Babson College

Consolidated Financial Statements
June 30, 2013 and 2012

Babson College
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June 30, 2013 and 2012

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Independent Auditor's Report

To the Board of Trustees of
Babson College:

We have audited the accompanying consolidated financial statements of Babson College (the "College"), which comprise the consolidated statement of financial position as of June 30, 2013 and the related consolidated statement of activities, and consolidated statement of cash flows for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Babson College at June 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have previously audited Babson College's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

October 19, 2013

Babson College
Consolidated Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	$ 41,514,220	$ 37,165,785
Short-term investments	10,000,005	12,450,000
Accounts receivable, net of allowance of $526,096 and $780,347 at June 30, 2013 and 2012, respectively	5,565,533	4,758,432
Prepaid expenses and other assets	4,522,467	4,615,678
Contributions receivable, net	30,535,030	31,203,356
Loans receivable, net of allowance of $591,000 and $541,000 at June 30, 2013 and 2012, respectively	3,680,528	3,729,104
Bond deposits with trustee	2,640,339	2,572,168
Investments, at fair value	275,519,968	239,492,137
Land, buildings, equipment and software, net	126,374,507	128,614,498
Total assets	$ 500,352,597	$ 464,601,158
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 16,457,384	$ 14,832,616
Deposits and advance payments	13,798,905	12,720,677
Government advances for student loans	3,102,348	3,038,036
Interest rate swap liability	14,510,280	20,101,581
Bonds payable, net	106,241,227	110,992,663
Total liabilities	154,110,144	161,685,573
Net assets		
Unrestricted	145,004,129	116,409,426
Temporarily restricted	101,901,919	89,183,536
Permanently restricted	99,336,405	97,322,623
Total net assets	346,242,453	302,915,585
Total liabilities and net assets	$ 500,352,597	$ 464,601,158

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

Babson College
Consolidated Statement of Activities
Year Ended June 30, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating activities					
Operating revenues and support					
Tuition and fees	$ 141,235,530	$ -	$ -	$ 141,235,530	$ 135,853,003
Less: Student aid	(32,248,389)	-	-	(32,248,389)	(30,121,300)
Net tuition and fees	108,987,141	-	-	108,987,141	105,731,703
Room and board	23,044,455	-	-	23,044,455	22,429,729
Educational programs	3,518,373	-	-	3,518,373	2,535,233
Noneducation programs and auxiliary activities	25,024,696	-	-	25,024,696	21,475,060
Total program service fees	160,574,665	-	-	160,574,665	152,171,725
Contributions and grants	2,811,318	-	-	2,811,318	3,379,407
Investment income used in operations	180,749	-	-	180,749	228,416
Endowment spending used in operations	6,887,171	-	-	6,887,171	6,804,025
Net assets released from restrictions	7,193,336	-	-	7,193,336	7,507,816
Total operating revenues and support	177,647,239	-	-	177,647,239	170,091,389
Operating expenses					
Instruction	47,289,859	-	-	47,289,859	46,333,179
Academic support	27,342,251	-	-	27,342,251	26,897,843
Student services	24,580,123	-	-	24,580,123	22,462,912
Auxiliary activities	41,122,735	-	-	41,122,735	41,522,929
Institutional support	26,934,269	-	-	26,934,269	24,070,169
Total operating expenses	167,269,237	-	-	167,269,237	161,287,032
Increase in net assets from operations	10,378,002	-	-	10,378,002	8,804,357
Nonoperating activities					
Contributions and grants	-	6,268,849	2,197,335	8,466,184	18,668,651
Net assets released from restrictions	6,827,886	(13,564,150)	(457,072)	(7,193,336)	(7,507,816)
Reclassifications	(100,000)	-	100,000	-	-
Unrealized gains (losses) on interest rate swap agreements	5,591,301	-	-	5,591,301	(6,382,735)
Endowment spending available for capital projects	2,500,000	-	-	2,500,000	2,892,000
Net loss on financing activities	-	-	-	-	(352,251)
Other nonoperating net revenue (expense)	42,141	-	-	42,141	(391,146)
	14,861,328	(7,295,301)	1,840,263	9,406,290	6,926,703
Investment return					
Realized and unrealized net gains (losses)	11,456,382	17,976,549	173,519	29,606,450	(3,882,053)
Interest and dividend income	1,602,301	2,037,135	-	3,639,436	2,303,185
Investment consultant fees	(316,139)	-	-	(316,139)	(265,265)
Net total investment return	12,742,544	20,013,684	173,519	32,929,747	(1,844,133)
Less: Endowment spending draw	(9,387,171)	-	-	(9,387,171)	(9,696,025)
Total nonoperating activities	18,216,701	12,718,383	2,013,782	32,948,866	(4,613,455)
Total increase in net assets	28,594,703	12,718,383	2,013,782	43,326,868	4,190,902
Net assets					
Beginning of year	116,409,426	89,183,536	97,322,623	302,915,585	298,724,683
End of year	$ 145,004,129	$ 101,901,919	$ 99,336,405	$ 346,242,453	$ 302,915,585

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

Babson College
Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Net tuition and fees received	$ 131,698,265	$ 131,084,374
Other educational and noneducational receipts	29,193,077	21,480,370
Contributions and grants received, net of amounts restricted for long-term purposes	8,967,602	10,355,608
Interest and dividends received	4,042,967	2,240,733
Payments to employees and suppliers	(151,265,023)	(148,662,392)
Interest paid	(2,335,614)	(2,430,391)
Net cash provided by operating activities	20,301,274	14,068,302
Cash flows from investing activities		
Purchases of investments	(35,556,550)	(109,334,051)
Sales of investments	32,037,622	108,135,855
Transfers from bond deposits with trustee, net	(68,171)	(75,287)
Acquisition and construction of property and equipment	(6,075,640)	(7,222,170)
Student loans repaid	699,655	692,337
Student loans issued	(704,679)	(584,039)
Net cash used in investing activities	(9,667,763)	(8,387,355)
Cash flows from financing activities		
Payment of bond issuance costs	(35,750)	(259,205)
Repayments of bonds and notes	(4,640,000)	(18,259,407)
Proceeds from bonds payable	-	14,518,050
Payments on split interest agreements	(322,494)	(306,651)
Increase for refundable U.S. government grants	64,312	17,633
Permanently restricted contributions	1,523,753	7,981,762
Payments on swap contracts	(2,874,897)	(2,957,968)
Net cash (used in) provided by financing activities	(6,285,076)	734,214
Net increase in cash and cash equivalents	4,348,435	6,415,161
Cash and cash equivalents		
Beginning of year	37,165,785	30,750,624
End of year	$ 41,514,220	$ 37,165,785
Reconciliation of increase in net assets to net cash provided by operating activities		
Cash flows from operating activities		
Increase in net assets	$ 43,326,868	$ 4,190,902
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Realized and unrealized net (gains) losses on investments	(29,388,222)	3,848,755
Depreciation and amortization	9,999,364	9,946,175
Permanently restricted contributions	(1,523,753)	(7,981,762)
Decrease (increase) in contributions receivable	308,261	(758,997)
Increase in allowance for uncollectible pledges	360,065	189,000
(Decrease) increase in interest rate swap liability	(5,591,301)	6,382,735
Payments on interest rate swap contracts	2,874,897	2,957,968
Changes in working capital assets and liabilities, net	(64,905)	(4,706,474)
Net cash provided by operating activities	$ 20,301,274	$ 14,068,302

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

1. Organization

Founded in 1919 and located in Wellesley, Massachusetts, Babson College (the "College") enrolls approximately 2,000 undergraduate and 1,200 graduate students from the United States and more than 70 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.

Babson Global, Inc. ("Babson Global") is a 501(c)3 supporting organization of the College. Babson Global was created to carry out certain educational purposes of the College and to advance and support the educational objectives of the College by providing consulting, technical services and educational products to organizations.

2. Summary of Significant Accounting Policies

Basis of Consolidation
The accompanying consolidated financial statements include the accounts of the College and its wholly owned subsidiary, Babson Global. All significant inter-entity balances and transactions have been eliminated in consolidation.

Basis of Presentation
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting with net assets, revenues, gains and losses classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets
Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the College. The donors of these assets generally permit the College to use all or part of the related investment income and appreciation earned for general or specific purposes.

Temporarily Restricted Net Assets
Net assets subject to donor-imposed stipulations, or law, that may or will be met by actions of the College and/or the passage of time.

Unrestricted Net Assets
Net assets not subject to donor-imposed stipulations which the College may use at its discretion.

The College has defined its primary activities as operating and nonoperating. Operating activities consist primarily of activities supporting the educational mission and purpose of the College. Nonoperating activities represent transactions of a capital and investing nature including realized and unrealized gains on investments that are invested by the College to generate a return that will support operations, endowment gifts, gifts restricted to future periods, capital gifts, unrealized gains and losses on interest rate swap agreements, endowment spending for capital projects, and net loss on financing activities.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions, including time restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets are reported as released from restriction. Expirations of temporary restrictions occur when donor-imposed stipulated purposes have been accomplished and/or the stipulated time period has elapsed. If an expense is incurred for a purpose for which both unrestricted and temporarily restricted net assets are available, a donor-imposed restriction is fulfilled to the extent of the expense incurred unless the expense is for a purpose that is directly attributable to another specific external source of revenue. Changes or clarifications to donor-imposed restrictions subsequent to the period of contribution are reported as reclassifications within the appropriate net asset classes.

Contributions
Contributions are recognized as revenues in the period received or when an unconditional promise to give has been made. Contributions and investment income subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted revenues. Unconditional promises to give with due dates scheduled after the statement of financial position date are shown as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions involved. Temporarily restricted net assets are released to unrestricted net assets when the related purpose and/or time restrictions are met. 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 at the date of the gift. Contributions scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the 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, past due amounts and the nature of fund-raising activity.

The College reports contributions of land, buildings or equipment as unrestricted support unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire or construct long-lived assets are reported as unrestricted support to the extent the funds have been expended for the stipulated acquisition or construction; otherwise, the contributions are reported as temporarily restricted support.

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.

Dividends, Interest and Net Gains (Losses)
Dividends, interest and net gains (losses) on investments are reported as follows:

- As increases or decreases in permanently restricted net assets if the terms of the underlying gift require that they be added to the principal of a permanent endowment fund;

- As increases or decreases in temporarily restricted net assets if the terms of the underlying gift or relevant state law impose restrictions on the current use of the income or net gains; and

- As increases or decreases in unrestricted net assets in all other cases.

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 Fund as of June 30 of the preceding year, plus additional spending for endowment management. The approved spending rates were 4.5% and 4.75% for fiscal years ending June 30, 2013 and 2012, respectively. Investment return earned in excess of the amount distributed annually is reinvested in the fund, but can be distributed in future years in accordance with the endowment spending policy.

During fiscal year 2013 and 2012, the College's Board voted to designate the unrestricted portion of the endowment draw for future capital expenditure. These amounts, $2,500,000 and $2,892,000, respectively, are included within the endowment spending available for capital projects in the consolidated statement of activities for the year ended June 30, 2013 and 2012.

Cash and Cash Equivalents
Operating cash invested with original maturities of less than three months at the date of purchase are considered cash equivalents. The College may use cash to post collateral related to interest rate swap agreements with an investment banker. Any cash posted as collateral is not available for use (Note 7). A total of $0 and $2,101,348 was posted as collateral as of June 30, 2013 and 2012, respectively.

Short-Term Investments
Operating cash invested with original maturities of three months or greater to one year at the date of purchase are classified as short-term investments. At June 30, 2013 and 2012, the balance represents certificate of deposits held with financial institutions.

Investments
The College's investments are recorded at fair value. The fair value of publicly-traded fixed income and equity securities is based upon quoted market prices and exchange rates, if applicable. In addition, the College invests in certain limited partnerships where the value of the investment is based on the fair value of the underlying investments within these partnerships. The funds are reported as equity, fixed income or alternative investments based on the nature of the underlying investments.

Fair values for certain private equity investments held through limited partnerships and alternative investments are estimated by the respective external investment managers if market values are not readily ascertainable. These valuations necessarily involve assumptions and methods that are reviewed by the College's Investment Committee. Because the investments in private equity investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a market for such investments existed.

Purchases and sales of investments are recorded on the trade date. The gain or loss on the sale of investments is determined using average cost.

See Note 4 for additional fair value disclosures.

See Note 16 for endowment disclosure in accordance with an act providing for the Uniform Prudent Management of Institutional Funds ("UPMIFA").

Derivative Instruments

The College accounts for its interest rate swap agreements in accordance with *Accounting for Derivative Instruments and Hedging Activities*. Fair values of interest rate swap agreements are the estimated amounts that the College would have received or paid, including accrued interest, to terminate the agreements on the date of the statements of financial position, taking into account the creditworthiness of the underlying party. The estimated fair values of the agreements are recorded as assets or liabilities within the consolidated statements of financial position. Changes in the estimated fair values are recorded in the consolidated statement of activities.

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 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 estimatable useful life is not capitalized.

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

	Years
Buildings	40 to 50
Building improvements	10 to 25
Land improvements	10 to 50
Equipment and software	3 to 10

Deposits and Advance Payments

Student and participant reservation deposits, along with advance payments for tuition and room and board, have been deferred and will be recorded as revenues in the year in which the sessions and services are completed.

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 straight-line method to amortize the bond discounts/premiums and origination costs. This approximates the effective interest method. Unamortized bond discounts/premiums are included in bonds payable, net and unamortized origination costs are included in prepaid expenses and other assets.

Functional Reporting of Expenses

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

Student Aid

Tuition revenues are reported net of the discount attributable to reductions in amounts charged to students, either as unrestricted College financial aid, reductions from endowment funds, restricted specific-purpose gifts, or government grants awarded to students by the College.

Fair Value of Financial Instruments
The estimated fair values of the College's financial instruments have been determined, where practicable, by using appropriate valuation methodologies. The College has further determined that the carrying values of its financial assets and liabilities, other than bonds payable, approximate fair value. See Note 6.

Related Parties
The College may procure certain banking, legal, investment management and human resources 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.

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).

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") 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 from these estimates.

Summarized Comparative Information
The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2012, from which the summarized information is derived.

Reclassifications
Certain 2012 financial information has been reclassified to conform with the 2013 presentation.

Conditional Asset Retirement Obligations
Accounting for Conditional Asset Retirement Obligations defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The obligation to perform the asset retirement activity is unconditional, and accordingly, a liability should be recognized. Management provides reasonable estimates of certain known retirement obligations.

As of June 30, 2013, $39,010 of asset retirement costs, net of accumulated depreciation, has been included in property, plant and equipment and $957,812 of conditional retirement asset obligations are included within accounts payable and accrued expenses in the consolidated statements of financial position.

3. Contributions Receivable

Contributions receivable consisted of the following at June 30, 2013 and 2012:

	2013			2012		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Donor-imposed restrictions						
Capital construction and maintenance	$ 121,500	$ 300,000	$ 421,500	$ 169,516	$ 400,873	$ 570,389
Scholarships and fellowships	5,760,377	3,001,001	8,761,378	6,908,489	3,231,760	10,140,249
Instruction and academic support	14,139,021	1,581,704	15,720,725	14,904,004	1,765,704	16,669,708
Student programs	194,550	2,318,182	2,512,732	261,883	2,670,890	2,932,773
Other	6,052,304	4,509,620	10,561,924	5,174,926	3,535,683	8,710,609
	$ 26,267,752	$ 11,710,507	$ 37,978,259	$ 27,418,818	$ 11,604,910	$ 39,023,728

	2013			2012		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Unconditional promises due within						
Less than one year	$ 8,678,253	$ 4,056,010	$ 12,734,263	$ 6,966,975	$ 3,005,865	$ 9,972,840
One year to five years	10,790,674	3,120,787	13,911,461	12,942,669	3,928,855	16,871,524
More than five years	6,798,825	4,533,710	11,332,535	7,509,174	4,670,190	12,179,364
	26,267,752	11,710,507	37,978,259	27,418,818	11,604,910	39,023,728
Less						
Unamortized discount	(2,791,278)	(1,110,886)	(3,902,164)	(3,295,360)	(1,344,012)	(4,639,372)
Allowance for uncollectibles	(1,799,370)	(1,741,695)	(3,541,065)	(1,388,000)	(1,793,000)	(3,181,000)
	$ 21,677,104	$ 8,857,926	$ 30,535,030	$ 22,735,458	$ 8,467,898	$ 31,203,356

See Note 8 for rationale behind movement between permanently and temporarily restricted net assets in the years ended June 30, 2013 and 2012.

In addition, at June 30, 2013 and 2012, the College had $303,366 and $4,204,195, respectively, of conditional promises from donors that are not recognized as assets in the consolidated statements of financial position. These conditional promises consisted of pledges and matching pledges for scholarships, professorships, endowment and other purposes.

Also, at June 30, 2013, the College is named the beneficiary of several charitable remainder trusts which, because of their terms, have not been recognized as assets in the consolidated statement of financial position. As the benefits from these trusts are shared with the donor or a designated beneficiary, the College will recognize gift revenue only after the amount of beneficial interest is known and estimable after considering the trusts' obligations to other beneficiaries.

4. Investments

Investments, stated at fair value, consisted of the following at June 30:

	2013	2012
Equity securities and funds	$ 125,577,133	$ 107,823,442
Fixed income securities and funds	58,077,918	55,721,713
Alternative investments		
Hedge funds	58,506,140	51,030,329
Private equity and venture capital funds	30,188,364	22,056,265
Real estate funds	3,170,413	2,860,388
	$ 275,519,968	$ 239,492,137

Equity securities and funds includes $101,136 and $0 of unsettled trades at June 30, 2013 and 2012, respectively.

The College incurred investment management fees of $2,412,169 and $2,050,199 during the years ended June 30, 2013 and 2012, respectively. These fees are reported as a reduction of investment earnings. In addition, the College incurred investment consulting fees of $316,139 and $265,265 during the years ended June 30, 2013 and 2012, respectively, that are reported as a separate component of expenses.

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

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

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

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

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

The following tables present the financial instruments carried at fair value as of June 30, 2013 and 2012, by caption on the consolidated statement of financial position and by the fair value valuation hierarchy defined above:

Type	Fair Value as of June 30, 2013 Level 1	Level 2	Level 3	Total
Investments				
Equity securities and funds	$ 38,611,986	$ 86,965,147	$ -	$ 125,577,133
Fixed income securities and funds	46,312,678	11,747,240	18,000	58,077,918
Hedge funds	-	41,134,696	17,371,444	58,506,140
Private equity and venture capital funds	-	-	30,188,364	30,188,364
Real estate funds	-	3,170,413	-	3,170,413
Investment totals	$ 84,924,664	$ 143,017,496	$ 47,577,808	$ 275,519,968
Liabilities				
Interest rate swaps	$ -	$ 14,510,280	$ -	$ 14,510,280

Type	Fair Value as of June 30, 2012 Level 1	Level 2	Level 3	Total
Investments				
Equity securities and funds	$ 35,129,290	$ 72,694,152	$ -	$ 107,823,442
Fixed income securities and funds	43,849,659	11,850,054	22,000	55,721,713
Hedge funds	-	37,143,778	13,886,551	51,030,329
Private equity and venture capital funds	-	-	22,056,265	22,056,265
Real estate funds	-	2,860,388	-	2,860,388
Investment totals	$ 78,978,949	$ 124,548,372	$ 35,964,816	$ 239,492,137
Liabilities				
Interest rate swaps	$ -	$ 20,101,581	$ -	$ 20,101,581

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy during the year.

The tables below present rollforwards of investments classified by the College within Level 3 of the fair value hierarchy at June 30, 2013 and 2012:

Rollforward of Investments Classified as Level 3 as of June 30, 2013

	Value at July 1, 2012	Realized Gains	Unrealized Gains	Interest & Dividends Net	Purchases	Sales	Value at June 30, 2013
Fixed income securities and funds	$ 22,000	$ -	$ -	$ -	$ -	$ (4,000)	$ 18,000
Hedge funds	13,886,551	-	3,690,462	(205,569)	-	-	17,371,444
Private equity and venture capital funds	22,056,265	899,622	2,401,494	(102,100)	8,405,019	(3,471,936)	30,188,364
Real estate funds	-	-	-	-	-	-	-
	$ 35,964,816	$ 899,622	$ 6,091,956	$ (307,669)	$ 8,405,019	$ (3,475,936)	$ 47,577,808

Rollforward of Investments Classified as Level 3 as of June 30, 2012

	Value at July 1, 2011	Realized Gains	Unrealized Gains (Losses)	Interest & Dividends Net	Purchases	Sales	Value at June 30, 2012
Fixed income securities and funds	$ 24,000	$ -	$ -	$ -	$ -	$ (2,000)	$ 22,000
Hedge funds	8,159,208	-	385,582	(158,239)	5,500,000	-	13,886,551
Private equity and venture capital funds	14,424,361	410,051	462,158	(113,901)	9,730,959	(2,857,363)	22,056,265
Real estate funds	-	-	-	-	-	-	-
	$ 22,607,569	$ 410,051	$ 847,740	$ (272,140)	$ 15,230,959	$ (2,859,363)	$ 35,964,816

The net unrealized gain on Level 3 investments held at June 30, 2013 that were also held at June 30, 2012 was $5,714,823.

Investments included in Level 3 consist primarily of investments held through limited partnerships. The value of these investments represent the ownership interest in net asset value (“NAV”) of the respective partnership. The fair values (NAV) of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The College has performed significant due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30. The College has assessed factors including, but not limited to, managers’ compliance with the *Fair Value Measurement* standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date and existence of certain redemption restrictions at the measurement date.

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

The following tables present liquidity information for the investments carried at fair value at June 30, 2013 and 2012, respectively:

	Investments Asset Value as of June 30, 2013			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Notice Period**
Investment type				
Equity securities and funds	$ 125,577,133	$ -	Daily - Quarterly	3-60 Days
Fixed income securities and funds	58,077,918	-	Daily - Monthly	3-30 Days
Hedge funds	58,506,140	-	Quarterly - Annually	45-180 Days
Private equity and venture capital funds	30,188,364	33,455,696	N/A	N/A
Real estate funds	3,170,413	-	Quarterly	90 Days
	$ 275,519,968	$ 33,455,696		

Included within Hedge Funds are approximately $5.5 million of investments with a 3 year “lockup” expiring July 31, 2014.

5. Land, Buildings, Equipment and Software

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

	2013	**2012**
Land	$ 489,673	$ 489,673
Land improvements	31,664,611	31,664,611
Buildings and improvements	256,927,485	252,783,603
Equipment and software	35,390,387	33,209,394
Construction in progress	2,698,474	1,152,540
	327,170,630	319,299,821
Less: Accumulated depreciation	(200,796,123)	(190,685,323)
	$ 126,374,507	$ 128,614,498

Depreciation expense was $10,110,800 and $10,057,610 for the years ended June 30, 2013 and 2012, respectively.

During the years ended June 30, 2013 and 2012, the College capitalized interest of $80,416 and $52,366, respectively.

At June 30, 2013 and 2012, construction costs of $2,044,204 and $393,974, respectively, were included in the accounts payable and accrued expenses balance.

6. Bonds Payable

Bonds payable consisted of the following at June 30:

	2013	2012
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2005A, bearing interest at a fixed rate of 4.00% to 5.00% and due through 2035	$ 16,075,000	$ 17,130,000
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2007A, bearing interest at a fixed rate of 4.25% to 5.00% and due through 2027	16,995,000	17,745,000
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2008A, bearing interest at variable rates (0.05% at June 30, 2013) and due through 2032	33,380,000	34,500,000
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2008B, bearing interest at variable rates (0.13% at June 30, 2013) and due through 2031	26,415,000	27,230,000
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2011, bearing interest at fixed rate of 3.00% to 5.00% and due through 2025	11,775,000	12,675,000
	104,640,000	109,280,000
Unamortized premium	1,601,227	1,712,663
	$ 106,241,227	$ 110,992,663

During fiscal year 2012, the College completed a refunding, at par, of the entire outstanding amount of the MIFA, Series 1998A bonds, with a new issue MDFA, Series 2011 bonds. Management estimates that the refinancing resulted in a present value savings of approximately $990,000, however, did not materially change the scheduled bond maturities from the previous bond issue. The College recorded a loss on refunding of this debt of $352,251 related to unamortized discount and bond issue costs. This loss is included within the net loss on financing activities in the consolidated statement of activities for the year ended June 30, 2012.

The estimated fair value of the College's debt was $106,938,230 and $112,892,365 at June 30, 2013 and 2012, respectively. The fair value of the College's outstanding fixed rate long term debt has been estimated based on discounting the remaining cash flows for each individual fixed rate debt issue at a rate that reflects current market borrowing rates for issuers of comparable credit quality and for debt instruments with comparable structure and terms. The estimated fair value is based on Level 2 inputs. For the College's variable rate long term debt, the carrying value is equal to the fair value.

The bond agreements contain certain restrictive covenants which, among other restrictions, require the pledge of certain revenues as collateral for repayment, the maintenance of a minimum level of aggregate expendable funds and a maximum level of debt service. In addition, for certain bonds, the College is required to maintain deposits with an outside trustee for the purpose of meeting scheduled debt service requirements of the respective outstanding bonds until they become due.

Bond deposits with trustee as of June 30, 2013 and 2012 were $2,640,339 and $2,572,168, respectively, which represent funds held to pay debt service. Scheduled aggregate principal payments on bonds payable are as follows:

Fiscal Years	Principal Amount
2014	$ 4,730,000
2015	4,945,000
2016	5,195,000
2017	4,510,000
2018	4,770,000
Thereafter	80,490,000
	$ 104,640,000

In the event that the College receives notice of any optional tender on its Series 2008A and 2008B variable-rate bonds, or if these bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the College will be obligated to purchase the bonds tendered and has secured a standby letter-of-credit for an amount up to an aggregate of $59,795,000. The repayment schedule under the letter-of-credit commences on the first day of the quarter subsequent to the borrowing and requires 40 quarterly equal payments. The amounts noted above in the schedule of maturities would be adjusted if the maximum amount of the letter of credit were utilized. The letter of credit expires on March 1, 2016.

Drawings on the letter of credit for bonds tendered that are not remarketed are payable in 40 equal, quarterly principal installments over a period ending no later than the letter of credit expiration date, which may be extended from time to time. Based on the existing repayment and maturity terms of the underlying letters of credit, the maximum principal payments under the variable-rate bonds related letters of credit, given 40 quarterly payments, would be as follows: $4,484,625 in fiscal year 2014, $5,979,500 in 2015, $5,979,500 in 2016, $5,979,500 in 2017, $5,979,500 in 2018, and $31,392,375 thereafter.

Interest expense was $4,952,170 and $5,263,378 for the years ended June 30, 2013 and 2012, respectively.

7. Interest Rate Swaps

The College has two interest rate swap agreements with financial institution counterparties. The purpose of the agreements is to effectively convert the variable rates on both the MDFA, Series 2008A and Series 2008B Revenue Bonds to fixed rates of 4.089% and 6.175%, respectively. The swap agreements expire at the maturity of each bond and the notional principal amount will decrease as the bonds mature.

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in the instrument, as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. Certain of the interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore classified within Level 2.

Although these financial instruments involve counterparty credit exposure, the counterparties for the agreements are major financial institutions that meet the College's criteria for financial stability and creditworthiness at June 30, 2013. 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 swap agreements' fair value and changes therein, are reported in the consolidated financial statements. The fair value of the swap agreements represent 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. At June 30, 2013, no collateral was required to be posted. At June 30, 2012, a total of $2,101,348 collateral was posted.

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

Fair Values of Derivative Instruments on the Consolidated Statements of Financial Position

Derivatives not designated as hedging instruments	Consolidated Statements of Position Location	Fair Value of Derivatives 2013	Fair Value of Derivatives 2012
Interest rate swap contracts	Interest rate swap liability	$ 14,510,280	$ 20,101,581

Effect of Derivative Instruments on the Consolidated Statement of Activities

Derivatives not designated as hedging instruments	Consolidated Statement of Activities Location	Fair Value of Derivatives 2013	Fair Value of Derivatives 2012
Interest rate swap contracts	Unrealized gains (losses) on interest rate swap agreements	$ 5,591,301	$ (6,382,735)
	Less: Operating expenses	(2,874,897)	(2,957,968)
	Net impact	$ 2,716,404	$ (9,340,703)

Activity reflected in operating expenses is monthly swap payments to counterparties. The payments are allocated across each operating expense line item.

Interest rate swap contracts open at June 30, 2013 and 2012 accounted for all swap activity for the year.

8. Restricted Net Assets

Restricted net assets consisted of the following at June 30:

	2013		2012	
	Temporarily Restricted	**Permanently Restricted**	**Temporarily Restricted**	**Permanently Restricted**
Donor stipulations				
Capital construction and maintenance	$ 8,677,275	$ 7,506,310	$ 7,319,972	$ 7,400,407
Instruction and academic support	37,048,458	46,918,705	30,159,608	46,684,874
Scholarships and fellowships	27,701,843	22,274,264	23,110,985	22,165,060
Other	6,884,450	13,724,976	5,856,804	12,510,914
Annuity	(87,211)	54,224	709	93,470
	80,224,815	90,478,479	66,448,078	88,854,725
Contributions receivable, net (Note 3)	21,677,104	8,857,926	22,735,458	8,467,898
	$ 101,901,919	$ 99,336,405	$ 89,183,536	$ 97,322,623

For the years ended June 30, 2013 and 2012, there were reclassifications between unrestricted, temporarily and permanently restricted net assets resulting from donor changes to original restrictions. The net impact of these changes was a decrease in unrestricted net assets of ($100,000) and an increase in permanently restricted net assets of $100,000 in the year ended June 30, 2013. The net impact of these changes was a decrease in temporarily restricted net assets of ($509,511) and an increase in permanently restricted net assets of $509,511 in the year ended June 30, 2012.

9. Net Assets Released From Restrictions

Net assets released from temporary 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:

	2013	**2012**
Capital construction and maintenance	$ 482,094	$ 248,529
Instruction and academic support	5,807,825	5,147,313
Scholarships and fellowships	3,463,464	2,853,353
Other	3,810,767	5,335,274
	$ 13,564,150	$ 13,584,469

10. Fund-Raising and Alumni Relations Expenses

Fund-raising and alumni relations expenses, which are included in institutional support expenses, and other nonoperating net revenue (expense) were as follows for the years ended June 30:

	2013	2012
Fund-raising	$ 3,845,000	$ 3,058,193
Alumni relations	1,728,893	1,931,582
	$ 5,573,893	$ 4,989,775

In addition to the direct fundraising costs shown above, bad debt expense for the uncollectible pledges was $995,809 and $286,375 for the years ended June 30, 2013 and 2012, respectively.

11. Retirement Plans

Defined Contribution Plan
The College has a defined contribution retirement plan for eligible full-time academic, administrative and service personnel. This plan is designed in accordance with the provisions of section 403(b) of the Internal Revenue Code. The College's expense under this plan was $5,779,493 and $5,052,091 as of June 30, 2013 and 2012, respectively. The College has no liability for benefits paid under this plan.

Deferred Compensation Plan
The College has a deferred compensation plan for a select group of management which is designed in accordance with the provisions of Section 457 of the Internal Revenue Code. This plan allows participants to defer a portion of their compensation until after employment termination. This plan does not currently provide for any employer matching of amounts deferred by employees. Deferred amounts are invested with a third-party administrator and included in prepaid expenses and other assets of the College. A corresponding liability is recorded in accounts payable and accrued expenses reflecting the College's obligation to the employees. The total amount of deferred compensation included in the assets and liabilities of the College was $920,261 and $692,289 as of June 30, 2013 and 2012, respectively.

12. Loans Receivable and Credit Loss Disclosures

Loans receivable are the result of loans to students of funds advanced to the College by the U.S. government under the Federal Perkins Loan Program (the "Program"). Such funds are reloaned by the College after collection, but in the event that the College no longer participates in the Program, the amounts are generally refundable to the federal government. The federal government's portion of these student loans at June 30, 2013 and 2012 was $3,102,348 and $3,038,036, respectively. Loans receivable under the Program are subject to significant restrictions. Accordingly, it is not practicable to determine the fair value of such amounts.

The College records an allowance for doubtful accounts (credit losses) for the following loans receivable:

	June 30, 2013		June 30, 2012	
	Receivable Balance	**Related Allowance**	**Receivable Balance**	**Related Allowance**
Perkins loans	$ 2,951,372	$ (41,000)	$ 2,900,099	$ (41,000)
Other student loans	1,320,156	(550,000)	1,370,005	(500,000)
	$ 4,271,528	$ (591,000)	$ 4,270,104	$ (541,000)

The College's Perkins Loan receivable represents the amounts due from current and former students under the Federal Perkins Loan program. The loans disbursed under the Federal Perkins Loan Program are able to be assigned to the Federal Government in certain nonpayment situations. In these situations, the Federal portion of the loan balance is guaranteed.

Management performs on-going reviews to assess the adequacy of the allowance for credit losses. This includes evaluating the student loan portfolio, including economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which borrowers operate, and the level of delinquent loans. Also included in the evaluation is a detailed review of the aging of student loans and a review of the default rate by loan category in comparison to prior years.

In accordance with the College's policy, the loan allowance is adjusted at the end of each fiscal year based on a review of loan balances delinquent in excess of 120 days and/or currently in collections.

Changes in the allowance for credit losses for the year ended June 30, 2013 were as follows:

	Perkin Loans	**Other Student Loans**
Beginning Balances June 30, 2012	$ (41,000)	$ (500,000)
Provisions for credit losses	-	(50,000)
Net charge-offs	-	-
Recoveries	-	-
Ending Balances June 30, 2013	$ (41,000)	$ (550,000)

Management considers the allowance for credit losses at June 30, 2013 to be prudent and reasonable.

13. Lease Commitments

As of June 30, 2013, the College had entered into operating lease arrangements for the purpose of providing laptop computers to students and certain office equipment. The College is committed to minimum annual rent payments under these operating leases as follows:

Fiscal Years	
2014	$ 2,000,138
2015	1,292,406
2016	139,319

Rent expense for all leased computers and equipment amounted to $1,913,977 and $1,901,658 for the years ended June 30, 2013 and 2012, respectively.

Under an operating lease agreement, the College rents to a third party certain athletic facilities known as The Wellesley Center. The total of future minimum payments to be received by the College under this noncancelable lease are as follows:

Fiscal Years	
2014	1,336,666
2015	1,386,791
2016	1,438,796

Rental income for building leases amounted to $1,288,352 and $1,300,451 for the years ended June 30, 2013 and 2012, respectively.

14. Natural Classification of Expenses

Operating expenses by their natural classification were as follows for the years ended June 30:

	2013	**2012**
Salaries	$ 75,704,607	$ 71,403,865
Benefits	19,957,557	18,963,769
Depreciation	10,110,800	10,057,610
Food and beverage services	7,923,677	7,263,489
Travel/training/entertainment	7,850,691	7,808,543
Utilities and other facility services	7,402,237	6,945,348
Professional and consulting	6,089,253	5,289,684
Debt and finance expenses	6,041,721	6,320,787
Communication and information	5,699,775	5,465,355
Advertising and media	4,908,038	4,631,325
Consumable expenses	4,360,347	5,358,531
BECC room, conference and administration	2,952,713	2,706,815
Materials and supplies	2,460,840	2,803,397
Purchased services	2,303,659	2,343,299
Other expenses	3,503,322	3,925,215
	$ 167,269,237	$ 161,287,032

15. Commitments

As of June 30, 2013, the College has no commitments on open construction contracts and acquisitions. 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.

16. Babson College Endowment Funds and Net Assets

The College's endowment consists of over 240 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.

Underwater Endowment Funds
Periodically, the fair value of individual endowment funds may fall below the original gift amount "corpus". These deficiencies may be the result of significant market fluctuations in conjunction with prudent appropriations against the funds. As of June 30, 2013, there were no endowment funds that were deemed underwater, where the fair value had declined below the corpus. As of June 30, 2012, there were four endowment funds that were deemed underwater, where the fair value had declined below the corpus by $28,462. In most cases, the underwater status was a result of market deterioration combined with the length of time funds have been in existence.

Return Objectives and Strategies for Achieving Objectives
The College has approved and adopted investment and endowment spending policies with the expectation of capital preservation and enhancement over time. 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.

Net Asset Composition

The College had the following endowment activities and net assets during the fiscal years ended June 30, 2013 and 2012, respectively:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2012	$ 95,173,861	$ 54,613,045	$ 88,854,726	$ 238,641,632
Contributions received July 1, 2012 - June 30, 2013	-	-	1,523,753	1,523,753
Investment return				
Investment income	1,283,084	2,037,135	-	3,320,219
Net appreciation (realized and unrealized)	11,460,123	17,977,898	-	29,438,021
Total investment return	12,743,207	20,015,033	-	32,758,240
Endowment spending policy allocation	(2,749,971)	(6,637,200)	-	(9,387,171)
Other changes				
Reclassifications and other adjustments	(428,382)	-	100,000	(328,382)
Transfers to Board-designated funds	10,900,000	-	-	10,900,000
Total other changes	10,471,618	-	100,000	10,571,618
Endowment net assets at June 30, 2013	115,638,715	67,990,878	90,478,479	274,108,072
Operating funds	23,200,303	32,305,194	-	55,505,497
Funding for facilities	18,175,391	1,605,847	-	19,781,238
Interest rate swap valuation	(14,510,280)	-	-	(14,510,280)
Funds internally designated for Master Plan	2,500,000	-	-	2,500,000
Other funds	-	-	8,857,926	8,857,926
Total net assets at June 30, 2013	$ 145,004,129	$ 101,901,919	$ 99,336,405	$ 346,242,453

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2011	$ 99,914,876	$ 60,558,237	$ 81,667,738	$ 242,140,851
Contributions received July 1, 2011 - June 30, 2012	-	1,124,176	7,052,477	8,176,653
Investment return				
Investment income	818,600	1,219,322	-	2,037,922
Net appreciation (realized and unrealized)	(1,704,414)	(2,438,355)	-	(4,142,769)
Total investment return	(885,814)	(1,219,033)	-	(2,104,847)
Endowment spending policy allocation	(3,855,201)	(5,840,824)	-	(9,696,025)
Other changes				
Reclassifications and other adjustments	-	(9,511)	134,511	125,000
Total other changes	-	(9,511)	134,511	125,000
Endowment net assets at June 30, 2012	95,173,861	54,613,045	88,854,726	238,641,632
Operating funds	21,575,317	32,719,497	-	54,294,814
Funding for facilities	16,869,829	1,850,994	-	18,720,823
Interest rate swap valuation	(20,101,581)	-	-	(20,101,581)
Funds internally designated for Master Plan	2,892,000	-	-	2,892,000
Other funds	-	-	8,467,897	8,467,897
Total net assets at June 30, 2012	$ 116,409,426	$ 89,183,536	$ 97,322,623	$ 302,915,585

The unrestricted endowment net asset amounts represent board-designated funds. Of these amounts, a total of $18,392,000 and $10,000,000 has been internally designated for the College's Master Plan as of June 30, 2013 and 2012, respectively. All other endowment net asset amounts represent donor-restricted endowment funds.

Operating funds of the College consist primarily of unendowed pledge receivables, unspent restricted gifts related to instruction and academic support, and cumulative unrestricted surplus.

See Note 8 for reclassifications within net assets.

17. Subsequent Events

Subsequent events have been evaluated through October 19, 2013, the date the consolidated financial statements were available to be issued.

In July 2013, the College issued $35,000,000 Massachusetts Development Finance Agency Revenue Bonds, Babson College Issue, Series 2013A (the "Series A Bonds"). These bonds mature over 30 years and bear a fixed rate of 3.59%. Proceeds from these issues will be used to fund projects contained within the College's Master Plan.