Trinity

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FINANCIAL REPORT

JUNE 30, 2013

BROWN EDWARDS
certified public accountants

TRINITY COLLEGE

FINANCIAL REPORT

June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Trinity College
Washington, D.C.

We have audited the accompanying financial statements of Trinity College (the "College"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2013 and 2012, 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
September 25, 2013

TRINITY COLLEGE

STATEMENTS OF FINANCIAL POSITION
For the Years Ended June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 6,776,030	$ 7,794,120
Receivables and other assets, net of allowance for doubtful accounts 2013 $506,000; 2012 $451,000 (Note 2)	2,173,940	2,328,770
Notes receivable, government student loans, net of allowance for doubtful accounts 2013 and 2012 $100,000	1,476,467	1,369,192
Contributions receivable (Note 3)	6,662,276	515,902
Investments (Note 4)	37,599,461	30,249,916
Land, buildings, and equipment, net of accumulated depreciation (Notes 5 and 7)	20,503,162	20,490,758
Funds held in trust by others (Note 6)	10,979,536	10,212,182
Total assets	$ 86,170,872	$ 72,960,840

	2013	2012
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 781,346	$ 724,833
Accrued wages and benefits	573,733	563,395
Deferred revenues and deposits	1,728,890	1,805,750
U.S. government grants refundable	1,349,523	1,329,694
Asset retirement obligations	1,101,062	1,049,630
Interest rate swap (Note 7)	1,420,610	1,933,011
Debt (Note 7)	16,199,795	16,866,573
Total liabilities	23,154,959	24,272,886
Net assets (Note 8)		
Unrestricted	31,384,478	25,058,522
Temporarily restricted	12,175,596	5,130,152
Permanently restricted	19,455,839	18,499,280
Total net assets	63,015,913	48,687,954
Total liabilities and net assets	$ 86,170,872	$ 72,960,840

TRINITY COLLEGE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and fees	$ 38,733,825	$ -	$ -	$ 38,733,825
Less financial aid	(8,593,208)	-	-	(8,593,208)
Net tuition and fees (Note 9)	30,140,617	-	-	30,140,617
Gifts	886,512	540,649	-	1,427,161
Investment income, endowment, and other (Note 4)	-	521,368	-	521,368
Interest income – temporary investments	131,622	57,035	-	188,657
Government and private grants	329,698	-	-	329,698
Auxiliary services	3,420,687	-	-	3,420,687
Other revenues	283,005	-	-	283,005
Net assets released from restrictions and reclassifications (Note 10)	881,281	(881,281)	-	-
Total operating revenues	36,073,422	237,771	-	36,311,193
OPERATING EXPENSES				
Educational and general:				
Instruction	10,412,026	-	-	10,412,026
Public service	32,867	-	-	32,867
Academic support	3,666,091	-	-	3,666,091
Student services	4,711,135	-	-	4,711,135
Institutional support	8,539,901	-	-	8,539,901
Auxiliary services	3,425,772	-	-	3,425,772
Total operating expenses (Note 11)	30,787,792	-	-	30,787,792
Change in net assets, operating	5,285,630	237,771	-	5,523,401
NON-OPERATING INCOME				
Gifts and private grants	268,577	6,627,902	160,330	7,056,809
Interest income	217	1,870	-	2,087
Investment return, net of amount available to support current operations (Note 4)	(30,773)	469,249	5,223	443,699
Change in fair value of swap agreement	512,401	-	-	512,401
Change in value of funds held in trust by others	-	-	767,353	767,353
Change in value of charitable remainder trust	-	-	23,653	23,653
Loss on disposal of fixed assets	(1,444)	-	-	(1,444)
Loss on asbestos abatement	-	-	-	-
Net assets released from restrictions and reclassifications (Note 10)	291,348	(291,348)	-	-
Change in net assets, non-operating	1,040,326	6,807,673	956,559	8,804,558
Change in net assets	6,325,956	7,045,444	956,559	14,327,959
NET ASSETS				
Beginning	25,058,522	5,130,152	18,499,280	48,687,954
Ending	$ 31,384,478	$ 12,175,596	$ 19,455,839	$ 63,015,913

The Notes to Financial Statements are an integral part of these statements.

TRINITY COLLEGE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	2012			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
OPERATING REVENUES				
Tuition and fees	$ 37,777,220	$ -	$ -	$ 37,777,220
Less financial aid	(8,218,245)	-	-	(8,218,245)
Net tuition and fees (Note 9)	29,558,975	-	-	29,558,975
Gifts	906,480	486,200	-	1,392,680
Investment income, endowment, and other (Note 4)	-	471,311	-	471,311
Interest income – temporary investments	100,264	36,382	-	136,646
Government and private grants	400,948	-	-	400,948
Auxiliary services	3,697,896	-	-	3,697,896
Other revenues	330,473	-	-	330,473
Net assets released from restrictions and reclassifications (Note 10)	642,066	(642,066)	-	-
Total operating revenues	35,637,102	351,827	-	35,988,929
OPERATING EXPENSES				
Educational and general:				
Instruction	9,592,064	-	-	9,592,064
Public service	169,560	-	-	169,560
Academic support	3,107,167	-	-	3,107,167
Student services	4,650,362	-	-	4,650,362
Institutional support	8,147,245	-	-	8,147,245
Auxiliary services	3,694,967	-	-	3,694,967
Total operating expenses (Note 11)	29,361,365	-	-	29,361,365
Change in net assets, operating	6,275,737	351,827	-	6,627,564
NON-OPERATING INCOME				
Gifts and private grants	467,903	263,652	282,339	1,013,894
Interest income	317	4,513	-	4,830
Investment return, net of amount available to support current operations (Note 4)	370,717	(446,943)	-	- (76,226)
Change in fair value of swap agreement	(607,146)	-	-	(607,146)
Change in value of funds held in trust by others	-	-	(457,893)	(457,893)
Change in value of charitable remainder trust	-	-	8,212	8,212
Loss on disposal of fixed assets	-	-	-	-
Loss on asbestos abatement	(875)	-	-	(875)
Net assets released from restrictions and reclassifications (Note 10)	231,904	(231,904)	-	-
Change in net assets, non-operating	462,820	(410,682)	(167,342)	(115,204)
Change in net assets	6,738,557	(58,855)	(167,342)	6,512,360
NET ASSETS				
Beginning	18,319,965	5,189,007	18,666,622	42,175,594
Ending	$ 25,058,522	$ 5,130,152	$ 18,499,280	$ 48,687,954

The Notes to Financial Statements are
an integral part of these statements.

TRINITY COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 14,327,959	$ 6,512,360
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-operating and noncash items:		
Net realized and unrealized loss (gain) on investments	(203,912)	144,286
Change in fair value of interest rate swap agreement	(512,401)	607,146
Contributions restricted for plant expansion and endowment	(665,511)	(424,237)
Change in funds held by others	(767,353)	457,893
Loss on disposal of fixed assets	1,444	-
Depreciation and amortization	1,022,686	1,045,584
Forgiveness of debt	-	(72,499)
Change in certain operating assets and liabilities:		
(Increase) decrease in:		
Receivables and other assets	154,830	(570,663)
Contributions receivable	(6,146,374)	(30,541)
(Decrease) increase in:		
Accounts payable and accrued expenses	(9,647)	(269,853)
Accrued wages and benefits	10,338	(3,679)
Deferred revenues and deposits	(76,860)	2,226
Asset retirement obligations	51,432	11,716
U.S. government grants refundable	19,829	13,239
Net cash provided by operating activities	7,206,460	7,422,978
CASH FLOWS FROM INVESTING ACTIVITIES		
Student loans advanced	(239,919)	(245,429)
Student loans collected	132,644	114,969
Purchases of land, buildings, and equipment	(1,052,604)	(1,449,316)
Change in accounts payable incurred on purchases	66,160	(192,212)
Change in investments, net of proceeds from sales	(7,145,633)	(9,019,065)
Net cash used in investing activities	(8,239,352)	(10,791,053)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for plant expansion and endowment	665,511	424,237
Proceeds from new debt	-	500,000
Payments of debt	(650,708)	(617,756)
Net cash provided by financing activities	14,803	306,481
Decrease in cash and cash equivalents	(1,018,090)	(3,061,594)
CASH AND CASH EQUIVALENTS		
Beginning	7,794,120	10,855,714
Ending	$ 6,776,030	$ 7,794,120
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 758,893	$ 773,622
SUPPLEMENTAL SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES		
Early termination of capital lease due to the return of fixed assets	$ 21,440	$ -
Fixed assets purchases included in accounts payable	$ 88,196	$ 22,036

The Notes to Financial Statements are an integral part of these statements.

Note 1. Nature of Operations and Significant Accounting Policies

Trinity College (the "College") is an independent, comprehensive College located in Washington, D.C. The College was founded in 1897 by the Sisters of Notre Dame De Namur and in accordance with the Act of Congress under which the College is chartered. The College includes the historic undergraduate women's college (the College of Arts and Sciences) and the coeducational schools of Education, Professional Studies, and Nursing and Health Professions. The Board of Trustees governs the College and is responsible for all management and policy making of the College.

The Board approved the adoption of the name "Trinity University (Washington, D.C.)" as an enterprise name and under which it conducts operations. The Board adopted this change in recognition of the fact that Trinity's operations are characteristic of institutions recognized as universities. To further distinguish Trinity in print material, Trinity refers to itself as Trinity Washington University. The Board decided that "Trinity College" would continue as the official legal name of the institution. Notice was provided to the Education Licensing Commission in accordance with *D.C. Code*.

The College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools. The School of Education is accredited by the National Council for Accreditation of Teacher Education. Trinity's nursing program is accredited by the Commission on Collegiate Nursing Education.

The significant accounting policies followed by the College are described below:

<u>Basis of financial statement presentation and accounting</u>:

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying financial statements present information regarding the College's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions, as described below:

> **Unrestricted** net assets are free of 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. Revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. Expenses are reported as decreases in this classification.
>
> **Temporarily restricted** net assets are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the College pursuant to those stipulations.
>
> **Permanently restricted** net assets are amounts required by donors to be held in perpetuity; however, generally the income on these assets is available to meet various restricted and other operating needs. These net assets primarily include permanent endowment funds.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Cash and cash equivalents:

The College considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. Cash equivalents are stated at cost, which approximates market value. Cash held for long-term investment is classified as investments or funds designated for investment in land, buildings, and equipment.

Cash and cash equivalents include bond project funds and funds related to the federal student loan program totaling approximately $745,000 and $723,000 at June 30, 2013 and 2012, respectively.

Checks written on the College's zero balance accounts of $259,000 and $174,000 are included in accounts payable and accrued expenses as of June 30, 2013 and 2012, respectively.

The College follows the common cash management practice of consolidating certain of its operating cash and cash equivalent accounts, which includes various designated and restricted current operating and plant accounts. As a result of this practice, cash and cash equivalents specifically associated with the original gift of certain designated and restricted monies can be spent from the consolidated account. When this occurs, the activity is accounted for by maintaining receivables and payables between the net asset classes. The College has sufficient unrestricted funds included in the consolidated account to cover the designated or restricted monies spent.

Accounts receivable:

Accounts receivable consist of student accounts receivable, consortium receivables, grants receivable, and other receivables and are reflected at cost, less an allowance for doubtful accounts based on historical collection experience of the College, as applicable. Receivables outstanding at the end of a semester are considered past due. The College does not charge interest on outstanding balances and receivables over two years old are written off. As of June 30, 2013 and 2012, the College has student receivables, net of allowance, from non-current semesters of approximately $728,000 and $666,000, respectively.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. The fair value of investments in equities, bonds, U.S. government securities, and short-term assets is determined by reference to quoted market prices and other relevant information generated by market transactions. Net unrealized and realized gains or losses are reflected in the statements of activities.

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at the date of gift. Purchases and sales of investments are recorded on the trade date.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Investments: (Continued)

Income, and realized and unrealized net gains, on investments of endowment and similar net asset classes are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income, including income earned on donor-restricted endowment funds;
- As increases in unrestricted net assets in all other cases.

The College has various investment vehicles that the carrying value fluctuates with the financial markets. As a result, the value of such investments as of the date of this report may be materially different than year end values.

Land, buildings, and equipment:

Land, buildings, and equipment are stated at cost at the date of acquisition, or fair value at the date of gift, less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets.

Equipment is removed from the records and any gain or loss is recognized at the time of disposal. Expenditures for new construction, major renewals and replacements, and equipment exceeding $5,000 are capitalized.

Construction in progress is carried at cost incurred to date and, when completed, is transferred to the appropriate land, buildings, or equipment category and is depreciated in accordance with the College's policies.

The College recognizes costs related to major maintenance activities as costs are incurred.

Accrued compensation:

The College accrues for salaries and all other compensation earned but not paid.

Student and other deposits:

Deposits and student fees applicable to academic sessions subsequent to the current year are deferred and recognized as revenues in subsequent periods.

(Continued)

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Notes receivable and U.S. government grants refundable:

The College participates in the Federal Perkins Loan Program sponsored by the United States Government. Under this program, funds are loaned to qualified students and may be re-loaned after collection. Student loan receivables related to this program are recorded as notes receivable. The portion of those funds contributed by the U.S. Government (that is, exclusive of the College's match funds) is ultimately refundable to the government and, accordingly, are recorded as a liability, U.S. government grants refundable.

The College accounts for its notes receivable at cost and recognizes interest income as it is earned. An allowance for doubtful accounts is based on prior collection history and individual circumstances of the borrower. Notes are considered past due after 30-45 days and accrue interest until written off when considered uncollectible.

Bond discount:

Bond discount is being amortized on a straight-line basis over the term of the related financing agreement.

Split-interest agreements:

The College participates in various split-interest agreements that are unconditional and irrevocable. These arrangements are established when a donor makes a gift to the College or a trust in which the College shares benefits with other beneficiaries. Generally, the College accounts for these agreements by recording its share of the related assets at fair market value (which approximates the present value of the estimated future cash receipts). Liabilities are recorded for any portion of the assets held for donors or other beneficiaries equal to the present value of the expected future payments to be made. The liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits. Contribution revenues are recognized at the dates the agreements are established for the difference between the assets and the liabilities.

If a third party is the trustee until the termination of the trust and then the remaining assets are transferred to the beneficiaries, the assets less related liabilities are included in funds held in trust by others. If the donor establishes a perpetual trust with a third party as trustee (the College will never receive the principal of the trust), the assets less related liabilities are also included in funds held in trust by others. The fair value of funds held in trust by others is determined by the present value of estimated future cash flows.

Asset retirement obligations (AROs):

An *asset retirement obligation* is a legal liability of the College for the cost of retiring a tangible long-lived asset (e.g., a building containing asbestos) that results from the acquisition, construction, or development and/or the normal operation of the long-lived asset. A conditional ARO is a legal obligation in which the timing and/or method of retirement are conditional on a future event that may or may not be within the control of the College. The College has conditional asset retirement obligations primarily associated with fully depreciated buildings which are recorded at their estimated fair value. The liabilities are accreted each year using a risk-adjusted interest rate.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Net asset classifications of institutional funds:

The College holds institutional funds, principally endowment funds, subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). "Endowment" is a commonly used term to refer to the resources, including trusts and annuities that have been restricted by the donor or designated by the Board that will be invested to provide future revenue to support the College's activities. The College's endowment consists of approximately 40 individual funds established for a variety of purposes. As titled, UPMIFA provides guidance and applicable regulations relative to the management of applicable funds.

In response to UPMIFA, the College adopted the provisions of accounting guidance for the net asset classification of donor-restricted endowment funds for an organization that is subject to UPMIFA and also required related financial statement disclosures.

Interpretation of UPMIFA

The Board of Trustees of the College has interpreted UPMIFA 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 stipulations to the contrary. Accordingly, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable, at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the College and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the College, and (7) the investment policy of the College.

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those of donor-restricted funds that organizations must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide an average annual rate of return of approximately 2.0% plus inflation (measured as the consumer price index), net of management fees, over a rolling three-year period. Actual returns in any given year may vary from this amount.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Net asset classifications of institutional funds: (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on investments in equities and fixed income securities in the following percent target ratios to achieve its long-term return objectives within prudent risk constraints:

	Minimum	Target Average	Maximum
Domestic Large Capitalization Stocks:			
Large Growth	15	20	25
Large Value	15	20	25
Small/Medium Capitalization Stocks	10	15	20
International Equity	5	10	15
Total equity	45	65	85
Domestic Investment Grade Fixed Income	25	35	45
Total fixed income	25	35	45

Spending Policy and How the Investment Objectives Related to Spending Policy

The College employs a total return endowment spending policy that establishes the amount of endowment investment return that is available to support current needs and restricted purposes. This policy is designed to insulate program spending from capital market fluctuations and to increase the amount of return that is reinvested in the corpus of the fund in order to enhance its long-term value. For the years ended June 30, 2013 and 2012, the Board-approved spending formula for the endowment provided for an annual spending rate of not more than 5.0% of a the trailing twelve quarter moving average of the investment pool fair value. If cash yield (interest and dividends) is less than the spending rate, realized gains can be used to make up the deficiency. Any income in excess of the spending rate is to be reinvested in the endowment.

***Funds with Deficiencies* (“Underwater” funds)**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets and there were none as of June 30, 2013 and 2012.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Contributions:

Contributions, including unconditional promises to give or contributions receivable, are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, in the period the donor's commitment is received. Unrestricted, unconditional promises to give are recognized as temporarily restricted operating revenues unless the donor explicitly stipulates its use to support current period activities.

Conditional promises to give are not recognized until they become unconditional – that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of the fundraising activity.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets, to be used to acquire land, buildings, and equipment, with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

Operating results:

Operating activities in the statements of activities illustrate a measure of how the College is maintaining the resources available for its "current operations." Operations reflect all transactions increasing or decreasing unrestricted net assets except those of a capital nature – that is, capitalized for long-term investment or as land, buildings, and equipment. Temporarily restricted net assets released from restrictions which satisfy an operating purpose are also classified as operating.

In accordance with the College's total return policy, as described previously, only the portion of total investment return available under this policy to meet operating needs is included in operating revenues.

Additionally, the portion of total investment return available to support current operations under the College's total return policy is excluded from cash flows from operating activities; only the actual cash yield is included in cash flows from operating activities.

Costs related to the operation and maintenance of physical plant, including depreciation of plant assets, are allocated to operating programs and supporting activities based upon periodic inventories of facilities. Interest expense on external debt is allocated to the activities that have most directly benefited from the proceeds of the external debt. Employee and staff benefits are allocated to operating programs and supporting activities based upon salary expenses of these programs and activities.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Operating results: (Continued)

Derivative instrument:

The College utilizes a derivative financial instrument to reduce its exposure to market risks from changes in interest rates. By entering into a pay-fixed, receive-variable interest rate swap, the College limits its exposure to changes in variable interest rates. The College is exposed to credit related losses in the event of nonperformance by the counterparty to the interest rate swap; however, the counterparty is a major financial institution and the risk of loss due to nonperformance is considered remote. Interest rate differentials paid or received on the swap are recognized as adjustments to interest expense in the period earned or incurred.

The fair value of interest rate swap agreements is the estimated amount the College would receive or pay to terminate the agreement based on reference to market rate inputs and the net present value of future cash flows as determined by the lender.

Advertising costs:

The College follows the policy of charging advertising costs to expenses as incurred.

Fair value measurements:

The College carries various assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a market-based approach is used which establishes that fair value is based on the "highest and best use". Additionally, in accordance with accounting guidance, the College categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as reflected below. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 – Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.

Level 2 – Fair values are based on inputs other than quoted prices in Level 1 that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that were observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Fair values are based on unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Fair value measurements: (Continued)

The estimated fair value for specific groups of financial instruments is presented within the notes applicable to such items. If not specifically presented, fair value is estimated to approximate the related carrying value. It was not considered practical to determine fair value of notes receivable from students under the U.S. government loan programs and related government advances because the notes receivable are non-marketable and can only be assigned to the U.S. government or its designees. These installment notes are due over terms of ten years, with interest at 5% per month per annum, and are carried at face value.

Credit risk concentrations:

Financial instruments which potentially subject the College to concentrations of credit risk consist principally of cash, marketable securities, and student accounts receivable and loans receivable. The College places its cash with high-credit, quality financial institutions. A portion of the College's bank deposits are in excess of federally insured limits. Concentration of credit risk for marketable securities is limited by the College's policy of diversification of investments. Concentration of credit risk for student accounts receivable and loans receivable are limited, due to a large base and geographic dispersion.

Art collection:

The College's art collection, which was acquired through purchases and contributions, is not recognized as an asset in the accompanying statements of financial position since the art is held purely for educational purposes. Purchased collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or in temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors.

Income taxes:

The College is exempt from federal income tax under Section 501(c)(3) of the *Internal Revenue Code*.

The federal Form 990s of the College are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Reclassifications:

Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

Subsequent events:

The College has evaluated subsequent events through September 25, 2013, which is the date the financial statements were available to be issued.

(Continued)

Note 2. Receivables and other assets

Receivables and other assets, net of allowance for doubtful accounts, consist of the following as of June 30:

	2013	2012
Student receivables, net	$ 1,290,480	$ 1,272,850
Other receivables	482,784	736,892
Bond issuance costs	166,179	174,926
Prepaid expenses	179,174	86,688
Accrued investment income	55,323	57,414
	$ 2,173,940	$ 2,328,770

Note 3. Contributions Receivable

Contributions receivable consist of the following as of June 30:

	2013	2012
Unconditional promises to give cash	$ 6,122,722	$ -
Charitable trusts held by others	539,554	515,902
	$ 6,662,276	$ 515,902
Expected to be collected in:		
Less than one year	$ 2,227,666	$ -
One to five years	3,410,667	-
More than five years	1,569,443	976,125
	7,207,776	976,125
Less:		
Actuarial present value of future payments at .85% – 2.4%	(545,500)	(460,223)
	$ 6,662,276	$ 515,902

The breakdown by net asset class for contributions receivable as of June 30 is as follows:

	2013	2012
Temporarily restricted	$ 6,097,722	$ -
Permanently restricted	564,554	515,902
	$ 6,662,276	$ 515,902

Note 3. Contributions Receivable (Continued)

As of June 30, 2013 and 2012, the College has also received bequest intentions and certain other conditional promises to give. These intentions and certain other conditional promises to give are not recognized as assets; and, if they are received, will generally be restricted for a specific purpose stipulated by the donors, primarily, either endowments for scholarships, faculty support, or general operating support of a particular department of the College.

For the years ended June 30, 2013 and 2012, the College recorded contributions from eleven and fourteen donors that totaled approximately 88.3% and 65.1% of contributions, respectively.

Note 4. Investments

Investments are comprised of the following as of June 30:

	2013					
	Endowment		**Other**		**Total**	
Common stocks and equity mutual funds	$ 7,852,668	65.1%	$ 34,078	0.1%	$ 7,886,746	21.0%
Corporate bonds and fixed income mutual funds	2,381,872	19.7	21,990,372	86.1	24,372,244	64.8
U.S. government bonds	1,372,372	11.4	56,590	0.2	1,428,962	3.8
Foreign corporate bonds	-	-	2,233,338	8.8	2,233,338	5.9
Cash and cash equivalents	456,332	3.8	1,221,839	4.8	1,678,171	4.5
	$ 12,063,244	100.0%	$ 25,536,217	100.0%	$ 37,599,461	100.0%

	2012					
	Endowment		**Other**		**Total**	
Common stocks and equity mutual funds	$ 7,136,872	64.5%	$ 31,946	0.2%	$ 7,168,818	23.7%
Corporate bonds and fixed income mutual funds	2,319,436	21.0	15,593,720	81.3	17,913,156	59.2
U.S. government bonds	1,198,425	10.8	213,561	1.1	1,411,986	4.7
Foreign corporate bonds	-	-	442,280	2.3	442,280	1.5
Cash and cash equivalents	412,670	3.7	2,901,006	15.1	3,313,676	10.9
	$ 11,067,403	100.0%	$ 19,182,513	100.0%	$ 30,249,916	100.0%

(Continued)

Note 4. Investments (Continued)

The College has various investment vehicles that have carrying values that fluctuate with the financial markets. As a result, the value of such investments may have changed from year end values and that change may or may not be material.

The ownership of investments for each class of net assets as of June 30 is as follows:

	2013	2012
Unrestricted	$ 23,331,012	$ 17,475,048
Temporarily restricted	6,356,700	5,003,672
Permanently restricted	7,911,749	7,771,196
	$ 37,599,461	$ 30,249,916

The market value of investment asset classifications is as follows as of June 30:

	2013	2012
Endowment – held by College	$ 12,063,244	$ 11,067,404
Trusts and annuities	1,806,373	1,547,464
Unrestricted current funds	23,729,844	17,635,048
	$ 37,599,461	$ 30,249,916

Investment activity for the years ended June 30 is reflected in the table below:

	2013	2012
Investments, beginning	$ 30,249,916	$ 21,375,137
Gifts and pledge payments available for investment and investment income reinvestment	856,163	498,584
	31,106,079	21,873,721
Investment returns (net of expenses 2013 $69,548; 2012 $63,390):		
Dividends, and interest	820,061	580,267
Investment return, net of amount available to support current operations per statements of activities	443,699	(76,226)
Add spending in excess of cash yield	(239,787)	(68,060)
Net realized and unrealized gains (losses)	203,912	(144,286)
Total return on investments	1,023,973	435,981
Amounts appropriated for operations, net transfers to operational accounts, debt payments, and other activity	5,469,409	7,940,214
Investments, ending	$ 37,599,461	$ 30,249,916

Note 4. Investments (Continued)

The following schedule summarizes total investment return and its classification in the statements of activities for the years ended June 30:

	2013	2012
Investment income	$ 820,061	$ 580,267
Net realized and unrealized gains (losses) on investments	203,912	(144,286)
Total return on investments	$ 1,023,973	$ 435,981
Included in the statement of activities as follows:		
Operating revenues – investment income, endowment, and other – amount distributed to support current operations pursuant to the endowment spending policy	$ 521,368	$ 471,311
Investment return, net of amount available to support current operations	443,699	(76,226)
Investment income, included in interest income – temporary investments	58,906	40,896
	$ 1,023,973	$ 435,981

Note 5. Land, Buildings, and Equipment

Land, buildings, and equipment consists of the following at June 30:

	Estimated Useful Life	2013	2012
Buildings	50 years	$ 28,625,213	$ 28,625,213
Building improvements	10-20 years	7,087,994	6,237,939
Land improvements	50 years	1,449,447	1,361,697
Equipment	5 years	5,391,889	5,435,057
Computer equipment	5 years	2,783,680	2,691,107
		45,338,223	44,351,013
Less accumulated depreciation		(24,918,279)	(23,943,473)
		20,419,944	20,407,540
Land		83,218	83,218
		$ 20,503,162	$ 20,490,758

At June 30, 2013 and 2012, land, buildings, and equipment includes capitalized conditional asset retirement obligations at a cost of $160,644 which have been fully depreciated.

Included in equipment are assets under capital leases of $202,991, and $268,387 at June 30, 2013 and 2012 with related accumulated depreciation of $111,614 and $103,714 for 2013 and 2012, respectively.

Note 6. Funds Held in Trust by Others

The College is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the College. The College has legally enforceable rights and claims to income there from. Net realized and unrealized gains (losses) related to these interests are reported as changes in permanently restricted net assets based on explicit donor stipulations. The market value of these interests as of June 30 are as follows:

	Income Restriction	2013	2012
Claire Boothe Luce Fund	*	$ 6,791,000	$ 6,155,000
Helen Rotterman Trust	Unrestricted	722,809	729,418
M. Rotterman Trust	Unrestricted	2,197,988	2,088,520
Russell T. Finn Trust	Scholarships	1,012,300	983,664
Dougherty Scholarship Irrevocable Trust	Educational purposes	255,439	255,580
		$ 10,979,536	$ 10,212,182

*Scholarships, fellowships, and professorships for women in science and technology. The annual income distribution totaled $282,000 and $288,000 for 2013 and 2012, respectively.

Note 7. Debt

The College's debt consists of the following as of June 30:

	2013	2012
District of Columbia Series 2001, revenue bonds. The bonds are secured by a standby letter of credit, and bear interest at variable rates determined by the marketing agent (0.06 % and 0.18% at June 30, 2013 and 2012, respectively). Interest is due monthly. Principal payments on the bonds are due annually in varying amounts ranging from $550,000 to $1,170,000. Final payment is due July 1, 2031. Bond discount was approximately 2013 $102,000; 2012 $107,000. Proceeds were used for the sole purpose of the development, design, equipping, renovation, and construction of the Trinity Center for Women and Girls in Sports and related field and ground renovations. These bonds are subject to an interest rate swap agreement, described below.	$ 15,577,901	$ 16,102,528

(Continued)

Note 7. Debt (Continued)

The College's debt consists of the following as of June 30: (Continued)

	2013	2012
Obligations under capital leases, payable in monthly installments of $6,478 including imputed interest ranging from 22.25% to 28.80% through April 2016. Secured by equipment.	130,148	197,298
Unsecured and interest-free obligation to Sodexo, Inc. for purchase of equipment for food service operations, payable on a straight-line basis through December 2016.	87,499	112,500
Unsecured and interest-free obligation to Aramark Management Services for capital improvements, payable on a straight-line basis through July 2021.	404,247	454,247
	$ 16,199,795	$ 16,866,573

Debt matures as follows:

Year ending June 30,	
2014	$ 666,517
2015	685,488
2016	712,021
2017	682,125
2018	694,626
2019 and thereafter	12,759,018
	$ 16,199,795

The college is party to a swap agreement with Wells Fargo Bank with an expiration date of January 2018. The swap agreement fixed the interest rate at 3.06%. The basis of the swap was the Bond Market Association's Swap Index through June 2013 and then the basis switched to LIBOR for the remaining term of the swap. The swap agreement had a notional principal amount of $15,130,000 and $16,210,000 at June 30, 2013 and 2012, respectively.

The difference between the floating rate and the fixed rate interest is recognized as an adjustment to interest expense in the period incurred. The fair value of the swap agreement is estimated based on current settlement prices and totaled approximately $(1,421,000) and $(1,933,000) at June 30, 2013 and 2012, respectively, and is included in the statement of financial position. The change in value of the interest rate swap of approximately $512,000 and $(607,000) at June 30, 2013 and 2012, respectively, has been reflected in change of fair value of swap agreement in the non-operating section of the statement of activities.

Note 7. Debt (Continued)

Pursuant to the District of Columbia, Series 2001 revenue bond agreement, the College is subject to certain debt covenants the most restrictive of which is the requirement to maintain a minimum debt service coverage ratio of 1.1 to 1.0. As of June 30, 2013 and 2012, management is not aware of any violations of the covenants.

Note 8. Net Assets

Net assets as of June 30 consisted of the following:

	2013	2012
Unrestricted		
Unrestricted operating funds	$ 21,283,319	$ 17,645,048
Investment in land, buildings, and equipment, net of debt	2,331,706	1,171,545
Undesignated	7,769,453	6,241,929
	31,384,478	25,058,522
Temporarily restricted		
Accumulated endowment investment return, net of amounts spent	4,555,550	3,456,208
Amounts held for trust and annuity payments	88,958	87,106
Restricted for future operations	815,422	1,200,572
Restricted for public service expenses	64,881	47,054
Restricted for buildings and equipment	553,063	339,212
Contributions receivable	6,097,722	-
	12,175,596	5,130,152
Permanently restricted		
Restricted in perpetuity; only the income is expendable:		
Endowment principal	7,911,749	7,771,196
Contributions receivable	564,554	515,902
Funds held in trust by others	10,979,536	10,212,182
	19,455,839	18,499,280
Total net assets	$ 63,015,913	$ 48,687,954

Temporarily restricted net assets are subject to both purpose and time restrictions. Temporarily restricted accumulated endowment investment return, net of amounts spent, is restricted for future operations, financial aid and maintenance, and acquisition of land, buildings, and equipment. Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support future operations, financial aid, and maintenance and acquisition of land, buildings, and equipment.

Note 9. Tuition and Fees, Net of Financial Aid

Tuition and fees include regular session tuition for the College's undergraduate and graduate regular and summer sessions as well as miscellaneous fees, such as application, graduation, lab, and late fees.

Undergraduate tuition and fees totaled 75.2% and 73.8% of total tuition and fees for 2013 and 2012, respectively. Financial aid for undergraduates totaled $8,357,053 and $8,040,772, respectively, with the unfunded portion of these amounts totaling 27.4% and 27.6%, respectively, of undergraduate tuition and fees.

Note 10. Net Assets Released from Restrictions and Reclassifications

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes, or by occurrence of other events as specified by donors. Restrictions were satisfied as follows for the years ended June 30:

	2013	2012
Operating:		
Financial aid	$ 324,657	$ 273,579
Instructional expenses	392,060	305,820
Student Services	12,424	19,593
Academic support	136,960	30,487
Public service expenses	15,180	12,587
Total operating	$ 881,281	$ 642,066
Non-operating:		
Plant expenses	$ 291,348	$ 231,904
Total non-operating	$ 291,348	$ 231,904

Note 11. Operating Expenses

Functional expenses as reported on the statement of activities include expenses in natural classification. The most significant expense under a natural classification is compensation and employee benefits (including payroll taxes) which totals 54.6% and 8.5%, respectively for 2013 and 52.9% and 8.4%, respectively for 2012. A more extensive breakdown of expenses in natural classification can be found in the College's annual federal tax exempt Form 990 return. Program service expenses totaled 72.3% and 72.3% in 2013 and 2012, respectively.

Note 11. Operating Expenses (Continued)

Costs related to the operations and maintenance of the physical plant, including depreciation and interest expense, are allocated to operating programs and supporting activities, as follows:

Year Ended June 30, 2013

	Expenses Before Allocation	Total Expense Allocation	Final Allocated Expenses
Education and general:			
Instruction	$ 9,123,101	$ 1,288,925	$ 10,412,026
Public service	32,867	-	32,867
Academic support	3,408,306	257,785	3,666,091
Student services	3,482,088	1,229,047	4,711,135
Institutional support	7,508,760	1,031,141	8,539,901
Auxiliary services	1,681,155	1,744,617	3,425,772
Operations and maintenance of physical plant	3,810,919	(3,810,919)	-
Depreciation and amortization	1,022,686	(1,022,686)	-
Interest expense	717,910	(717,910)	-
	$ 30,787,792	$ -	$ 30,787,792

Year Ended June 30, 2012

	Expenses Before Allocation	Total Expense Allocation	Final Allocated Expenses
Education and general:			
Instruction	$ 8,301,122	$ 1,290,942	$ 9,592,064
Public service	169,560	-	169,560
Academic support	2,848,979	258,188	3,107,167
Student services	3,405,716	1,244,646	4,650,362
Institutional support	7,114,491	1,032,754	8,147,245
Auxiliary services	1,933,944	1,761,023	3,694,967
Operations and maintenance of physical plant	3,768,247	(3,768,247)	-
Depreciation and amortization	1,045,584	(1,045,584)	-
Interest expense	773,722	(773,722)	-
	$ 29,361,365	$ -	$ 29,361,365

(Continued)

Note 12. Employee Benefits

Retirement benefits are provided for eligible faculty and staff employees by a contributory pension plan for annuity contracts with Teachers Insurance and Annuity Association and College Retirement Equities Fund. Employees are eligible after one year of full-time employment and attaining the age of twenty-one. All participants have a fully vested interest in the total contributions made on their behalf. The College automatically contributes 2% of all eligible employees' base salary, and matches an additional voluntary contribution of up to 6%. Under the plan, the College contributed approximately $446,000 and $439,000 in 2013 and 2012, respectively, which was charged to operating expenses.

Note 13. Operating Leases

The College leases several copiers and a mailing system under non-cancelable leases expiring through October 2016. Rent expense under these operating leases was $35,809 and $39,193 for 2013 and 2012, respectively.

Future minimum lease payments under all operating leases for years ending June 30 are as follows:

2014	$ 44,476
2015	43,118
2016	41,794
2017	31,252
2018	13,340
	$ 173,980

Note 14. Commitments and Contingencies

The College has conditional asset retirement obligations that can be reasonably estimated primarily associated with encapsulated asbestos in its fully depreciated buildings. Liabilities totaling $1,101,062 and $1,049,630 as of June 30, 2013 and 2012, respectively, are reflected in the statements of financial position.

Final expenditure reports of grants and contracts submitted to certain granting agencies in current and prior years are subject to audit by such agencies. As a result, the reimbursed expenditures are subject to adjustment. The effect of such adjustments, if any, is not determinable at this time. Management is of the opinion that the liability, if any, would not have a material effect on the College's financial position.

The College's students receive a substantial amount of support from state and federal student financial assistance programs. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on the College's programs and activities.

The College is under a long-term contract with Sodexo, Inc. to provide food service. The initial term of the agreement ends January 1, 2017 and the agreement will renew automatically for consecutive terms of one year each. Upon expiration, termination or cancellation of the contract the College shall reimburse the provider the remaining balance of unamortized capital expenditures. The remaining unamortized capital expenditures at June 30, 2013 and 2012 totaled $87,499 and $112,500, respectively, and is included in debt in the statement of financial position.

Note 14. Commitments and Contingencies (Continued)

The College is under a long-term contract with Aramark Management Services to provide facilities management. The initial term of the agreement ends January 5, 2013 and the agreement shall continue thereafter, until terminated by either party. The contract can be cancelled at any time before the agreement expires with payment of the remaining balance of unamortized capital expenditures. This contract was amended and restated as of July 29, 2011, with a term ending July 31, 2021. As part of this contract, Aramark assumed the existing unamortized capital expenditures and gave Trinity an additional $500,000 to be used for capital improvements. The remaining unamortized capital expenditures at June 30, 2013 and 2012 totaled $404,247 and $454,247, respectively, and is included in debt in the statement of financial position. The capital expenditure agreement also provides that if the agreement is terminated by the College then all accrued but unbilled interest at prime plus 2% is to be paid.

Note 15. Endowment

Endowment net assets consist of:

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Funds held by the College:				
Donor-restricted	$ -	$ 4,555,550	$ 7,911,749	$ 12,467,299
Donor-restricted funds held in trust by others	-	-	11,544,090	11,544,090
Total	$ -	$ 4,555,550	$ 19,455,839	$ 24,011,389

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Funds held by the College:				
Donor-restricted	$ -	$ 3,456,208	$ 7,771,196	$ 11,227,404
Donor-restricted funds held in trust by others	-	-	10,728,084	10,728,084
Total	$ -	$ 3,456,208	$ 18,499,280	$ 21,955,488

Note 15. Endowment (Continued)

Changes in endowment net assets for the **year ended June 30, 2013** are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2012	$ -	$ 3,456,208	$ 18,499,280	$ 21,955,488
Investment return:				
Investment income	-	292,427	5,223	297,650
Realized and unrealized gains	-	703,413	-	703,413
Total investment return	-	995,840	5,223	1,001,063
Contributions	-	238,833	160,330	399,163
Appropriation for expenditure and other activity	-	(135,331)	-	(135,331)
Change in value of funds held in trust by others	-	-	791,006	791,006
Endowment net assets, June 30, 2013	$ -	$ 4,555,550	$ 19,455,839	$ 24,011,389

Note 15. Endowment (Continued)

Changes in endowment net assets for the **year ended June 30, 2012** are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2011	$ -	$ 3,432,424	$ 18,666,622	$ 22,099,046
Investment return:				
Investment income	-	261,261	-	261,261
Realized and unrealized gains	-	(236,893)	-	(236,893)
Total investment return	-	24,368	-	24,368
Contributions	-	50,000	282,338	332,338
Appropriation for expenditure and other expenses	-	(50,584)	-	(50,584)
Change in value of funds held in trust by others	-	-	(449,680)	(449,680)
Endowment net assets, June 30, 2012	$ -	$ 3,456,208	$ 18,499,280	$ 21,955,488

Note 16. Fair Value Measurements

The following is a summary of the inputs used in determining the fair values of financial assets and liabilities measured on a recurring basis as of June 30:

	2013			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Investments:				
Common stocks and mutual funds	$ 7,886,746	$ 7,886,746	$ -	$ -
Corporate bonds and mutual funds	24,372,244	24,372,244	-	-
U.S. government bonds	1,428,962	1,428,962	-	-
Foreign corporate bonds	2,233,338	2,233,338	-	-
Cash and cash equivalents	1,678,171	1,678,171	-	-
Total investments	37,599,461	37,599,461	-	-
Contributions receivable	539,554	-	539,554	-
Funds held in trust by others	10,979,536	-	4,188,536	6,791,000
Total financial assets	$ 49,118,551	$ 37,599,461	$ 4,728,090	$ 6,791,000
Financial liabilities:				
Fair value of interest rate swap agreements	$ 1,420,610	$ -	$ 1,420,610	$ -
Total financial liabilities	$ 1,420,610	$ -	$ 1,420,610	$ -

Note 16. Fair Value Measurements (Continued)

	2012			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Investments:				
Common stocks and mutual funds	$ 7,168,818	$ 7,168,818	$ -	$ -
Corporate bonds and mutual funds	17,913,156	17,913,156	-	-
U.S. government bonds	1,411,986	1,411,986	-	-
Foreign corporate bonds	442,280	442,280	-	-
Cash and cash equivalents	3,313,676	3,313,676	-	-
Total investments	30,249,916	30,249,916	-	-
Contributions receivable	515,902	-	515,902	-
Funds held in trust by others	10,212,182	-	4,057,182	6,155,000
Total financial assets	$ 40,978,000	$ 30,249,916	$ 4,573,084	$ 6,155,000
Financial liabilities:				
Fair value of interest rate swap agreements	$ 1,933,011	$ -	$ 1,933,011	$ -
Total financial liabilities	$ 1,933,011	$ -	$ 1,933,011	$ -

The following is a reconciliation of Level 3 funds held in trust by others for which significant unobservable inputs were used to determine fair value as of June 30:

	2013	**2012**
Balance, beginning	$ 6,155,000	$ 6,500,000
Net change in value	636,000	(345,000)
Balance, ending	$ 6,791,000	$ 6,155,000

Note 16. Fair Value Measurements (Continued)

The fair value of investments in common stocks, bonds, and mutual funds are determined based upon quoted market prices. The fair value of contributions receivable is based on the fair value of estimated future cash flows. The fair value of funds held in trust is based on quoted market prices of the securities held in the respective trusts. The fair value of the interest rate swap agreement is estimated based on current settlement prices.

Note 17. Subsequent Event

The College is in the planning phases for the construction of a new Academic Center. The new facility will provide 80,000 square feet of academic space at a cost of about $40 million. The College executed a contract for $380,000 with Jones Lang LaSalle on August 29, 2013 to act as project manager on this project and on September 9, 2013, the College executed a contract not to exceed $750,000 with Clark Construction Group, LLC for preconstruction services.

Construction is expected to begin in June 2014 with occupancy in Fall 2016. The College expects to fund the new construction with a combination of internally generated cash, external financing, and the proceeds from the College's Capital Campaign. Subsequent to year end, the College received an additional pledge for $7.0 million for the capital campaign.