Consolidated Financial Statements

Babson College

June 30, 2024 and 2023

BABSON COLLEGE

Consolidated Financial Statements

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Consolidated Financial Statements:

Independent Auditors' Report

Board of Trustees
Babson College
Wellesley, Massachusetts

Opinion

We have audited the consolidated financial statements of Babson College (the "College"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Babson College as of June 30, 2024 and 2023, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

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[1] In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

CBIZ CPAs P.C.[1]

Boston, Massachusetts
October 10, 2024

[1] *In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.*

BABSON COLLEGE

Consolidated Statements of Financial Position

June 30,

	2024	**2023**
Assets		
Cash and cash equivalents	$ 61,099,043	$ 72,931,520
Working capital investments	23,640,957	9,477,754
Accounts receivable, net	3,985,086	4,342,256
Prepaid expenses and other assets	14,407,695	10,852,692
Contributions receivable, net	69,538,652	71,011,576
Loans receivable, net	389,310	579,256
Bond deposits with trustee	4,406,436	4,149,515
Right of use assets - operating	5,405,906	4,254,992
Investments, at fair value	741,033,186	685,764,464
Land, buildings, equipment and software, net	295,113,018	264,160,347
Total assets	**$ 1,219,019,289**	**$ 1,127,524,372**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 51,271,014	$ 38,794,689
Deposits and advance payments	21,967,444	13,616,378
Government advances for student loans	569,960	709,335
Operating lease liabilities	5,508,058	4,322,284
Interest rate swap liability	1,971,993	2,761,436
Bonds payable, net	138,100,520	146,237,651
Total liabilities	**219,388,989**	**206,441,773**
Net assets:		
Without donor restrictions	391,398,020	341,741,990
With donor restrictions	608,232,280	579,340,609
Total net assets	**999,630,300**	**921,082,599**
Total liabilities and net assets	**$ 1,219,019,289**	**$ 1,127,524,372**

BABSON COLLEGE

Consolidated Statement of Activities

Year Ended June 30, 2024
(with comparative totals for 2023)

	2024			2023
	Without Donor Restrictions	*With Donor Restrictions*	*Total*	*Total*
Operating activities:				
Operating revenues and support:				
Tuition, fees, room and board net of discount of $63,420,928 in 2024 and $62,386,411 in 2023	$ 194,927,757	$ -	$ 194,927,757	$ 190,829,577
Educational programs	3,263,447	-	3,263,447	3,929,934
Other programs and auxiliary activities	16,802,315	-	16,802,315	18,397,543
Total program service fees	214,993,519	-	214,993,519	213,157,054
Contributions and grants	17,227,268	-	17,227,268	8,043,491
Investment income used in operations	4,450,790	-	4,450,790	1,602,568
Board designated funds used for approved strategic initiatives	341,771	-	341,771	-
Endowment spending used in operations	24,200,456	-	24,200,456	18,117,642
Net assets released from restrictions	16,331,708	-	16,331,708	14,706,084
Total operating revenues and support	**277,545,512**	**-**	**277,545,512**	**255,626,839**
Operating expenses:				
Instruction	66,871,505	-	66,871,505	62,178,120
Academic support	47,770,750	-	47,770,750	44,567,614
Student services	46,289,698	-	46,289,698	43,460,573
Auxiliary activities	48,834,691	-	48,834,691	48,112,767
Institutional support	50,123,296	-	50,123,296	44,417,442
Total operating expenses	**259,889,940**	**-**	**259,889,940**	**242,736,516**
Increase in net assets from operations	**17,655,572**	**-**	**17,655,572**	**12,890,323**
Nonoperating activities:				
Contributions and grants	-	37,610,670	37,610,670	40,774,632
Net assets released from restrictions	36,173,526	(52,505,234)	(16,331,708)	(14,706,084)
Investment return, net	19,682,458	45,004,568	64,687,026	27,010,831
Unrealized gains on interest rate swap agreements	789,443	-	789,443	2,309,596
Other nonoperating net expenses	(102,742)	(1,218,333)	(1,321,075)	(651,344)
Board designated funds released for approved strategic initiatives	(341,771)	-	(341,771)	-
Endowment spending allocation used in nonoperating activities	388,160	-	388,160	-
	56,589,074	28,891,671	85,480,745	54,737,631
Less: Endowment spending draw	(24,588,616)	-	(24,588,616)	(18,117,642)
Total nonoperating activities	**32,000,458**	**28,891,671**	**60,892,129**	**36,619,989**
Total increase in net assets	**49,656,030**	**28,891,671**	**78,547,701**	**49,510,312**
Net assets, beginning of year	341,741,990	579,340,609	921,082,599	871,572,287
Net assets, end of year	**$ 391,398,020**	**$ 608,232,280**	**$ 999,630,300**	**$ 921,082,599**

BABSON COLLEGE

Consolidated Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Operating activities:			
Operating revenues and support:			
Tuition, fees, room and board net of discount of $62,386,411	$ 190,829,577	$ -	$ 190,829,577
Educational programs	3,929,934	-	3,929,934
Other programs and auxiliary activities	18,397,543	-	18,397,543
Total program service fees	213,157,054	-	213,157,054
Contributions and grants	8,043,491	-	8,043,491
Investment income used in operations	1,602,568	-	1,602,568
Endowment spending used in operations	18,117,642	-	18,117,642
Net assets released from restrictions	14,706,084	-	14,706,084
Total operating revenues and support	**255,626,839**	**-**	**255,626,839**
Operating expenses:			
Instruction	62,178,120	-	62,178,120
Academic support	44,567,614	-	44,567,614
Student services	43,460,573	-	43,460,573
Auxiliary activities	48,112,767	-	48,112,767
Institutional support	44,417,442	-	44,417,442
Total operating expenses	**242,736,516**	**-**	**242,736,516**
Increase in net assets from operations	**12,890,323**	**-**	**12,890,323**
Nonoperating activities:			
Contributions and grants	-	40,774,632	40,774,632
Net assets released from restrictions	12,150,381	(26,856,465)	(14,706,084)
Investment return, net	8,238,223	18,772,608	27,010,831
Unrealized gains on interest rate swap agreements	2,309,596	-	2,309,596
Other nonoperating net expenses	(61,424)	(589,920)	(651,344)
	22,636,776	32,100,855	54,737,631
Less: Endowment spending draw	(18,117,642)	-	(18,117,642)
Total nonoperating activities	**4,519,134**	**32,100,855**	**36,619,989**
Total increase in net assets	**17,409,457**	**32,100,855**	**49,510,312**
Net assets, beginning of year	324,332,533	547,239,754	871,572,287
Net assets, end of year	**$ 341,741,990**	**$ 579,340,609**	**$ 921,082,599**

See accompanying notes to the consolidated financial statements.

BABSON COLLEGE

Consolidated Statements of Cash Flows

Years Ended June 30,

	2024	2023
Cash flows from operating activities:		
Net tuition and fees received	$ 191,059,755	$ 190,745,583
Other educational and noneducational receipts	30,038,695	21,196,967
Contributions and grants received, net of amounts restricted for long-term purposes	39,990,123	26,389,982
Proceeds from stock gifts received for operations	451,170	925,283
Interest and dividends received	8,211,596	5,980,855
Payments to employees and suppliers	(234,445,144)	(221,081,702)
Interest paid	(5,097,334)	(5,470,140)
Net cash and restricted cash provided by operating activities	**30,208,861**	**18,686,828**
Cash flows from investing activities:		
Purchases of investments	(118,954,196)	(238,361,063)
Sales of investments	110,400,731	237,349,196
Acquisition and construction of property and equipment	(41,115,560)	(17,877,837)
Student loans repaid	225,617	438,585
Student loans issued	(10,500)	(15,000)
Net cash and restricted cash used in investing activities	**(49,453,908)**	**(18,466,119)**
Cash flows from financing activities:		
Repayments of bonds and notes	(6,995,000)	(7,815,000)
Payments on split interest agreements	(97,897)	(95,104)
Decrease for refundable U.S. government grants	(139,375)	(404,742)
Permanently restricted contributions	14,226,888	10,479,886
Proceeds from stock gifts received for long-term purposes	866,568	2,173,513
Payments on interest rate swap contracts	(191,693)	(676,222)
Net cash and restricted cash provided by financing activities	**7,669,491**	**3,662,331**
Net (decrease) increase in cash and restricted cash	**(11,575,556)**	**3,883,040**
Cash, cash equivalents and restricted cash, beginning of year	77,081,035	73,197,995
Cash, cash equivalents and restricted cash, end of year	**$ 65,505,479**	**$ 77,081,035**
Cash and cash equivalents	$ 61,099,043	$ 72,931,520
Bond deposits with trustee	4,406,436	4,149,515
Total cash, cash equivalents and restricted cash	**$ 65,505,479**	**$ 77,081,035**
Reconciliation of increase in net assets to net cash and restricted cash provided by operating activities:		
Cash flows from operating activities:		
Increase in net assets	$ 78,547,701	$ 49,510,312
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Realized and unrealized net gains on investments	(60,310,162)	(22,423,107)
Depreciation	20,273,477	20,176,955
Amortization of bond issuance costs and accretion of premium on issued debt	(1,142,131)	(1,397,264)
Change in operating lease assets	1,150,914	(699,530)
Gain on asset retirement obligation adjustment	-	(34,934)
Permanently restricted contributions	(14,226,888)	(10,479,886)
Decrease (increase) in contributions receivable	597,906	(7,333,695)
Increase (decrease) in allowances	875,018	(100,855)
Decrease in interest rate swap liability	(789,443)	(2,309,596)
Payments on interest rate swap contracts	191,693	676,222
Changes in operating lease liabilities	(1,185,774)	705,428
Changes in working capital assets and liabilities, net	6,226,550	(7,603,222)
Net cash and restricted cash provided by operating activities	**$ 30,208,861**	**$ 18,686,828**
Supplemental disclosure of cash flow information:		
Right of use assets acquired under operating leases	$ 3,820,783	$ 1,824,743
Cash paid for operating leases	2,465,269	2,513,752

See accompanying notes to the consolidated financial statements.

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 1 - Organization

Babson College (the “College”) was founded in 1919 as a private not-for-profit entity and is located in Wellesley, Massachusetts. The College enrolls approximately 2,800 undergraduate and 1,200 graduate students from the United States and more than 80 countries worldwide. The College offers education in business and liberal arts, and it grants the Bachelor of Science degree through its undergraduate program. The College also grants Master of Business Administration degrees and custom Master of Science degrees through the F.W. Olin Graduate School of Business at the College. Additionally, the College offers distinct executive education programs to help companies reach their strategic goals. The College is accredited by the New England Commission of Higher Education, the Association to Advance Collegiate Schools of Business and EFMD – The Management Development Network.

The College participates in student financial aid programs sponsored by the United States Department of Education (“DOE”), which facilitates the payment of tuition and other expenses for a significant portion of its students.

Babson Global, Inc. (“Babson Global”) is a 501(c)(3) supporting organization which is consolidated into the financial statements of the College. Babson Global was created to carry out certain educational purposes of the College by providing consulting, technical services and educational products to organizations.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America which requires the College to classify its net assets into two categories based on the existence or absence of donor-imposed restrictions. All significant inter-entity balances and transactions have been eliminated in consolidation.

Net assets and changes herein are classified as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are net assets which the College may use at its discretion. Funds invested in land, buildings, equipment and software, unrestricted endowment and other unrestricted current funds are included in the College’s net assets without donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are net assets subject to donor-imposed restrictions that are either perpetual in nature or will be met by the passage of time or the events specified by the donor. In the case of perpetual restrictions, donors at times further stipulate how the College may use such resources. Absent specific stipulations, the College uses standards of prudence as under state law relative to the use of such funds which generally allow for the use of a spending rate to be availed consistent with purposes of the related funds.

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Classification as Operating or Nonoperating

The College reports its activities as operating and nonoperating. Operating activities consist primarily of activities supporting the educational mission and purpose of the College. Nonoperating activities represent investment returns in excess of or less than amounts availed under the endowment spending draw, endowment gifts, gifts restricted to future periods, capital gifts, bad debt expense for the uncollectible pledges, and unrealized gains and losses on interest rate swap agreements.

Cash and Cash Equivalents

Cash and cash equivalents are recorded at cost and represent bank deposits and other highly liquid debt instruments with original maturities of less than three months at the date of purchase. Cash equivalents held by investment managers are considered part of investments given the expectation of near term reinvestment.

The College maintains its cash balances at several financial institutions, which at times may exceed federally insured limits. The College monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Working Capital Investments

The College has certain investments for working capital purposes that are intended to be used to cover immediate cash needs of the College. These are comprised primarily of fixed income securities with original maturity dates in excess of three months.

Accounts Receivable

Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic or auxiliary activity. Payments for tuition and fees and room and board charges are generally due by the start of the academic period with the recognition that on behalf payments being made by the DOE or others are subject to specific requirements within those programs as to when those funds can be availed. Certain DOE funding can be availed prior to the commencement of the academic period, while other amounts are paid at specified intervals based on the rules as promulgated by the DOE. Thus, cash flows on accounts receivable balances and the measurement of deferred revenues do not directly depend on meeting specified performance obligations of the College. Student accounts are not collateralized.

Accounts receivable are carried net of an allowance for credit losses of $1,366,726 and $1,326,243 as of June 30, 2024 and 2023, respectively. The College estimates expected credit losses over the life of its financial assets and certain off-balance sheet exposures as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts. The College records the estimate of expected credit losses as an allowance for credit losses. An account is considered uncollectible when all efforts to collect the account have been exhausted.

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributions Receivable

Unconditional promises to contribute to the College are recorded at fair value when initially pledged. The initially recorded fair value is considered a Level 2 approach. Initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. Amortization of the discount is included in contributions and grants revenue. Unconditional promises are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance by a review of historical experience and a specific review of collection trends that differ from the plan on individual accounts. Conditional promises are not included as support until the conditions are substantially met.

Loans Receivable

Loans receivable are carried net of an allowance for credit losses of $890,902 and $916,073 as of June 30, 2024 and 2023, respectively. The College estimates expected credit losses over the life of its financial assets and certain off-balance sheet exposures as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts. The College records the estimate of expected credit losses as an allowance for credit losses. An account is considered uncollectible when all efforts to collect the account have been exhausted.

A portion of loans receivable represents amounts due from students associated under a loan program operated by the College under the sponsorship of the DOE. A substantial portion of the funding for this program was made available by the DOE and must be returned upon program termination or should the College no longer participate in the program. Accordingly, the College carries a liability for funds advanced under the program subject to certain adjustments. Loans in default that meet certain requirements can be assigned to the DOE, reducing the obligation for refundable U.S. government grants. Credit risk is mitigated given the ability to assign such loans to the DOE. Given this program has been terminated by the DOE, management expects that loans will be assigned back to the DOE in due course.

Bond Deposits with Trustee

Bond deposits with trustee are carried at costs and represent amounts required to be held in such accounts as required under the related indenture.

Investments

The College's investments are recorded at fair value as per the fair value policies contained elsewhere in this section.

The investment objective of the College is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund its board approved spending policy and to increase investment values after inflation. Major investment decisions are authorized by the Investment Subcommittee of the Board of Trustees that oversees the College's investments mindful of diversification among asset classes.

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Fair Values

The College reports financial instruments in accordance with fair value standards on a recurring or non-recurring basis depending on the underlying policy of the instrument. Recurring fair value items include investments, working capital investments and interest rates swaps. Non-recurring fair values include items such as the present value of expected cash flows on contributions. Fair value is defined as the price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the College reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so-called "practical expedient" for such investments. The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories along with a category for items at NAV as follows:

> Level 1 – quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange.
>
> Level 2 – pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
>
> Level 3 – pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the consolidated financial statements.

Note 2 - Summary of Significant Accounting Policies (Continued)

Land, Buildings, Equipment and Software

Land, buildings, equipment and software are reported at cost at the date of acquisition or fair value at the date of donation in the case of gifts for all items over a management established threshold for capitalization. For assets placed in service, depreciation is provided using the straight-line method over the estimated useful lives of the assets. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend its estimated useful life are expensed as incurred.

Depreciation is provided on the straight-line basis over the following estimated useful lives:

	Years
Buildings	40 to 50
Building improvements	10 to 30
Land improvements	10 to 50
Equipment and software	3 to 10

Works of Art and Special Collections

Works of art, historical treasures, literary works and artifacts, which are preserved and protected for educational, research and public exhibition purposes, are not capitalized. They are neither disposed of for financial gain nor encumbered in any manner. Accordingly, such collection items are not recorded for financial statement purposes.

Asset Retirement Obligations

Asset retirement obligations are estimated at the present value of expected future cash flows to address legal obligations to address conditions or disposal requirements generally associated with buildings and equipment. Management estimates the present value of certain known retirement obligations based on the expected timing of cash flows to address these requirements.

Asset retirement obligations are included within accounts payable and accrued expenses in the consolidated statements of financial position and amounted to $1,519,967 and $1,454,514 as of June 30, 2024 and 2023, respectively.

Deposits and Advance Payments

Deposits and advance payments represent reservation deposits and other advance payments by students on account and other payments in advance of revenue being recognized. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided.

Note 2 - Summary of Significant Accounting Policies (Continued)

Leases

Leases are recorded using a right of use model that requires a lessee to recognize a right of use asset and lease liability on the consolidated statements of financial position for all leases with a term greater than 12 months. Leases have been classified as financing or operating, with classification affecting the pattern of expense recognition and classification of expense in the consolidated statements of activities.

Lease expense is recognized on a straight-line basis over the term of the lease. The College recognizes variable expenses, other than those related to indices or specifically identified in the lease arrangements, in operating expenses in the period in which the obligation is incurred.

Interest Rate Swaps

Interest rate swap agreements are reported at fair market value as per the fair value policies included elsewhere in this section. Changes in the estimated fair values are recorded in the nonoperating section of the consolidated statements of activities.

Bond Discounts/Premiums and Origination Costs

Bond discounts/premiums and origination costs are capitalized in the period of issuance and amortized over the period of the related debt. The College uses the effective interest method to amortize the bond discounts/premiums and origination costs.

All discounts/premiums and origination costs are presented in the consolidated statements of financial position along with the related debt.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized 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 donor-imposed restrictions on net assets, such as the donor stipulated purposes have been fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions between the classes of net assets.

Earned Revenues

Earned revenues are recorded using a principles based process that requires the entities 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied. Earned revenues include tuition and fees as well as sales and services of auxiliary enterprises.

Note 2 - Summary of Significant Accounting Policies (Continued)

Earned Revenues (Continued)

Tuition and fees are derived from degree programs as well as certain executive education programs and are recognized ratably over the academic period of the course or program offered based on time elapsed. Aid awarded to students reduces the amount of revenue recognized. The majority of the College's programs are designed to be completed within the fiscal year. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Students may withdraw from programs of study within certain time limits as under the College's withdrawal policies by semester. These policies vary by program but allow for up to a 100% refund before the start of classes declining to no refund shortly after the start of classes. Given the normal timing of the College's programs, the exposure to withdrawal rights is limited at year end.

Payments made by third parties such as the Department of Education ("DOE") relative to loans and grants to students are a mechanism to facilitate payment on behalf of students, and accordingly, such funding does not represent revenue of the College. Cash flows are also impacted by DOE rules which differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by the DOE for new students are available later than for continuing students. Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

Total tuition and fees and room and board before discounts and scholarships amounted to the following for the years ended June 30:

	2024	***2023***
Tuition and fees	$ 217,236,418	$ 213,557,980
Room and board	41,112,267	39,658,008

Educational revenue is derived from various sources across the campus including Centers and Institutes, Global Programs Office, and Athletics (excluding the Skating Rink) and is recognized ratably over the academic period of the course or program offered based on the time elapsed.

Other programs and auxiliary revenue includes revenues from the Babson Executive Conference Center, Babson Global, Summer Camps and Conferences, Skating Rink, facility rentals and other miscellaneous activities. These revenues are recorded at the point in time goods or services are provided, with the exception of lease rental and interest income, which are accounted for under other standards. Advance payments of $12,302,340 and $3,833,141 were recorded at June 30, 2024 and 2023, respectively, which are primarily related to Babson Global and will be recognized as performance obligations under the contract are met and are included in deposits and advance payments on the consolidated statements of financial position.

Note 2 - Summary of Significant Accounting Policies (Continued)

Earned Revenues (Continued)

In connection with the Babson Global activities as more fully discussed in Note 14, the level of effort the College puts forth each year to deliver certain identified performance obligations can vary based upon the needs under that arrangement. As a result, the College does not have a reliable method of estimating progress based on outputs and it was determined that the most reliable method of estimating progress would be using a cost-to-cost input revenue recognition model. This model is based on measuring the percentage of completion under the contract based on actual costs incurred to date divided by estimated costs expected to be incurred over the term of the underlying agreement. A separate part of the activities of Babson Global include an intellectual property element agreement which is being recognized on a straight-line basis over the term of the agreement.

Certain sponsored arrangements are considered exchange arrangements, and revenue under these agreements is recognized based on the College's fulfillment of the contract, which is typically based on costs incurred or the achievement of milestones.

Contributed Support

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Conditional contributions/ promises are recognized as revenues when the barriers to entitlement have been met. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution and grant revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied.

In February 2020, the College received a $50M grant from a private foundation to establish the Arthur M. Blank School of Entrepreneurial Leadership. This grant, besides establishing the School of Entrepreneurial Leadership, will also be used to increase accessibility and affordability for students in need, provide new experiential learning opportunities, and create an 'entrepreneurial village' to create growth opportunities and allow community members space to create solutions through collaborative learning and experimentation. The College has determined that this arrangement is a conditional contribution. The College recognized $4,950,000 and $4,800,000 of revenue associated with this agreement for the years ended June 30, 2024 and 2023, respectively. The College will continue to recognize revenue as barriers and milestones identified within the grant agreement are met; the remaining conditional amount of $23,900,000 to be recognized in the future is included in the total conditional contributions figure as of June 30, 2024 as disclosed later in Note 3.

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributed Support (Continued)

Government grants have been accounted for as conditional contributions and are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers.

The College applied for and received Federal grants totaling $9,537,819 during the year ended June 30, 2024, for various COVID-related costs incurred in 2023 and prior and such amounts are included in contributions and grants on the consolidated statement of activities for the year ended June 30, 2024.

The College reports gifts of land, buildings and equipment as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions and released from restrictions when such resources are used for the related purpose.

The College also records certain gifts-in-kind that are recorded as revenue and expenses, such as equipment and supplies, food, beverage, catering and event rentals, and software which are valued using prices of identical or similar products. The College also receives in-kind professional services which are valued based on current billing rates for services donated. In-kind contributions totaled $165,105 and $1,059,360 for the years ended June 30, 2024 and 2023, respectively. Food, beverage and related gifts-in-kind are associated with various alumni and College sanctioned events. Management has not included more detailed information on gifts-in-kind given the limited amounts involved.

Functional Reporting of Expenses

The costs of providing the College's activities have been summarized on a functional basis in the consolidated statements of activities. Expenses associated with the College's land, buildings, equipment and software, including interest, depreciation, and operations and maintenance expenses, are functionally allocated based on square footage utilization.

Income Tax Status

The College is an organization described under Internal Revenue Code ("IRC") section 501(c)(3) and is generally exempt from federal and state income taxes under the provisions of IRC section 501(a). Management has not included more detailed information on its tax provisions given the limited amounts involved.

Note 2 - Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

The College accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The College has identified its tax status as a tax-exempt entity and its determination of which revenues are related or unrelated to be its only significant tax positions; however, the College has determined that such tax positions do not result in uncertainties requiring recognition. The College is not currently under examination by any taxing jurisdictions. The College’s Federal and state tax returns are generally open for examination for three years following the date filed.

Use of Estimates

The preparation of the accompanying consolidated 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 and 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 materially from these estimates.

New Accounting Pronouncements

Certain new accounting standards are effective in future years. Management’s preliminary assessment is that these items will be of limited impact to the College and, as such, has determined that detail of those pending standards is not necessary.

Reclassifications

Certain reclassifications have been made to the 2023 consolidated financial statements to conform with the 2024 presentation.

Subsequent Events

Subsequent events have been evaluated through October 10, 2024, the date the consolidated financial statements were issued. The College has concluded that no material events have occurred that impact disclosures or reported amounts in the consolidated financial statements.

Note 3 - Contributions Receivable

Contributions receivable are as follows at June 30:

	2024	*2023*
Unconditional promises due within		
Less than one year	$ 32,333,048	$ 31,078,074
One year to five years	45,491,009	47,775,901
More than five years	5,417,966	4,524,669
	83,242,023	83,378,644
Less		
Unamortized discount	(7,137,044)	(6,675,760)
Allowance for uncollectibles	(6,566,327)	(5,691,308)
	$ 69,538,652	**$ 71,011,576**

Discounts for the years ended June 30, 2024 and 2023 were calculated using rates ranging from 0.83% to 5.71%.

Contributions receivable are restricted as follows at June 30:

	2024	*2023*
Donor-imposed restrictions		
Capital construction and maintenance	$ 11,295,066	$ 16,107,938
Scholarships and fellowships	11,558,004	13,731,471
Instruction and academic support	42,938,643	33,080,462
Student programs	5,586,308	5,037,727
Other	2,553,106	7,517,326
Restricted for time	9,310,896	7,903,720
	$ 83,242,023	**$ 83,378,644**

The College also has conditional contributions of $39,083,899 and $43,761,952 at June 30 2024 and 2023, respectively. These amounts are not recognized as assets in the consolidated statements of financial position as they are conditioned on future events. These conditional promises consisted of pledges and matching pledges for scholarships, professorships, endowment, the creation of an Entrepreneurial Village, and other purposes that depend on the occurrence of specified future and uncertain events.

Note 4 - Investments and Fair Values

The following table summarizes the valuation of the College's financial instruments at June 30:

	2024				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Investments					
Equity securities and funds	$ 158,644,410	$ -	$ -	$ -	$ 158,644,410
Fixed income securities and funds	16,211,222	-	-	-	16,211,222
Alternative investments:					
Equity funds	-	-	-	256,934,995	256,934,995
Private equity and venture capital funds	-	-	-	218,800,993	218,800,993
Fixed income funds	-	-	12,000	35,619,135	35,631,135
Hedge funds	-	-	-	16,110,456	16,110,456
Real estate funds	-	-	-	38,699,975	38,699,975
Investment totals	**$ 174,855,632**	**$ -**	**$ 12,000**	**$ 566,165,554**	**$ 741,033,186**
Working Capital Investments					
Fixed income securities	$ 23,640,957	$ -	$ -	$ -	$ 23,640,957
Liabilities					
Interest rate swaps	$ -	$ 1,971,993	$ -	$ -	$ 1,971,993

	2023				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Investments					
Equity securities and funds	$ 147,823,489	$ -	$ -	$ -	$ 147,823,489
Fixed income securities and funds	38,738,596	-	-	-	38,738,596
Alternative investments:					
Equity funds	-	-	-	211,056,945	211,056,945
Private equity and venture capital funds	-	-	-	205,674,628	205,674,628
Fixed income funds	-	-	12,000	34,146,265	34,158,265
Hedge funds	-	-	-	14,650,946	14,650,946
Real estate funds	-	-	-	33,661,595	33,661,595
Investment totals	**$ 186,562,085**	**$ -**	**$ 12,000**	**$ 499,190,379**	**$ 685,764,464**
Working Capital Investments					
Fixed income securities	$ 9,477,754	$ -	$ -	$ -	$ 9,477,754
Liabilities					
Interest rate swaps	$ -	$ 2,761,436	$ -	$ -	$ 2,761,436

Note 4 - Investments and Fair Values (Continued)

The College incurred investment management fees of $6,481,566 and $5,362,003 during the years ended June 30, 2024 and 2023, respectively. These fees are reported as a reduction of investment earnings. In addition, the College incurred investment consulting fees of $1,125,390 and $1,002,049 during the years ended June 30, 2024 and 2023, respectively, which are included in Investment return, net in the nonoperating section of the consolidated statements of activities.

The liquidity of the College's investments are as follows at June 30:

	Fair Value	
Redemption Frequency	***2024***	***2023***
Daily	$ 210,474,742	$ 220,708,325
Weekly	22,993,756	16,816,090
Monthly	81,394,688	85,902,398
Quarterly	168,657,007	122,989,404
Illiquid	257,512,993	239,348,247
Total investments	**$ 741,033,186**	**$ 685,764,464**

The above table considers the notice periods in availing such funds. The College also has unfunded commitments to purchase investments of $101,728,754 and $95,799,985 at June 30, 2024 and 2023, respectively.

Management has no intentions or plans to liquidate any NAV practical expedient investments at other than NAV per share.

Note 5 - Land, Buildings, Equipment and Software

Land, buildings, equipment and software are as follows at June 30:

	2024	***2023***
Land	$ 1,600,545	$ 1,600,545
Land improvements	46,613,775	45,886,592
Buildings and improvements	473,049,667	447,071,565
Equipment and software	94,913,284	84,803,927
Construction in progress	23,966,049	9,589,424
	640,143,320	588,952,053
Less: Accumulated depreciation	(345,030,302)	(324,791,706)
	$ 295,113,018	**$ 264,160,347**

Note 5 - Land, Buildings, Equipment and Software (Continued)

Depreciation expense was $20,273,477 and $20,176,955 for the years ended June 30, 2024 and 2023, respectively. During the current year, the College disposed of one asset for $34,881 which resulted in a reduction in accumulated depreciation.

Construction in progress consists of costs associated with deferred maintenance and technology projects that have not been completed and placed in service as of year end. The College had approximately $19.8 million in contractual commitments on capital projects involving construction and renovation of certain facilities, equipment purchases, and land improvements at June 30, 2024.

The College capitalized interest of $771,174 and $297,860 during the years ended June 30, 2024 and 2023, respectively.

Construction costs of $18,547,475 and $8,436,887 at June 30, 2024 and 2023, respectively, were included in accounts payable and accrued expenses.

Note 6 - Interest Rate Swaps

The College had the following swaps outstanding at June 30:

2024

Notional Amount	Termination Date	Interest Rate Received	Interest Rate Paid	Fair Value
$ 18,225,000	10/1/2032	67% of 1 Month SOFR	4.089%	$ (942,224)
14,400,000	10/1/2031	1 Month SOFR	6.175%	(1,029,769)
$ 32,625,000				**$ (1,971,993)**

2023

Notional Amount	Termination Date	Interest Rate Received	Interest Rate Paid	Fair Value
$ 19,895,000	10/1/2032	67% of USD-LIBOR	4.089%	$ (1,316,541)
15,750,000	10/1/2031	USD-LIBOR	6.175%	(1,444,895)
$ 35,645,000				**$ (2,761,436)**

The swap agreements expire at the maturity of each bond and the notional principal amount will decrease as the bonds mature.

Note 6 - Interest Rate Swaps (Continued)

Interest rate swaps involve counterparty credit exposure and the counterparties for the swap agreements are major financial institutions that meet the College's criteria for financial stability and creditworthiness. The counterparties have performed in accordance with contract terms during both 2024 and 2023. The College entered into these agreements to manage the cash flows attributable to interest payments and does not use such instruments for speculative purposes.

The fair value of the swap agreements represents the estimated cost to the College to cancel the agreement as of the reporting date, and is based on option pricing models that consider risks and other market factors. If the valuation of the swap agreements exceeds certain thresholds, the College is required to post collateral for the amount of the excess. No collateral was required to be posted at June 30, 2024 and 2023.

Net settlements on swaps are recorded in interest expense.

The following table summarizes the College's derivative activity as presented in the consolidated financial statements as of June 30:

Derivatives not designated as hedging instruments	**Consolidated Statements of Activities Location**	***Fair Value of Derivatives 2024***	***Fair Value of Derivatives 2023***
Interest rate swap contracts	Unrealized gains on interest rate swap agreements	$ 789,443	$ 2,309,596
Net settlements	Operating expenses	(191,693)	(676,222)
	Net impact	**$ 597,750**	**$ 1,633,374**

Note 7 - Bonds Payable and Lines of Credit

Bonds payable are as follows at June 30:

	2024	***2023***
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2008A, bearing interest at variable rates based on SOFR (3.90% and 4.15% at June 30, 2024 and 2023, respectively) and due through 2032 (par value $36,475,000)	$ 18,420,000	$ 20,110,000
Revenue bonds payable to MDFA, Series 2008B, bearing interest at variable rates based on SOFR (5.33% and 5.10% at June 30, 2024 and 2023, respectively) and due through 2031 (par value $28,840,000)	14,550,000	15,915,000
Revenue bonds payable to MDFA, Series 2015A, bearing interest at fixed rates of 4.00% and 5.00% at June 30, 2024 and 2023, respectively, and due through 2035 (par value $23,285,000)	13,445,000	15,175,000
Revenue bonds payable to MDFA, Series 2017, bearing interest at fixed rates of 4.00% and 5.00% at June 30, 2024 and 2023, respectively, and due through 2047 (par value $33,000,000)	29,610,000	30,245,000
Revenue bonds payable to MDFA, Series 2022, bearing interest at fixed rates of 4.00% and 5.00% at June 30, 2024 and 2023, respectively, and due through 2045 (par value $52,010,000)	47,780,000	49,355,000
	123,805,000	130,800,000
Unamortized premium	15,518,330	16,729,698
Unamortized bond issuance costs	(1,222,810)	(1,292,047)
	$ 138,100,520	**$ 146,237,651**

Note 7 - Bonds Payable and Lines of Credit (Continued)

The bond agreements contain certain restrictive covenants which, among other restrictions, include a pledge of certain revenues for repayment, the maintenance of a minimum level of aggregate expendable funds and a maximum level of debt service.

Scheduled aggregate principal payments on bonds payable are as follows:

Fiscal Years	***Principal Amount***
2025	$ 7,345,000
2026	7,700,000
2027	7,940,000
2028	8,240,000
2029	7,115,000
Thereafter	85,465,000
	$ 123,805,000

The College's Series 2008A and 2008B variable-rate bonds are supported by a standby letter of credit agreement equal to the amount outstanding under an agreement that expires on October 15, 2026. The purpose of the letter of credit agreement is to provide liquidity assurance to investors in the event that the bonds do not remarket or otherwise perform which is a common structure that is designed to allow for a lower net cost to the borrower than otherwise would be available. In the event that the letter of credit is used to repurchase bonds that do not remarket, amounts are due in equal, semi-annual principal installments over a period ending no later than the letter of credit expiration date, which may be extended from time to time.

Interest expense, inclusive of amounts incurred relative to swaps and net of amounts capitalized, was $5,236,648 and $6,025,167 for the years ended June 30, 2024 and 2023, respectively.

The College also maintains an unsecured line of credit of $20M with a financial institution to support working capital and general needs of the College. This line automatically renews in June of each year on review by the lender together with the College being in compliance with the terms of the agreement. The College did not draw on the line of credit during the years ended June 30, 2024 or 2023 and the balance was $0 at June 30, 2024 and 2023.

Note 8 - Retirement Plans

Defined Contribution Plan

The College has a qualified defined contribution retirement plan organized under section 403(b) of the Internal Revenue Code for eligible full-time academic, administrative and service personnel as defined in the plan. Expenses under this plan were $9,205,308 and $8,231,633 for the years ended June 30, 2024 and 2023, respectively.

Deferred Compensation Plan

The College also has a non-qualified deferred compensation plan organized under section 457 of the Internal Revenue Code for a select group of management. This plan allows participants to defer a portion of their compensation until after employment termination. This plan does not currently provide for any employer contributions. Deferred amounts are invested at the direction of the participant via a third-party custodian and are included in prepaid expenses and other assets along with a corresponding liability that is recorded in accounts payable and accrued expenses reflecting the obligation to the employees. The total amount of deferred compensation included in the assets and liabilities of the College was $1,928,651 and $1,730,949 as of June 30, 2024 and 2023, respectively.

Note 9 - Lease Commitments

Lease Agreements as Lessee

The College leases equipment, computers and office facilities under operating leases expiring through July 2034. Certain leases pass through any changes in operating costs over the lease term.

The College is committed to minimum annual rent payments under these operating leases as follows:

Fiscal Years	
2025	$ 1,958,616
2026	1,163,866
2027	692,802
2028	374,856
2029	295,649
Thereafter	1,645,224
Total lease payments	6,131,013
Less: imputed interest	(622,955)
Total	**$ 5,508,058**

Note 9 - Lease Commitments (Continued)

Lease Agreements as Lessee (Continued)

Total lease expense amounted to $2,811,682 and $2,661,065 for the years ended June 30, 2024 and 2023, respectively.

As the rate implicit in the lease agreements is often not readily determinable, the College has elected to apply a risk-free rate, using the applicable treasury yield as of the implementation date when determining its right of use assets and obligations to record under its lease agreements.

The weighted average remaining lease term and discount rate for operating leases were as follows for the years ended June 30:

	2024	***2023***
Weighted average remaining lease term	5.59 years	2.69 years
Weighted average discount rate	3.20%	1.57%

Lease Agreements as Lessor

The College rents to third parties certain athletic facilities and land under operating lease agreements running through October 2059. The College receives the greater of the amount per the lease or, when applicable, higher amounts due to tenant sales.

Total future minimum payments to be received by the College under the noncancelable component of these leases are as follows at June 30:

Fiscal Years	
2025	$ 1,267,656
2026	1,192,656
2027	1,192,656
2028	1,192,656
2029	1,192,656
Thereafter	5,963,278
Total	**$ 12,001,558**

Rental income amounted to $1,820,733 and $2,394,434 for the years ended June 30, 2024 and 2023, respectively.

Note 10 - Babson College Endowment Funds and Net Assets

The College's endowment consists of approximately 330 individual funds which have been established over time for various purposes, including scholarships, chairs and professorships, facilities, athletics and other educational services. The College's endowment consists of both donor-restricted funds as well as board-designated endowment funds. The classification of funds is based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the tracking of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College tracks in perpetuity: (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment fund. Funds are subject to appropriation 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 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 policies of the College.

Spending Policies

The College employs an endowment spending policy that establishes the amount of investment return made available for expenditure each year. This amount is up to 5% of the previous 20 quarter average market value of the endowment as of June 30 of the preceding year, plus additional spending for endowment management, excluding amounts internally designated for use in Master Plan projects. The approved spending rate was 4.5% for the fiscal years ended June 30, 2024 and 2023. During 2023, the College returned a total of $4,115,000 of the original spending calculation, which resulted in an actual spending draw of 3.67%.

Underwater Endowment Funds

It is the College's policy to not spend from underwater endowments funds. Periodically, the fair value of individual endowment funds may fall below the original gift amount "corpus". Underwater funds are summarized as follows at June 30:

	2024	*2023*
Fair value	$ -	$ 8,182,936
Historic dollar value	-	8,390,256
Deficit of underwater endowment funds	**$ -**	**$ (207,320)**

Note 10 - Babson College Endowment Funds and Net Assets (Continued)

Return Objectives and Strategies for Achieving Objectives

The College has approved and adopted investment and endowment spending policies with the expectation of capital preservation of principal over time, while at the same time providing a dependable source of income for current operations and programs. 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). Total return with prudent investment management is the primary goal.

Endowment Net Asset Composition

Endowment net asset composition by type of funds are as follows for the years ended June 30:

	Fiscal Year 2024		
	Without Donor Restrictions	***With Donor Restrictions***	***Total***
Board-designated endowment funds			
Board-designated for unrestricted purposes	$ 106,618,608	$ -	$ 106,618,608
Board-designated for Master Plan projects	24,473,123	-	24,473,123
Board-designated for scholarships	8,218,135	-	8,218,135
Board-designated for Babson Global	9,809,937	-	9,809,937
Total board-designated endowment funds	149,119,803	-	149,119,803
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	197,909,206	197,909,206
Accumulated investment gains	88,511,101	304,771,048	393,282,149
Total donor-restricted endowment funds	88,511,101	502,680,254	591,191,355
Total endowment funds	**$ 237,630,904**	**$ 502,680,254**	**$ 740,311,158**

Note 10 - Babson College Endowment Funds and Net Assets (Continued)

Endowment Net Asset Composition (Continued)

	Fiscal Year 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds			
Board-designated for unrestricted purposes	$ 98,856,697	$ -	$ 98,856,697
Board-designated for Master Plan projects	24,473,123	-	24,473,123
Board-designated for capital deferred maintenance	4,000,000	-	4,000,000
Board-designated for scholarships	7,552,500	-	7,552,500
Board-designated for Babson Global	9,353,829	-	9,353,829
Total board-designated endowment funds	144,236,149	-	144,236,149
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	182,532,440	182,532,440
Accumulated investment gains	82,184,818	275,949,249	358,134,067
Total donor-restricted endowment funds	82,184,818	458,481,689	540,666,507
Total endowment funds	**$ 226,420,967**	**$ 458,481,689**	**$ 684,902,656**

Note 10 - Babson College Endowment Funds and Net Assets (Continued)

Endowment Net Asset Composition (Continued)

Changes in net assets are as follows for the years ended June 30:

	Fiscal Year 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2023	$ 226,420,967	$ 458,481,689	$ 684,902,656
Contributions received July 1, 2023 - June 30, 2024	-	15,093,456	15,093,456
Investment return	19,686,240	45,023,883	64,710,123
Appropriation of endowment assets pursuant to spend rate policy	(8,476,303)	(16,112,313)	(24,588,616)
Other changes			
Donor redesignations	-	193,539	193,539
Total other changes	-	193,539	193,539
Endowment net assets at June 30, 2024	237,630,904	502,680,254	740,311,158
Operating funds - Babson College	10,758,298	60,498,321	71,256,619
Board designated funds for strategic initiatives	5,658,229	-	5,658,229
Funding for facilities	130,258,990	1,604,714	131,863,704
Interest rate swap valuation	(1,971,993)	-	(1,971,993)
Babson Global	9,063,592	-	9,063,592
Other funds	-	43,448,991	43,448,991
Total net assets at June 30, 2024	**$ 391,398,020**	**$ 608,232,280**	**$ 999,630,300**

Note 10 - Babson College Endowment Funds and Net Assets (Continued)

Endowment Net Asset Composition (Continued)

	Fiscal Year 2023		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Endowment net assets at June 30, 2022	$ 224,703,394	$ 438,612,546	$ 663,315,940
Contributions received July 1, 2022 - June 30, 2023	-	12,653,399	12,653,399
Investment return	8,271,887	18,779,072	27,050,959
Appropriation of endowment assets pursuant to spend rate policy	(6,554,314)	(11,563,328)	(18,117,642)
Endowment net assets at June 30, 2023	226,420,967	458,481,689	684,902,656
Operating funds - Babson College	18,753,636	60,377,593	79,131,229
Funding for facilities	90,533,985	15,975,134	106,509,119
Interest rate swap valuation	(2,761,436)	-	(2,761,436)
Babson Global	8,794,838	48,875	8,843,713
Other funds	-	44,457,318	44,457,318
Total net assets at June 30, 2023	**$ 341,741,990**	**$ 579,340,609**	**$ 921,082,599**

Operating funds of the College consist primarily of nonendowed contribution receivables, unspent restricted gifts related to instruction and academic support, and cumulative unrestricted surpluses.

Note 10 - Babson College Endowment Funds and Net Assets (Continued)

The components of net assets with donor restriction by purpose are as follows at June 30:

	2024	*2023*
Donor-imposed restriction		
Capital construction and maintenance	$ 48,693,400	$ 57,803,323
Instruction and academic support	233,121,668	211,739,414
Scholarships and fellowships	153,047,080	140,799,918
Student Programs	30,185,508	27,881,611
Other	73,387,332	69,882,435
Annuity	258,640	222,332
	538,693,628	508,329,033
Contributions receivable, net (Note 3)	69,538,652	71,011,576
	$ 608,232,280	**$ 579,340,609**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the years ended June 30:

	2024	*2023*
Donor-imposed restriction		
Capital construction and maintenance	$ 20,964,250	$ 1,024,357
Instruction and academic support	12,615,439	10,529,316
Scholarships and fellowships	9,071,689	8,351,908
Student Programs	2,688,234	2,151,041
Other	7,165,622	4,799,843
	$ 52,505,234	**$ 26,856,465**

Note 11 - Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the College. Expenses reported by functional categories include allocations of costs for operation and maintenance of plant, interest on indebtedness and depreciation and amortization expense. The College allocates costs among the program and support functions by the amount of building space utilized based on square footage. Plant operations and maintenance related expenditures allocated across functional expense classifications amounted to $20,207,451 and $19,013,193 for the years ended June 30, 2024 and 2023, respectively. General and Administrative expenses, along with Fundraising expenses, are the components in the Institutional Support functional expense classification. Expenses by functional and natural classification were as follows for the years ended June 30:

	2024			
	Instruction, Academic Support and Student Services	***Auxiliary Activities***	***Institutional Support***	***Total Operating Expenses***
Salaries and wages	$ 88,290,396	$ 6,838,046	$ 26,496,233	$ 121,624,675
Benefits	23,784,881	1,861,224	6,950,790	32,596,895
Depreciation	7,390,477	11,898,986	984,014	20,273,477
Interest	1,908,964	3,073,513	254,171	5,236,648
Supplies, services, and other	39,557,235	25,162,922	15,438,088	80,158,245
	$ 160,931,953	**$ 48,834,691**	**$ 50,123,296**	**$ 259,889,940**

	2023			
	Instruction, Academic Support and Student Services	***Auxiliary Activities***	***Institutional Support***	***Total Operating Expenses***
Salaries and wages	$ 80,533,345	$ 6,160,501	$ 23,618,188	$ 110,312,034
Benefits	22,154,196	1,669,015	4,819,075	28,642,286
Depreciation	7,355,291	11,842,335	979,329	20,176,955
Interest	2,196,410	3,536,314	292,444	6,025,168
Supplies, services, and other	37,967,065	24,904,602	14,708,406	77,580,073
	$ 150,206,307	**$ 48,112,767**	**$ 44,417,442**	**$ 242,736,516**

Note 11 - Functional Expenses (Continued)

Fundraising and alumni relations expenses, which are included in institutional support expenses, were as follows for the years ended June 30:

	2024	*2023*
Fundraising	$ 8,951,698	$ 7,620,310
Alumni relations	3,059,345	3,654,718
	$ 12,011,043	**$ 11,275,028**

In addition to the direct fundraising costs shown above, bad debt expense for the uncollectible pledges was $1,218,333 and $589,919 for the years ended June 30, 2024 and 2023, respectively.

Note 12 - Commitments and Contingencies

The College has long-term agreements with certain third-party vendors. Agreements for food services and integrated facility management services will expire in fiscal year 2025. The agreement for bookstore operations expires in fiscal year 2029. These agreements include cancelation clauses with notice.

The College has certain key employee agreements common in the education sector. The College also has a tenure program for certain faculty.

The College participates in student financial aid programs sponsored by the DOE that are subject to after the fact revenue by funders.

The College participates in the Massachusetts Education Finance Authority program which allows participants to limit future price increases on tuition and fees. Such participation could result in future discounts to students to the extent participants enroll in the College.

From time to time, various claims and suits generally incident to the conduct of normal business are pending or may rise against the College. In the opinion of counsel and management of the College, losses, if any, from the resolution of pending litigation should not have a material effect on the College's financial position or results of operations.

Note 13 - Related Parties

The College may procure certain banking, investment management and construction services from business organizations that employ individuals that are also members of the College's Board of Trustees. The procurement of these services is performed in accordance with the College's established policies and procedures, and management and the Board of Trustees report and monitor related party transactions in accordance with a formally adopted Conflict of Interest Policy. Such transactions are as follows for the years ended June 30:

Company	***Babson Trustee Title***	***Services Rendered***	***Amount Paid***	
			2024	***2023***
Bank of America	President of Bank of America Business Capital	Letter of credit for variable bonds	$ 142,117	$ 157,547
Cottingham & Butler Insurance Services, Inc.	Executive Chairman	Property & Internet Liability Insurance	$ 726,739	$ -

Note 14 - Babson Global

Babson Global has a Technical Academic Services Agreement and a Name and Intellectual Property (IP) Agreement that runs through 2027 with Lockheed Martin Corporation and EMAAR, The Economic City, to work together in furtherance of the establishment, development and operation of an institution of higher education in the King Abdullah Economic City in the Kingdom of Saudi Arabia focusing on entrepreneurship (the “New College”). These agreements will result in Babson Global receiving approximately $52.2 million over a period of time beginning in 2014 and for ten years after the opening date of the school on September 10, 2017, for the use of Babson IP, Academic Development Services, and Technical Academic Services. In addition, there was a gift agreement entered into between Babson Global and Lockheed Martin totaling $20 million to establish a Center for Entrepreneurial Leadership in the Kingdom of Saudi Arabia.

Total programmatic revenues associated with Babson Global amounted to approximately $4.1M for the years ended June 30, 2024 and 2023.

The College holds approximately $6,500,000 of board-designated endowment corpus on behalf of Babson Global in accordance with its policies and procedures governing the investment, management and distribution of these funds. The agreement may be terminated by either the College or Babson Global should either party fail to perform their obligations under the contract.

Note 15 - Liquidity and Availability

The College regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents, working capital investments and marketable debt and equity securities within its investment portfolio and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12 month period, the College considers all expenditures related to its ongoing activities of teaching as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, the College operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures that are not covered by donor designated resources.

The following table depicts the amount of financial assets that could be made readily available within one year of the consolidated statements of financial position date to meet general expenditures at June 30:

	2024	***2023***
Total assets at year end	$ 1,219,019,289	$ 1,127,524,372
Less:		
Accounts and loans receivable due in more than one year	(278,822)	(467,227)
Contributions receivable due in more than one year	(64,857,435)	(65,200,209)
Donor-restricted endowment funds	(502,680,254)	(458,481,689)
Board-designated endowment funds	(237,630,904)	(226,420,967)
Certain prepaid expenses and other assets	(5,114,051)	(4,578,862)
Bond deposits with trustee	(4,406,436)	(4,149,515)
Right of use assets - operating	(5,405,906)	(4,254,992)
Working capital investments	(15,068,557)	(4,190,720)
Land, buildings, equipment and software, net	(295,113,018)	(264,160,347)
Plus:		
Endowment spending allocation for upcoming year	27,198,679	24,588,616
Total financial assets available for general expenditure within one year	**$ 115,662,585**	**$ 120,208,460**

A board-designated endowment (other than amounts appropriated per the Board's annual spending rate approval) could be made available if necessary.