136,497,712 |
| Asset retirement obligation | 33,023,161 | 31,917,819 |
| Other liability | 4,003,399 | 1,348,205 |
| Total liabilities | 198,266,167 | 198,433,895 |
| **Net Assets** | | |
| Without Donor Restrictions | 111,243,481 | 118,852,752 |
| With Donor Restrictions | 651,654,461 | 660,758,906 |
| Total net assets | 762,897,942 | 779,611,657 |
| Total liabilities and net assets | $ 961,164,109 | $ 978,045,552 |

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

# Trinity College
## Consolidated Statements of Activities
## Year Ended June 30, 2020 With Summarized Comparative Totals for 2019

| | 2020 | | | |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | 2019 |
| **Operating revenues and other net assets** | | | | |
| Tuition, fees, room and board net of financial aid ($59,640,621 and $54,643,932 respectively) | $ 92,627,528 | $ - | $ 92,627,528 | $ 95,439,787 |
| Federal and state grants | 4,689,376 | | 4,689,376 | 1,693,212 |
| Contributions | 8,780,108 | 16,376,184 | 25,156,292 | 12,803,476 |
| Endowment income distribution | 2,201,718 | 28,098,415 | 30,300,133 | 29,614,159 |
| Net gains on investments | (18,636) | 84,160 | 65,524 | 52,791 |
| Other investment income | 817,611 | 69,463 | 887,074 | 930,713 |
| Other changes | 3,091,708 | 249,017 | 3,340,725 | 4,576,745 |
| Revenues of auxiliary enterprises | 4,059,952 | - | 4,059,952 | 6,644,016 |
| Net assets released from restrictions | 32,198,610 | (32,198,610) | - | - |
| Total operating revenues and other net assets | 148,447,975 | 12,678,629 | 161,126,604 | 151,754,899 |
| **Expenses** | | | | |
| Salaries and wages | 56,099,494 | - | 56,099,494 | 55,386,539 |
| Benefits | 14,760,441 | - | 14,760,441 | 16,474,882 |
| Room, board and food | 9,962,447 | - | 9,962,447 | 12,244,916 |
| Contracted services | 13,173,443 | - | 13,173,443 | 12,724,048 |
| Program costs | 7,539,061 | - | 7,539,061 | 8,457,932 |
| Depreciation | 14,539,651 | - | 14,539,651 | 14,392,330 |
| Other | 32,663,384 | - | 32,663,384 | 34,039,327 |
| Total expenses | 148,737,921 | - | 148,737,921 | 153,719,974 |
| **Other changes in net assets** | | | | |
| Cost of Defeasance Chefa M, O, P | (472,726) | - | (472,726) | - |
| Post retirement benefits gain (Loss) | (429,553) | - | (429,553) | 1,701,105 |
| Interest rate swap loss | (3,916,650) | - | (3,916,650) | (3,648,657) |
| Operating and other fund transfers | (2,054,612) | 2,054,612 | - | - |
| Transfers endowment and related | 2,343,354 | 393,688 | 2,737,042 | (35,000) |
| Total other changes | (4,530,187) | 2,448,300 | (2,081,887) | (1,982,552) |
| Increase (decrease) in operating and other net assets | (4,820,133) | 15,126,929 | 10,306,796 | (3,947,627) |
| **Endowment and similar net assets** | | | | |
| Return on endowment and other long term investments | (505,022) | 1,562,897 | 1,057,875 | 37,430,755 |
| Amount distributed for spending | (2,201,718) | (28,098,415) | (30,300,133) | (29,614,159) |
| Net investment gain (loss) and amounts distributed for spending | (2,706,740) | (26,535,518) | (29,242,258) | 7,816,596 |
| Contributions | 41,852 | 4,167,725 | 4,209,577 | 10,155,722 |
| Change in value of funds held In trust | 70,666 | 678,546 | 749,212 | 1,576,781 |
| Operating and other fund transfers | 2,148,439 | (2,148,439) | - | - |
| Transfers endowment and related | (2,343,354) | (393,688) | (2,737,042) | 35,000 |
| Other endowment changes | (82,397) | 2,304,144 | 2,221,747 | 11,767,503 |
| Increase/(decrease) in endowment and similar net assets | $ (2,789,137) | $ (24,231,374) | $ (27,020,511) | $ 19,584,099 |
| **Net assets** | | | | |
| Beginning of year | 118,852,751 | $ 660,758,906 | $ 779,611,657 | $ 763,975,185 |
| Total Increase/(decrease) in net assets | (7,609,270) | (9,104,445) | (16,713,715) | 15,636,472 |
| End of year | $ 111,243,481 | $ 651,654,461 | $ 762,897,942 | $ 779,611,657 |

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

# Trinity College
## Consolidated Statement of Activities
## Year Ended June 30, 2019

| | 2019 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| **Operating revenues and other net assets** | | | |
| Tuition, fees, room and board net of financial aid ($54,643,932 ) | $ 95,439,787 | $ - | $ 95,439,787 |
| Federal and state grants | 1,693,212 | | 1,693,212 |
| Contributions | 7,170,757 | 5,632,719 | 12,803,476 |
| Endowment income distribution | 2,196,502 | 27,417,657 | 29,614,159 |
| Net gains on investments | 14,990 | 37,801 | 52,791 |
| Other investment income | 858,671 | 72,042 | 930,713 |
| Other operating income | 4,334,986 | 241,759 | 4,576,745 |
| Revenues of auxiliary enterprises | 6,644,016 | - | 6,644,016 |
| Net assets released from restrictions | 35,520,607 | (35,520,607) | - |
| Total operating revenues and other net assets | 153,873,528 | (2,118,629) | 151,754,899 |
| **Expenses** | | | |
| Salaries and wages | 55,386,539 | - | 55,386,539 |
| Benefits | 16,474,882 | - | 16,474,882 |
| Room, board and food | 12,244,916 | - | 12,244,916 |
| Contracted services | 12,724,048 | - | 12,724,048 |
| Program costs | 8,457,932 | - | 8,457,932 |
| Depreciation | 14,392,330 | - | 14,392,330 |
| Other | 34,039,327 | - | 34,039,327 |
| Total expenses | 153,719,974 | - | 153,719,974 |
| **Other changes in net assets** | | | |
| Postretirement related changes other than net periodic cost | 1,701,105 | - | 1,701,105 |
| Interest rate swap loss | (3,648,657) | - | (3,648,657) |
| Operating and other fund transfers | 369,449 | (369,449) | - |
| Transfer endowment and related | (35,000) | - | (35,000) |
| Total other changes | (1,613,103) | (369,449) | (1,982,552) |
| Decrease in operating and other net assets | (1,459,549) | (2,488,078) | (3,947,627) |
| **Endowment and similar net assets** | | | |
| Return on endowment and other long term investments | 211,009 | 37,219,746 | 37,430,755 |
| Amount distributed for spending | (2,196,502) | (27,417,657) | (29,614,159) |
| Net investment gain (loss) and amounts distributed for spending | (1,985,493) | 9,802,089 | 7,816,596 |
| Contributions | 562,540 | 9,593,182 | 10,155,722 |
| Change in value of funds held In trust | 77,496 | 1,499,285 | 1,576,781 |
| Operating and other fund transfers | 230,421 | (230,421) | - |
| Transfers endowment and related | 35,000 | - | 35,000 |
| Other endowment changes | 905,457 | 10,862,046 | 11,767,503 |
| Increase/(decrease) in endowment and similar net assets | $ (1,080,036) | $ 20,664,135 | $ 19,584,099 |
| **Net assets** | | | |
| Beginning of year | $ 121,392,337 | $ 642,582,848 | $ 763,975,185 |
| Total increase/(decrease) in net assets | (2,539,586) | 18,176,058 | 15,636,472 |
| End of year | $ 118,852,751 | $ 660,758,906 | $ 779,611,657 |

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

# Trinity College
## Consolidated Statements of Cash Flows
## Years Ended June 30, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ (16,713,715) | $ 15,636,472 |
| Adjustments | | |
| Depreciation, amortization and accretion | 14,680,278 | 15,544,132 |
| Proceeds from premium on bond issuance | 10,230,776 | - |
| Change in swap valuation | 2,655,195 | 3,648,657 |
| Realized and unrealized gains on investments | (8,666,555) | (40,438,690) |
| Provision for student loans receivables | (55,000) | 25,000 |
| Provision for contributions receivable | 71,352 | 1,435,581 |
| Contributions receivable discount | (9,351) | 547,254 |
| Donated securities | (1,691,106) | (2,214,212) |
| Proceeds from donated securities | 1,417,487 | 1,924,755 |
| Student loans written off | 57,022 | 7,627 |
| Contributions restricted for long-term investments, net | (6,810,589) | (4,283,146) |
| Post retirement related changes other than net periodic cost | 429,553 | (1,701,105) |
| Change in balances | | |
| Receivables and other assets | (690,389) | (171,953) |
| Contributions receivable | (6,994,627) | (3,869,572) |
| Accounts payable and other liabilities | (1,524,155) | 23,851 |
| Government advances for student loans | (651,807) | 39,078 |
| Accrued postretirement benefits | (162,449) | (129,101) |
| Total adjustments | 2,285,635 | (29,611,844) |
| Net cash used in operating activities | (14,428,080) | (13,975,372) |
| **Cash flows from investing activities** | | |
| Student loans granted | (343,972) | (398,875) |
| Student loans repaid | 952,424 | 903,718 |
| Purchase of fixed assets | (11,195,507) | (9,885,786) |
| Purchases of investments | (173,421,219) | (847,856,672) |
| Sales of investments | 203,572,536 | 867,619,720 |
| Change in short-term investments, net | 3,197,916 | (223,964) |
| Net cash used in investing activities | 22,762,178 | 10,158,141 |
| **Cash flows from financing activities** | | |
| Contributions restricted for long-term investments, net | 6,810,589 | 4,283,146 |
| Proceeds restricted for long term purpose | 273,619 | 289,457 |
| Change in value of split-interest obligations | (18,710) | (342,955) |
| Change in the funds held in trust by others | 2,608,643 | 1,459,848 |
| Proceeds from bond issuance | 49,015,000 | - |
| Interest rate swap settlement | (1,261,455) | - |
| Repayments of bonds and notes | (60,374,513) | (5,501,173) |
| Payments on bond issuance costs | 356,871 | 139,464 |
| Net cash provided by (used in) financing | (2,589,956) | 327,787 |
| Net increase in cash and equivalents | 5,744,142 | (3,489,444) |
| **Cash and cash equivalents** | | |
| Beginning of year | 25,492,809 | 28,982,253 |
| End of year | $ 31,236,951 | $ 25,492,809 |
| **Noncash** | | |
| Additions to fixed assets financed through accounts payable | $ 407,074 | $ 624,019 |
| Contributed securities | 1,691,106 | 6,415,143 |
| **Supplemental disclosure of cash flow information** | | |
| Interest paid | 2,762,791 | 3,575,660 |

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

## 1. Summary of Significant Accounting Policies

### Nature of Organization

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

### Basis of Presentation

The consolidated financial statements of Trinity College include the accounts of Trinity College and its wholly owned subsidiary, the Barbieri Center, Inc.

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

The consolidated financial statements are also prepared following the provisions of the American Institute of Certified Public Accounts' Audit and Accounting Guide "Not-for-Profits" Organization. This guide requires the allocation of depreciation, operation and maintenance of plant and interest expense to functional categories. The College follows the provisions of accounting guidance for revenue recognition for not-for-profit entities for contributions received and contributions made and presentation of financial statements of not-for-profit entities. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Brief definitions of the two classes of net assets are presented below.

### Operations

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

### Revenue

The College records student related revenue within the fiscal year in which services are provided. Institutional aid, in the form of scholarships and grants, include amounts funded by the College's operations, endowments, and gifts, and reduce the published price of tuition and fees, dorms, and meal plans for students. Cash payments to students in excess of published prices are reported as student aid and fellowships expense in the consolidated statement of activities.

The College has identified performance obligations of tuition and fees, room and board. The College considers tuition, room and board as one bundled contract under ASU 2014-09, The College is a residential community with the large majority of students living in campus housing and dining in campus facilities. Tuition is charged per semester and is the same for all students. Tuition, room and board are fully earned by June 30. Financial aid is calculated based on total cost of attendance. Student related revenue and institutional aid by performance obligations are as follows:

| | 2020 | | | |
|---|---|---|---|---|
| | **Tuition And Fees** | **Room** | **Board** | **Total** |
| Charges | $ 131,863,704 | $ 11,001,076 | $ 9,403,369 | $ 152,268,149 |
| Allocation of Financial Aid | (51,648,577) | (4,308,918) | (3,683,126) | (59,640,621) |
| Total net Student Charges | $ 80,215,127 | $ 6,692,158 | $ 5,720,243 | $ 92,627,528 |

| | 2019 | | | |
|---|---|---|---|---|
| | Tuition And Fees | Room | Board | Total |
| Charges | $ 126,444,241 | $ 14,166,380 | $ 9,473,098 | $ 150,083,719 |
| Allocation of Financial Aid | (46,037,042) | (5,157,833) | (3,449,057) | (54,643,932) |
| Total net Student Charges | $ 80,407,199 | $ 9,008,547 | $ 6,024,041 | $ 95,439,787 |

**Net Assets Without Donor Restrictions**
Net assets derived from tuition and other institutional resources that are not subject to donor-imposed restrictions. These 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. Net assets without Donor Restrictions include investment in plant and the appreciation on funds functioning as endowment.

**Net Assets with Donor Restrictions**
Net assets that are subject to explicit donor-imposed restrictions by the College. These restricted net assets were formerly split between temporarily restricted and permanently restricted net assets and are now combined and renamed as Net Assets with Donor Restrictions. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets. Other types of restricted net assets whose restricted status may expire due to the passage of time or the incurrence of expenditures that fulfill the restrictions are also included in Net Assets with Donor Restrictions.

Revenues are reported as increases in Net Assets without Donor Restrictions unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in Net Assets without Donor Restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in Net Assets without Donor Restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets either because the donor-imposed purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets. Restricted revenues for which the restriction is met in the current period are reported as Revenues without Donor Restrictions.

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

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

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

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

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same type of assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

The College performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with GAAP. The College has assessed factors including, but not limited to, managers compliance with fair value measurements and disclosure standards, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

**Cash and Cash Equivalents**

Cash and cash equivalents include U.S. Treasury notes, money market funds and similar temporary investments with original maturities of three months or less. Included in these amounts are cash received for capital campaign and endowment contributions awaiting further disposition. Cash equivalents awaiting investment in the endowment are reported as investments totaling $19,894,525 and $35,047,130 at June 30, 2020 and 2019, respectively.

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

**Restricted Cash**
The amount presented as Restricted Cash represents the amount required to be maintained on deposit with a lending institution pursuant to the Series N financing and interest rate swap agreement described in Note 9.

**Short-Term Investments**
Short-term investments include certificates of deposit, bonds, and other investments with original maturities of greater than three months, but which are highly liquid and are used for operating purposes.

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

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met. Unexpended resources received from the federal government, totaling $3.1 million as of June 30, 2020, are considered non-exchange transactions and include a barrier and a right of return. As such, these conditional promises to give are not recognized as revenues until the College expends the resources.

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 Net Assets with Donor Restrictions. Contributions received that are awaiting designation by the donor are reported as Net Assets with Donor Restrictions.

**Credit Losses**
The College records an allowance for doubtful accounts (credit losses) for long term receivables including Perkins loans and other student loans. Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment, the level of delinquent loans, review of the default rate by category in comparison to prior years, the value of any collateral and, where, applicable, the existence of any guarantees or indemnifications. The level of the allowance is adjusted based on actual results. The College’s Perkins loans receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan Program are able to be assigned to the Federal Government in certain non-repayment situations. In these situations, the Federal portion of the loan balance is guaranteed. Management believes that the allowance for credit losses at June 30, 2020 and 2019 is adequate to absorb credit losses inherent in the portfolio as of that date.

**Investments**

Investments are recorded at fair value. The value of publicly traded fixed income and equity securities is based upon quoted market prices. Private equities and certain other nonmarketable securities are valued using current information obtained from the general partner or investment manager for the respective funds. Fair values for investments held through certain limited partnerships are estimated by the respective external investment managers if market values are not readily ascertainable. Purchased investments are initially recorded at cost as of the trade date and donated investments at fair market value at the date of receipt. Gains or losses that result from market fluctuations are recognized in the period in which the fluctuations occur.

The College holds interests in certain limited partnerships which invest in securities at the sole discretion of the general partners. The partnerships hold, among other investments, debt and/or equity securities of troubled or restructured companies. These partnerships may also enter into transactions in financial futures, foreign exchange options, forward currency contracts (which are used for hedging and 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.

**Split-Interest Agreements and Beneficial Interest in Funds Held in Trust by Others**

The College’s split-interest agreements with donors consist primarily of charitable gift annuities, pooled life income funds, and irrevocable charitable remainder trusts. These agreements are created when a donor contributes assets to a non-profit organization and the organization is not the only beneficiary of the assets donated. All the College’s split interest agreements stipulate that the donor, or designee will receive a fixed payment every year for either a fixed number of years or for the remaining life of the donor, or designee. Those for which the College serves as trustee are recorded in the investments line item of the Statement of Financial Position of the College. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective trust agreements. Fund values were $8,168,675 and $7,817,649 which includes $492,920 and $470,379 in distributions to designated beneficiaries for fiscal years 2020 and 2019, respectively. Trust termination proceeds of $37,666 and $549,117 were distributed to the College in 2020 and 2019, respectively.

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

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

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

**Fixed Assets**
Fixed assets are comprised primarily of land and land improvements buildings, equipment and capitalized software costs, which are recorded at cost or fair market value for gifts, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (20-40 years), land improvements (30 years), equipment (5-10 years), and capitalized software costs (5 years). The College capitalizes interest on borrowed funds during construction periods. Capitalized interest is charged to land improvements and building accounts and amortized over the lives of the related assets. The cost and related accumulated depreciation of fixed assets are removed from the records at the time of disposal.

**Collections**
Library and art collections are included in fixed assets if the fair value can be readily determined. Contributed collection items are not reflected in the financial statements unless a fair value can be readily determined. Proceeds from the sale of unrecorded collection items or insurance recoveries are reflected as increases in the appropriate net asset class.

**Asset Retirement Obligations**
An asset retirement obligation (ARO) is a legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time and changes to either the timing or the amount of the original estimate of undiscounted cash flows. The College derecognizes ARO liabilities when the related obligations are settled.

**Tax Status**
The College has a letter of exemption from federal income tax from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and therefore has incurred no income tax expense related to the activities of the College.

The Tax Cuts and Jobs Act (the “Act”) was enacted on December 22, 2017. The Act impacts the College in several ways, including increases to unrelated business taxable income (UBIT) by the amount of certain fringe benefits for which a deduction is not allowed, changes to the net operating loss rules, repeal of alternative minimum tax (AMT), and the computation of UBTI separately for each unrelated trade or business. Further the Act reduces the US federal corporate tax rate and the UBIT rate from 35% to 21%. The College continues to evaluate the impact of tax reform on the organizations.

**Use of Estimates**
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates. Significant estimates include the valuation of certain investments, collectability of gifts, contributions receivable, student loans receivable and accounts receivable, estimated useful lives of fixed assets, the assumptions used in calculating of the postretirement benefit plan, and asset retirement obligations.

**Risks and Uncertainties**
Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in values of such investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**Recently Adopted Accounting Pronouncements**

On July 1, 2019 the College adopted ASU 2016-18 Statement of Cash Flows: Restricted Cash. The new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. The standard requires retrospective application, therefore certain prior year balance in the Statements of Cash Flows have been reclassified to reflect this adoption.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Statements of Financial Position that sums to amounts shown in the statement of cash flows.

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $27,227,867 | $16,108,715 |
| Restricted cash | 1,000,000 | 1,000,000 |
| Funds held with bond trustee | 3,009,084 | 8,384,094 |
| Total Cash, cash equivalents & restricted cash shown in Statement of cash flows | $31,236,951 | $25,492,809 |

Amounts included in cash, cash equivalents, and restricted cash represent $3,009,084 and $8,384,094 on June 30 2020, and 2019 respectively in tax-exempt bond proceeds deposited with a trustee that will be used to pay bond debt obligations, along with $1,000,000 of other funds that are required to be maintained on deposit with a lending institution pursuant to Series N financing and interest rate swap agreement described in note 9.

**Recent Accounting Pronouncement, not yet adopted**
In February 2016, the FASB issued ASU 2016-02 “Leases (Topic 842)”. The objective of this standard update is to provide a representation of an entity’s leasing activities. This standard update requires that lease assets and lease liabilities be recognized on the balance sheet and all key information about leasing arrangements be disclosed. The standard update is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The College is currently assessing the potential impact of this standard update on its consolidated financial statements. This guidance will be effective for fiscal year 2021 statements.

In August 2018, the Financial Accounting Standards Board issued ASU No. 2018-13, Fair Value Measurements. The guidance amends the disclosure requirements for fair values measurements. The College is in the process of evaluating the impact of adoption on its financial statements. This guidance will be effective for fiscal year 2021 statements.

In March 2019, the Financial Accounting Standards Board issued ASU No. 2019-03, Updating the Definition of Collections (Topic 958). The guidance addresses the use of proceeds from sales of collections and related disclosures, collections include groupings of art, historical treasures, or similar assets that are held for the public. The guidance requires the non-profit to disclose the policy of proceeds use. The College is in the process of evaluating the impact of adoption on its financial statements. This guidance will be effective for fiscal year 2021 statements.

## 2. Investments

Investments at June 30, 2020 and 2019 consist of:

| | Market Value | |
|---|---|---|
| | **2020** | **2019** |
| **Endowment funds** | | |
| Short-term investments | $ 20,886,369 | $ 36,113,414 |
| Fixed income | 65,527,492 | 60,235,649 |
| Domestic equity | 208,568,482 | 226,587,608 |
| Private equity | 165,367,419 | 165,983,886 |
| Real estate | 35,283,677 | 22,788,148 |
| Hedge funds/absolute return | | |
| Domestic equities | 41,293,538 | 45,125,781 |
| Private equities | - | 2,934 |
| Global equities | 67,743,874 | 70,102,798 |
| | 604,670,851 | 626,940,218 |
| **Other funds** | | |
| Domestic and global equities | 483,159 | 428,061 |
| Real estate | 207,876 | 208,873 |
| | 691,035 | 636,934 |
| Total investments | $ 605,361,886 | $ 627,577,152 |

At June 30, 2020, the College is obligated to fund $133,228,391 for future additional contributions to certain limited partnerships. This obligation will be funded by the reallocation of investments future earnings, new contributions or available cash.

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

| | 2020 | 2019 |
|---|---|---|
| **Endowment and other long-term investments** | | |
| Investment income | $ 2,763,275 | $ 4,728,767 |
| Other Changes | (1,012,605) | (984,885) |
| Net realized and change in unrealized gains, net of investment management fees and other costs | (692,795) | 33,686,873 |
| Return on endowment and other long-term investments | 1,057,875 | 37,430,755 |
| **Operating investments** | | |
| Investment income | 887,074 | 930,713 |
| Net realized and change in unrealized gains | 65,524 | 52,791 |
| Return on operating investments | 952,598 | 983,504 |
| Total return on investments | $ 2,010,473 | $ 38,414,259 |

The following table presents the financial instruments carried at fair value as of June 30, 2020 and 2019, by caption on the statements of financial position by the fair value measurements and disclosures valuation hierarchy defined in Note 1.

| | 2020 | | | | |
|---|---|---|---|---|---|
| | **Quoted Prices in Active Markets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **NAV** | **Total Fair Value** |
| **Assets** | | | | | |
| Short term investments | $ 20,886,369 | $ - | $ - | $ - | $ 20,886,369 |
| Fixed income | 19,439,992 | - | - | 46,087,500 | 65,527,492 |
| Domestic and global equities | 5,382,655 | - | - | 203,668,986 | 209,051,641 |
| Private equity | - | - | - | 165,367,419 | 165,367,419 |
| Real estate | 1,243,666 | - | 3,287,000 | 30,841,633 | 35,372,299 |
| Hedge funds/absolute return | - | - | - | 109,037,414 | 109,037,414 |
| Other | - | - | 119,252 | - | 119,252 |
| Total investments | 46,952,682 | - | 3,406,252 | 555,002,952 | 605,361,886 |
| Beneficial interests held by 3rd parties | - | - | 423,096 | - | 423,096 |
| Perpetual trusts held by 3rd parties | - | - | 28,052,404 | - | 28,052,404 |
| Total assets at fair value | $ 46,952,682 | $ - | $ 31,881,752 | $ 555,002,952 | $ 633,837,386 |

| | 2019 | | | | |
|---|---|---|---|---|---|
| | **Quoted Prices in Active Markets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **NAV** | **Total Fair Value** |
| **Assets** | | | | | |
| Short term investments | $ 36,113,414 | $ - | $ - | $ - | $ 36,113,414 |
| Fixed income | 12,399,133 | - | - | 47,836,516 | 60,235,649 |
| Domestic and global equities | 5,622,381 | - | - | 221,393,287 | 227,015,668 |
| Private equity | - | - | - | 165,983,886 | 165,983,886 |
| Real estate | 1,187,284 | - | 3,187,000 | 18,503,485 | 22,877,769 |
| Hedge funds/absolute return | - | - | - | 115,231,514 | 115,231,514 |
| Other | - | - | 119,252 | - | 119,252 |
| Total investments | 55,322,212 | - | 3,306,252 | 568,948,688 | 627,577,152 |
| Beneficial interests held by 3rd parties | - | - | 1,694,128 | - | 1,694,128 |
| Perpetual trusts held by 3rd parties | - | - | 28,659,512 | - | 28,659,512 |
| Total assets at fair value | $ 55,322,212 | $ - | $ 33,659,892 | $ 568,948,688 | $ 657,930,792 |

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

Fair value for Level 1 is based on quoted prices in active markets that the College has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The College does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data. Inputs are obtained from various sources including market participants, dealers, and brokers.

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

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

There were no material transfers between any levels during the year ended June 30, 2020.

Investments included in Level 3 and Net Asset Value (NAV) primarily consist of the College's ownership in alternative investments (principally limited partnership interests in hedge, private equity, real estate, and other similar funds). The value of certain alternative investments represents the ownership interest in the net assets of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals market comparable calculations, income approaches such as discounted cash flows, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration various data points, including the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The College and its investment advisor have performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2020 and 2019.

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

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

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

| | Real Estate | Other | Total Investments |
|---|---|---|---|
| **Fair value at June 30, 2019** | $ 3,187,000 | $ 119,252 | $ 3,306,252 |
| Realized and unrealized gains | 100,000 | - | 100,000 |
| **Fair value at June 30, 2020** | $ 3,287,000 | $ 119,252 | $ 3,406,252 |

| | Beneficial Interests Held by 3rd Party | Perpetual Trusts Held by 3rd Party |
|---|---|---|
| **Fair value at June 30, 2019** | $ 1,694,128 | $ 28,659,512 |
| Realized and unrealized gains | (12,732) | 743,235 |
| Net purchases, sales, settlements | (1,258,300) | (1,350,343) |
| **Fair value at June 30, 2020** | $ 423,096 | $ 28,052,404 |

Accumulated unrealized gains for assets classified within Level 3 as of June 30, 2020 and June 30, 2019 are $1,092,483 and $992,483, respectively.

The information provided in the table below has been disaggregated based upon sub-strategy of the investments. Available redemption data and uncalled commitments are listed as follows:

| Category | Fair Value | Unfunded Commitments | Lockup | Inside/ Outside of Lockup | Redemption Frequency (if Eligible) | Redemption Notice |
|---|---|---|---|---|---|---|
| **Diversifying** | | | | | | |
| Diversifying Strategies | $ 108,849,973 | $ - | None-3 years | Inside | Monthly–Annually | 30–180 days |
| Fixed income strategies | - | - | None | N/A | N/A | N/A |
| Long-short | 187,441 | - | None | N/A | N/A | N/A |
| Total Diversifying | 109,037,414 | - | | | | |
| **Global Equity** | | | | | | |
| Global Equity Strategies | 202,923,312 | - | None | N/A | N/A– Annually | 2–95 days |
| Fund of funds | 161,691,796 | 82,682,178 | None | N/A | N/A | None |
| Buyout | 3,642,463 | 19,431,381 | None | N/A | N/A | None |
| Total Global Equity | 368,257,571 | 102,113,559 | | | | |
| **Real Assets** | | | | | | |
| Real Asset Strategies | 27,714,170 | - | None | N/A | Daily-Quarterly | 2-120 days |
| Private Real Assets | 3,127,461 | 17,370,418 | None | N/A | N/A | None |
| Total real assets | 30,841,631 | 17,370,418 | | | | |
| **Fixed Income** | | | | | | |
| Core Bonds | 38,716,321 | - | None | N/A | Daily | 2-15 days |
| Credit | 16,299,546 | - | None | N/A | Daily | N/A |
| Private Credit | 7,371,171 | 13,694,407 | None | N/A | N/A | None |
| Private Fixed Income | 33,160 | 50,007 | None | N/A | N/A | None |
| Cash | 19,894,525 | - | None | N/A | N/A | None |
| Total Fixed Income | 82,314,723 | 13,744,414 | | | | |
| | $ 590,451,339 | $ 133,228,391 | | | | |

## 3. Liquidity

The College regularly monitors the availability of resources required to meet its general operating expenditures.

As of June 30, 2020, and 2019 financial assets and liquidity resources available within one year for general expenditure, such as operating expense, interest and principle payments, and capital renewal programs were available as follows:

| | June 30, 2020 | June 30, 2019 |
|---|---|---|
| **Financial Assets at Year End** | $ 701,279,200 | $ 715,855,766 |
| Less: Contractual or Donor-imposed Restrictions | | |
| Investments with Donor-imposed Restrictions | (41,986,392) | (34,514,950) |
| Restricted Investments | (584,842,901) | (604,272,994) |
| Endowment Distribution Approved by the Board for Spending | 31,646,161 | 29,734,786 |
| Investments held in Trust | (28,475,500) | (30,353,640) |
| Funds held by Bond Trustee | (3,009,084) | (8,384,094) |
| Total Financial Assets Available for Operating Expenses | $ 74,611,484 | $ 68,064,874 |

To manage liquidity, the college maintains $10 million in lines of credit that are drawn upon as needed.

## 4. Endowment Funds

Principal balances at June 30 were as follows:

| | Fair Value | |
|---|---|---|
| | **2020** | **2019** |
| Endowment funds held by Trinity | $ 577,692,052 | $ 601,492,649 |
| Funds held in trust by others | 28,052,404 | 28,659,512 |
| Pledges outstanding | 9,028,202 | 10,693,345 |
| | $ 614,772,658 | $ 640,845,506 |

The College's endowment consists of over 1,000 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds without donor restrictions. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds functioning as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Restricted endowment net assets include accumulated appreciation on donor-restricted endowment funds, as well as donor-restricted, spendable gifts designated by the Board or management for long-term support of the College. Also included in restricted net assets are funds designated by donors to be invested in perpetuity to provide a permanent source of income.

The College follows the accounting guidance for Presentation of Financial statements of Not-For-Profit-Entities, which requires net asset classification of funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and enhanced disclosures for all endowment funds, which establishes guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted Uniform Prudent Management of Institutional Funds Act. The accounting guidance requires not-for-profit entities subject to an enacted version of UPMIFA to classify the portion of the endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets (time restricted) until appropriated for expenditure by the organization.

**Interpretation of Relevant Law**

The trustees of the College interpret the Uniform Prudent Management of Institutional Funds Act of the State of Connecticut, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulation to the contrary. As a result of this interpretation, the College classifies as Net Assets with Donor Restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purpose of the College and the donor-restricted endowment fund.
- General economic conditions.

- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the College.
- The investment policies of the College.

**Funds with Deficiencies**
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the College to retain as a fund of perpetual duration. These deficiencies would be the result of unfavorable market fluctuations that occur after the investment of new restricted contributions and appropriation for certain programs that are deemed prudent by the Board of Trustees. There were deficiencies of this nature of $89,474 and $0 in fiscal 2020 and 2019, respectively.

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2020.

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 586,103,383 | $ 586,103,383 |
| Funds functioning as endowment funds | 5,518,985 | 23,150,290 | 28,669,275 |
| Total funds | $ 5,518,985 | $ 609,253,673 | $ 614,772,658 |

| | Without Donor Restrictions | With Donor Restrictions | Year to Date as of June 30 |
|---|---|---|---|
| **Beginning balance June 30, 2019** | $ 8,304,157 | $ 632,541,349 | $ 640,845,506 |
| Investment Income and loss, net of fees | 20,183 | 1,591,437 | 1,611,620 |
| Contributions | 13,097 | 3,408,590 | 3,421,687 |
| Appropriation of endowment assets for expenditure | (2,201,718) | (28,098,415) | (30,300,133) |
| Other changes, transfers, and releases from restriction | (616,734) | (189,288) | (806,022) |
| **Endowment Net assets as of June 30, 2020** | $ 5,518,985 | $ 609,253,673 | $ 614,772,658 |

Endowment Net Asset Composition by Type of Fund as of June 30, 2019, as restated.

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 608,375,718 | $ 608,375,718 |
| Funds functioning as endowment funds | 8,304,157 | 24,165,631 | 32,469,788 |
| Total funds | $ 8,304,157 | $ 632,541,349 | $ 640,845,506 |

| | Without Donor Restrictions | With Donor Restrictions | Year to Date as of June 30 |
|---|---|---|---|
| **Beginning balance June 30, 2018** | $ 9,321,676 | $ 611,869,210 | $ 621,190,886 |
| Investment Income and loss, net of fees | 620,949 | 38,560,200 | 39,181,149 |
| Contributions | 562,540 | 9,442,859 | 10,005,399 |
| Appropriation of endowment assets for expenditure | (2,196,502) | (27,417,657) | (29,614,159) |
| Other changes, transfers, and releases from restriction | (4,506) | 86,737 | 82,231 |
| **Endowment Net assets as of June 30, 2019** | $ 8,304,157 | $ 632,541,349 | $ 640,845,506 |

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

The College's endowment spending policy was designed to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. The spending policy is based on a percentage of the average market value excluding funds held in trust, for the calendar year training twelve quarters. The spending rate approved by the board of trustees for 2020 and 2019 was 5%. This resulted in approved spending of $32,604,468 and $32,156,793, which includes $30,300,133 and $29,614,159 appropriated for expenditure and $2,304,334 and $2,542,634 unspent in 2020 and 2019, respectively.

Other endowment changes in the statements of activities include transfers due to changes in donor intent in the amount of $753,304 and $519,458 for the years ended June 30, 2020 and 2019, respectively.

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

| | 2020 | 2019 |
|---|---|---|
| Number of units for income allocation | 22,993,415 | 23,927,120 |
| Market value per unit | $ 25.00 | $ 25.00 |
| Total return per unit | 0.06 | 1.59 |
| Total return distributed per unit | 1.35 | 1.28 |

## 5. Contributions Receivable

Contributions receivable at June 30 consisted of unconditional promises to give (net of discount of $2,264,612 and $2,273,963 and allowance of $2,520,801 and $2,449,449 for 2020 and 2019, respectively), which are expected to be collected in the following periods:

| | 2020 | 2019 |
|---|---|---|
| In one year or less | $ 12,978,737 | $ 9,530,802 |
| Between one year and five years | 10,826,293 | 7,174,434 |
| In more than five years | 1,262,787 | 1,429,956 |
| | $ 25,067,817 | $ 18,135,192 |

Discount rates used to calculate the present value of contributions receivable ranged from 2.29% to 6.09%.

## 6. Other Assets

Other assets at June 30 include:

| | 2020 | 2019 |
|---|---|---|
| Prepaid expenses | $ 720,035 | $ 701,004 |
| Inventories | 25,099 | 15,634 |
| Other | 219,058 | 205,625 |
| | $ 964,192 | $ 922,263 |

## 7. Fixed Assets

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

| | 2020 | 2019 |
|---|---|---|
| Land and land improvements | $ 53,838,311 | $ 50,785,589 |
| Buildings | 426,306,639 | 420,184,813 |
| Equipment | 65,182,705 | 64,278,527 |
| Construction-in-progress | 7,040,043 | 5,765,264 |
| | 552,367,698 | 541,014,193 |
| Less: Accumulated depreciation | (293,446,981) | (279,746,671) |
| | $ 258,920,717 | $ 261,267,522 |

Depreciation expense included in operating expense amounted to $14,539,651 and $14,392,330 for the years ended June 30, 2020 and 2019. 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.

## 8. Asset Retirement Obligations

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

The College recognized accretion on the asset retirement obligations net of abatement and other changes of approximately $1,103,412 and $1,441,953 in 2020 and 2019. Accretion is reported as an operating expense in the statements of activities.

### 9. Bonds and Notes Payable

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

| | 2020 | 2019 |
|---|---|---|
| Connecticut Health and Educational Facilities Authority (CHEFA) Series F bonds, issued 1998, interest rates ranging from 5.0% to 5.50%; maturities to 2028; insured by Municipal Bond Insurance Authority (MBIA). The trustee held a sinking fund reserve of $1,859,550 and $1,815,475 at June 30, 2020 and 2019 | $ 3,620,000 | $ 5,290,000 |
| Connecticut Health and Educational Facilities Authority (CHEFA) Series L bonds, issued 2008, interest with an initial rate of 1.65%; and a maximum rate of 12%; maturities to 2034. The trustee held a sinking fund reserve of $571,082 and $553,581 at June 30, 2020 and 2019 | 9,825,000 | 10,365,000 |
| Connecticut Health and Educational Facilities Authority (CHEFA) Series M bonds, issued 2010, interest rates ranging from 2.0% to 5.0%; maturities to 2028; not insured. These bonds were used to refinance the callable portion of the Series F bonds. The trustee held a sinking fund reserve of $0 and $445,276 at June 30, 2020 and 2019 | - | 16,775,000 |
| Connecticut Health and Educational Facilities Authority (CHEFA) Series N bonds, issued 2014, variable interest rate equal to 0.68 of one-month LIBOR plus 85 bps; maturities to 2026; not insured. These bonds were used to refund the Series H bonds. There is no sinking fund required for this series as the College pays the purchaser directly. However, there is a $1,000,000 compensating balance required by the purchaser. | 11,580,487 | 13,458,403 |
| Connecticut Health and Educational Facilities Authority (CHEFA) Series O bonds, issued 2015, interest rate equal to 2.675% maturities to 2037; not insured. These bonds were used to refund the Series K bonds. There is no sinking fund required for this series as the College pays the purchaser directly. | - | 19,645,000 |
| Connecticut Health and Educational Facilities Authority (CHEFA) Series P bonds, issued 2015, variable interest rate equal to .65% of one-month LIBOR plus 1.54%; maturities to 2025; not insured. These bonds were used to finance capital projects around campus. No sinking fund reserve required for this series as the College pays the purchaser directly. | - | 21,128,052 |
| Connecticut Health and Educational Facilities Authority (CHEFA) Series Q bonds, issued April 2017, variable interest rate equal to .65% of one-month LIBOR plus 1.87%; maturities to 2026; not insured. These bonds were used to refund the Series J bonds. There is no sinking fund reserve required for this series as the College pays the purchaser directly. | 51,100,000 | 51,100,000 |
| Connecticut Health and Educational Facilities Authority (CHEFA) Series R bonds, issued June 29, 2020, 5% interest rate per annum; The trustee sinking fund for these bonds was zero at June 30, 2020. The bonds were used to refund series M, O, and P bonds. | 49,015,000 | - |
| | 125,140,487 | 137,761,455 |
| Bond issuance costs, net of accumulated amortization | (1,032,791) | (1,389,662) |
| Bond premium net of accumulated amortization | 10,231,321 | 125,919 |
| Total bonds and notes payable | $ 134,339,017 | $ 136,497,712 |

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

| | |
|---|---|
| 2020–2021 | $ 4,207,917 |
| 2021–2022 | 4,317,917 |
| 2022–2023 | 2,467,917 |
| 2023–2024 | 2,492,917 |
| 2024–2025 | 2,482,917 |
| Thereafter | 109,170,904 |

The College has entered into interest rate swap agreements for Series N, P and Q bonds used to economically hedge the interest rate risk associated with certain of its variable rate debt. The following summarizes the terms for the agreement as of June 30, 2020:

| | **Counterparty A** | **Counterparty B** | **Counterparty C** |
|---|---|---|---|
| Trade/effective date | 11/26/2013 | 12/15/2015 | 4/26/2017 |
| Initial notional amount | $ 22,535,000 | $ - | $ 51,100,000 |
| Current notional amount | 11,580,487 | | |
| Termination date | 7/1/2026 | 6/29/2020 | 4/1/2026 |
| Fixed rate paid by college | 2.670 % | 0.00% | 2.53% |
| Rate paid by counterparty | .68 of one-month LIBOR plus 85 bps | .65 of one-month LIBOR plus 154 bps | .68 of one-month LIBOR plus 187 bps |

The losses that were recognized for interest rate swap agreements for series N, P, and Q for the years ended June 30, 2020 and 2019 were $(2,655,195) and $(3,648,657), respectively, and are shown in the Other Changes in Net Assets section on the consolidated statement of activities. In conjunction with the defeasance of the Series P bonds the interest rate swap was settled at a loss of $1,261,455. The change in the fair value of the interest rate swaps is reflected as a cash flow from operating activities in the Consolidated Statements of Cash Flows. For the year ended June 30, 2019, the College changed the presentation of the change in the fair value of the interest rate swaps from cash flows from financing activities to cash flows from operating activities to conform with the current year presentation. The swap was in a liability position of $4,003,399 and $1,348,205 as of June 30, 2020 and June 30, 2019, respectively.

In July 2008, the College entered into an irrevocable Letter of Credit and Reimbursement Agreement (the Letter of Credit) in the amount of $15,345,000 with a national banking institution which expires August 31, 2021. In the event that the College receives notice of any optional tender on its Series L variable-rate demand bonds, or if these bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the College will be obligated to purchase the bonds tendered by drawing on the Letter of Credit (LOC). Amounts borrowed under the Letter of Credit must be repaid in full on the expiration date or, at the option of the College, may be converted to a three-year term loan with quarterly payments commencing in the third month following the conversion. The term loan bears interest at the higher of the Federal Funds Effective Rate plus 3.5% or Prime Rate plus 3.0%. If the full amount of the bonds are put and the LOC is utilized, principal amounts on the Series L bonds due over the next five years and thereafter would be $570,000, $580,000, $590,000, $615,000, $605,000 and $6,865,000.

The College has a line of credit agreement with a national financial institution, which provides up to $10 million. There was no balance outstanding at June 30, 2020 or 2019. Interest is assessed at the higher of the bank’s prime rate or the one-month LIBOR plus 250 basis points for borrowings less than $500,000, and LIBOR plus 75 basis points for borrowings in excess of $500,000. There is also a 40-basis point charge for the unused portion of the credit line, payable quarterly in arrears.

The College's debt with CHEFA is uncollateralized. The College is subject to certain financial and nonfinancial covenants and was in compliance with these covenants during 2020 and 2019.

## 10. Net Assets without Donor Restrictions

Net assets without donor restrictions at June 30, 2020 and 2019 consist of the following:

| | 2020 | 2019 |
|---|---|---|
| Unrestricted endowment | $ 5,518,985 | $ 8,304,157 |
| Investment in plant assets | 89,355,554 | 94,537,976 |
| Life income funds | 670,030 | 673,996 |
| Operating funds | 15,698,912 | 15,336,623 |
| Total net assets without donor restrictions | $ 111,243,481 | $ 118,852,752 |

## 11. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 are available for the following purposes:

| | 2020 | 2019 |
|---|---|---|
| Plant additions/renovation | $ 11,888,958 | $ 3,609,728 |
| Life income funds | 3,137,632 | 4,081,330 |
| Capital campaign | 4,762 | 4,764 |
| Endowment funds | 609,253,673 | 632,541,349 |
| Operating and restricted funds | 23,048,049 | 16,570,608 |
| Loan funds | 4,321,387 | 3,951,127 |
| Total net assets with donor restrictions | $ 651,654,461 | $ 660,758,906 |

Included in with 2020 and 2019 donor restricted net assets are $277,605,228 and $292,841,886 million, respectively, of accumulated gains on permanently endowed funds and other net assets that are not considered permanent and could be spent by the College (formerly called Temporarily Restricted Net Assets).

## 12. Net Assets Released from Restrictions

Net assets were released from donor restrictions during the periods ended June 30, 2020 and 2019 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:

| | 2020 | 2019 |
|---|---|---|
| Instruction and research | $ 9,496,264 | $ 12,109,476 |
| Financial aid | 7,600,557 | 9,153,752 |
| Plant | 1,018,967 | 1,838,172 |
| General institutional | 10,196,777 | 7,852,342 |
| Student services | 977,146 | 914,167 |
| Academic support | 2,908,899 | 3,652,698 |
| Total net assets released from restrictions | $ 32,198,610 | $ 35,520,607 |

## 13. Employee Benefit Plans

The College participates in the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF) as a defined contribution retirement plan for most of its employees. Total benefits expense for the years ended June 30, 2020 and 2019 is $3,625,477 and $4,518,592. The College has no liability for any unfunded costs under this plan.

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

The following represents the applicable disclosures as required by accounting guidance for defined benefit postretirement plans.

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

| | 2020 | 2019 |
|---|---|---|
| **Change in benefit obligation** | | |
| Benefit obligation at beginning of year | $ 3,154,369 | $ 4,984,575 |
| Service cost | 2,622 | 2,176 |
| Interest cost | 85,486 | 129,714 |
| Plan participants' contributions | 70,108 | 76,058 |
| Actuarial loss | 429,553 | (1,685,087) |
| Benefits paid | (320,665) | (353,067) |
| Benefit obligation at end of year | 3,421,473 | 3,154,369 |
| **Change in plan assets** | | |
| Fair value of plan assets at beginning of year | | - |
| Employer contributions | 250,557 | 277,009 |
| Plan participants' contributions | 70,108 | 76,058 |
| Benefits paid | (320,665) | (353,067) |
| Fair value of plan assets at end of year | - | - |
| Funded status | $ (3,421,473) | $ (3,154,369) |
| **Balances recognized net assets without donor restrictions** | | |
| Unrecognized prior service benefit | $ - | $ - |
| Net actuarial loss | 708,780 | 279,227 |
| | $ 708,780 | $ 279,227 |
| **Postretirement related changes other than net periodic benefit cost** | | |
| Current actuarial loss (gains) | $ 429,553 | $ (1,685,087) |
| Amortization of unrecognized amounts | - | (16,018) |
| | $ 429,553 | $ (1,701,105) |
| **Components of net periodic benefit cost** | | |
| Service cost | $ 2,622 | $ 2,176 |
| Interest cost | 85,486 | 129,714 |
| Expected return on plan assets | | |
| Amortization of prior service benefit | | |
| Amortization of actuarial loss | - | 16,018 |
| Net periodic benefit gain | $ 88,108 | $ 147,908 |
| **Amortization amounts in following year** | | |
| Prior service gain | $ - | $ - |
| Net actuarial loss | 30,527 | - |
| | $ 30,527 | $ - |

**Assumptions**

| | 2020 | 2019 |
|---|---|---|
| Discount rate used to determine benefit obligations at June 30 | 1.74 % | 2.85 % |
| Discount rate used to determine net periodic benefit cost for years ended June 30 | 2.85 % | 3.83 % |
| Assumed health care cost trend rates at June 30 | 7.50 % | 6.50 % |
| Health care cost trend rate assumed for next year | 7.00 % | 6.50 % |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 5.00 % | 5.00 % |
| Year that the rate reaches the ultimate trend rate | 2025 | 2022 |

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 | $ 5,552 | $ (5,031) |
| Effect on postretirement benefit obligation | 240,786 | (217,425) |

Contributions

Trinity College expects to contribute $319,132 to its postretirement health insurance benefit plan in fiscal year 2021.

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

| | Postretirement Benefits |
|---|---|
| 2021 | $ 313,769 |
| 2022 | 305,185 |
| 2023 | 291,271 |
| 2024 | 278,123 |
| Thereafter | 1,145,066 |

## 14. Commitments and Contingencies

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

The College entered into a series of agreements with a third-party property developer for the construction of dormitories which were completed during fiscal 2014. The Developer leased the land upon which the Dormitory is constructed from the College and the College manages the property. The Developer bears all financial risk and receives all the financial benefit from the Dormitories. Based on the terms of the agreements, the Developer constructed the Dormitories and funded the project primarily through a commercial bank loan and a $4,000,000 loan from the College. The balance of the loan from the College on June 30, 2020 was $3,026,326. The interest rate is 8% and the term expires January 15, 2029.

## 15. Related Parties

The College invests a portion of their endowment investments in limited liability partnerships and mutual funds where certain members of the Board of Trustees have significant influence. The total fair value of related party investments was $198,190 and $428,620 at June 30, 2020 and 2019.

## 16. Functional Expense Classification

Expenses are presented by natural classification. Natural expenses are attributable to various functions which are in alignment with the overall mission of academic instruction and research of the institution. Functional expenses are categorized as academic support, auxiliary expenses, general institutional services, instruction – research and related, and student services.

Natural expenses attributable to more than one functional expense category are allocated using reasonable cost allocation techniques. Depreciation, plant operations and maintenance expenses are allocated on a square footage basis. Interest expense on indebtedness is allocated to functional categories that have benefited from the associated debt.

The following table compares expenses by type for the years ended June 30, 2020 and 2019, respectively:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Academic Support | Auxiliary Expenses | General Institutional Services | Instruction, Research, & Related | Student Services | Total |
| **Operating Expenses** | | | | | | |
| Salaries and Wages | 6,156,107 | 2,189,519 | 13,362,949 | 28,377,645 | 6,013,274 | 56,099,494 |
| Benefits | 1,767,806 | 537,866 | 3,344,504 | 7,558,999 | 1,551,266 | 14,760,441 |
| Room, Board and Food | 379,812 | 7,923,940 | 319,535 | 875,054 | 464,106 | 9,962,447 |
| Contracted Services | 196,773 | 456,673 | 9,944,958 | 1,266,537 | 1,308,502 | 13,173,443 |
| Program Costs | 97,063 | 3,615,335 | 1,396,150 | 1,276,375 | 1,154,138 | 7,539,061 |
| Depreciation | 1,559,842 | 1,637,070 | 9,576,749 | 1,010,288 | 755,702 | 14,539,651 |
| Other | 10,907,483 | 2,838,345 | (10,005,064) | 22,672,368 | 6,250,252 | 32,663,384 |
| Total Operating Expenses | 21,064,886 | 19,198,748 | 27,939,781 | 63,037,266 | 17,497,240 | 148,737,921 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Academic Support | Auxiliary Expenses | General Institutional Services | Instruction, Research, & Related | Student Services | Total |
| **Operating Expenses** | | | | | | |
| Salaries and Wages | $ 6,250,818 | $ 2,170,551 | $ 12,759,125 | $ 28,076,014 | $ 6,130,031 | $ 55,386,539 |
| Benefits | 1,840,702 | 561,490 | 4,523,857 | 7,896,539 | 1,652,294 | 16,474,882 |
| Room, Board and Food | 272,775 | 9,038,369 | 643,655 | 1,700,042 | 590,075 | 12,244,916 |
| Contracted Services | 331,674 | 239,373 | 10,365,062 | 1,322,711 | 465,228 | 12,724,048 |
| Program Costs | 202,913 | 5,533,062 | 1,194,904 | 1,086,170 | 440,883 | 8,457,932 |
| Depreciation | 1,565,912 | 1,759,170 | 9,287,793 | 1,025,842 | 753,613 | 14,392,330 |
| Other | 12,052,337 | 3,141,301 | (12,797,493) | 25,319,792 | 6,323,390 | 34,039,327 |
| Total Operating Expenses | $ 22,517,131 | $ 22,443,316 | $ 25,976,903 | $ 66,427,110 | $ 16,355,514 | $ 153,719,974 |

Other expenses contain several accounts including management fees, interest expense, utilities, travel & training, insurance costs and taxes.

## 17. Subsequent Events

Management has evaluated subsequent events for the period after June 30, 2020, through October 29, 2020, the date of the consolidated financial statements were issued.