Babson College

Consolidated Financial Statements
June 30, 2014 and 2013

Babson College
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June 30, 2014 and 2013

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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, 2014 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.

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, 2014, 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.

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Other Matter

We have previously audited Babson College's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

October 18, 2014

Babson College
Consolidated Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	$ 41,575,139	$ 41,514,220
Short-term investments	-	10,000,005
Accounts receivable, net of allowance of $490,815 and $526,096 at June 30, 2014 and 2013, respectively	7,008,024	5,565,533
Prepaid expenses and other assets	5,017,671	4,522,467
Contributions receivable, net	29,538,449	30,535,030
Loans receivable, net of allowance of $641,000 and $591,000 at June 30, 2014 and 2013, respectively	4,358,677	3,680,528
Bond deposits with trustee	28,015,422	2,640,339
Investments, at fair value	332,014,635	275,519,968
Land, buildings, equipment and software, net	137,417,591	126,374,507
Total assets	$ 584,945,608	$ 500,352,597
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 20,117,960	$ 16,457,384
Deposits and advance payments	18,030,593	13,798,905
Government advances for student loans	3,154,360	3,102,348
Interest rate swap liability	14,218,466	14,510,280
Bonds payable, net	135,800,761	106,241,227
Total liabilities	191,322,140	154,110,144
Net assets		
Unrestricted	165,685,088	145,004,129
Temporarily restricted	116,416,261	101,901,919
Permanently restricted	111,522,119	99,336,405
Total net assets	393,623,468	346,242,453
Total liabilities and net assets	$ 584,945,608	$ 500,352,597

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

Babson College
Consolidated Statement of Activities
Year Ended June 30, 2014
(With Summarized Financial Information for the Year Ended June 30, 2013)

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating activities					
Operating revenues and support					
Tuition and fees	$ 148,037,608	$ -	$ -	$ 148,037,608	$ 141,235,530
Less: Student aid	(35,698,139)			(35,698,139)	(32,248,389)
Net tuition and fees	112,339,469	-	-	112,339,469	108,987,141
Room and board	23,973,265			23,973,265	23,044,455
Educational programs	2,966,813			2,966,813	3,518,373
Noneducation programs and auxiliary activities	31,171,228			31,171,228	25,024,696
Total program service fees	170,450,775	-	-	170,450,775	160,574,665
Contributions and grants	2,416,548			2,416,548	2,811,318
Investment income used in operations	155,761			155,761	180,749
Endowment spending used in operations	9,671,745			9,671,745	6,887,171
Net assets released from restrictions	9,667,461			9,667,461	7,193,336
Total operating revenues and support	192,362,290	-	-	192,362,290	177,647,239
Operating expenses					
Instruction	48,684,365			48,684,365	47,289,859
Academic support	30,635,556			30,635,556	27,342,251
Student services	25,929,267			25,929,267	24,580,123
Auxiliary activities	47,004,971			47,004,971	41,122,735
Institutional support	31,499,526			31,499,526	26,934,269
Total operating expenses	183,753,685	-	-	183,753,685	167,269,237
Increase in net assets from operations	8,608,605	-	-	8,608,605	10,378,002
Nonoperating activities					
Contributions and grants	-	5,820,121	12,573,530	18,393,651	8,466,184
Net assets released from restrictions	6,509,146	(15,579,495)	(597,112)	(9,667,461)	(7,193,336)
Unrealized gains on interest rate swap agreements	291,814	-	-	291,814	5,591,301
Endowment spending available for capital projects	-	-	-	-	2,500,000
Other nonoperating net revenue	40,238	-	-	40,238	42,141
	6,841,198	(9,759,374)	11,976,418	9,058,242	9,406,290
Investment return					
Realized and unrealized net gains	14,249,262	23,173,526	209,296	37,632,084	29,606,450
Interest and dividend income	968,716	1,100,190	-	2,068,906	3,639,436
Investment consultant fees	(315,077)	-	-	(315,077)	(316,139)
Net total investment return	14,902,901	24,273,716	209,296	39,385,913	32,929,747
Less: Endowment spending draw	(9,671,745)	-	-	(9,671,745)	(9,387,171)
Total nonoperating activities	12,072,354	14,514,342	12,185,714	38,772,410	32,948,866
Total increase in net assets	20,680,959	14,514,342	12,185,714	47,381,015	43,326,868
Net assets					
Beginning of year	145,004,129	101,901,919	99,336,405	346,242,453	302,915,585
End of year	$ 165,685,088	$ 116,416,261	$ 111,522,119	$ 393,623,468	$ 346,242,453

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

Babson College
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Net tuition and fees received	$ 136,458,720	$ 131,698,265
Other educational and noneducational receipts	37,517,701	29,193,077
Contributions and grants received, net of amounts restricted for long-term purposes	9,412,626	8,967,602
Proceeds from stock gifts received for operations	897,610	-
Interest and dividends received	2,326,675	4,042,967
Payments to employees and suppliers	(163,665,785)	(151,265,023)
Interest paid	(4,301,273)	(2,335,614)
Net cash provided by operating activities	18,646,274	20,301,274
Cash flows from investing activities		
Purchases of investments	(111,752,604)	(35,556,550)
Sales of investments	103,363,877	32,037,622
Transfers from bond deposits with trustee, net	(25,375,083)	(68,171)
Acquisition and construction of property and equipment	(18,606,982)	(6,075,640)
Student loans repaid	549,732	699,655
Student loans issued	(1,281,553)	(704,679)
Net cash used in investing activities	(53,102,613)	(9,667,763)
Cash flows from financing activities		
Payment of bond issuance costs	(196,081)	(35,750)
Repayments of bonds and notes	(5,447,152)	(4,640,000)
Proceeds from bonds payable	35,000,000	-
Payments on split interest agreements	(338,918)	(322,494)
Increase for refundable U.S. government grants	52,012	64,312
Permanently restricted contributions	5,918,651	1,523,753
Proceeds from stockgifts received for long-term purposes	2,339,173	-
Payments on swap contracts	(2,810,427)	(2,874,897)
Net cash provided by (used in) financing activities	34,517,258	(6,285,076)
Net increase in cash and cash equivalents	60,919	4,348,435
Cash and cash equivalents		
Beginning of year	41,514,220	37,165,785
End of year	$ 41,575,139	$ 41,514,220
Reconciliation of increase in net assets to net cash provided by operating activities		
Cash flows from operating activities		
Increase in net assets	$ 47,381,015	$ 43,326,868
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Realized and unrealized net gains on investments	(37,331,315)	(29,388,222)
Depreciation and amortization	9,903,308	9,999,364
Permanently restricted contributions	(5,918,651)	(1,523,753)
Decrease in contributions receivable	339,945	308,261
Increase in allowance for uncollectible pledges	656,635	360,065
Decrease in interest rate swap liability	(291,814)	(5,591,301)
Payments on interest rate swap contracts	2,810,427	2,874,897
Changes in working capital assets and liabilities, net	1,096,724	(64,905)
Net cash provided by operating activities	$ 18,646,274	$ 20,301,274

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, and endowment spending for capital projects.

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 restrictions. 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, equipment and software 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
Dividends, interest and net gains 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% for fiscal years ending June 30, 2014 and 2013. 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, the College's Board voted to designate the unrestricted portion of the endowment draw for future capital expenditure. This amount, $2,500,000, is included within the endowment spending available for capital projects in the summarized financial information for the year ended June 30, 2013.

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). No collateral was required to be posted as of June 30, 2014 and 2013.

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, the balance represented 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, equipment and software, 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, 2013, from which the summarized information is derived.

Reclassifications
Certain 2013 financial information has been reclassified to conform with the 2014 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, 2014, $36,009 of asset retirement costs, net of accumulated depreciation, has been included in property, plant and equipment and $1,005,703 of conditional retirement asset obligations are included within accounts payable and accrued expenses in the consolidated statements of financial position.

New Accounting Pronouncements

During the year ended June 30, 2014, the College adopted the provisions of Accounting Standards Update 2012-05 ("ASU 2012-05") regarding the classification of sales proceeds of donated financial assets in the statement of cash flows. The College has a policy to sell donated financial assets, typically shares of stock, upon receipt of the donation. Proceeds of these sales are presented within the net cash provided by operating activities when the donations are not restricted for long term use. Proceeds of these sales are presented within the net cash provided by (used in) financing activities when the donations are restricted for long term use. The College adopted ASU 2012-05 prospectively on July 1, 2013.

3. Contributions Receivable

Contributions receivable consisted of the following at June 30, 2014 and 2013:

	2014			2013		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Donor-imposed restrictions						
Capital construction and maintenance	$ 121,500	$ 200,000	$ 321,500	$ 121,500	$ 300,000	$ 421,500
Scholarships and fellowships	4,234,276	2,979,662	7,213,938	5,760,377	3,001,001	8,761,378
Instruction and academic support	12,321,018	1,465,964	13,786,982	14,139,021	1,581,704	15,720,725
Student programs	326,800	1,930,936	2,257,736	194,550	2,318,182	2,512,732
Other	3,465,995	12,264,914	15,730,909	6,052,304	4,509,620	10,561,924
	$ 20,469,589	$ 18,841,476	$ 39,311,065	$ 26,267,752	$ 11,710,507	$ 37,978,259

	2014			2013		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Unconditional promises due within						
Less than one year	$ 6,722,592	$ 3,067,050	$ 9,789,642	$ 8,678,253	$ 4,056,010	$ 12,734,263
One year to five years	7,668,207	7,390,002	15,058,209	10,790,674	3,120,787	13,911,461
More than five years	6,078,790	8,384,424	14,463,214	6,798,825	4,533,710	11,332,535
	20,469,589	18,841,476	39,311,065	26,267,752	11,710,507	37,978,259
Less						
Unamortized discount	(3,019,087)	(2,555,830)	(5,574,917)	(2,791,278)	(1,110,886)	(3,902,164)
Allowance for uncollectibles	(1,890,868)	(2,306,831)	(4,197,699)	(1,799,370)	(1,741,695)	(3,541,065)
	$ 15,559,634	$ 13,978,815	$ 29,538,449	$ 21,677,104	$ 8,857,926	$ 30,535,030

See Note 8 for rationale behind movement between permanently and temporarily restricted net assets in the years ended June 30, 2014 and 2013.

In addition, at June 30, 2014 and 2013, the College had $20,419,335 and $303,366, 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. The balance also includes a $20,000,000 pledge for Babson Global related to the establishment of a Center for Entrepreneurial Leadership in Saudi Arabia.

Also, at June 30, 2014, 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:

	2014	2013
Equity securities and funds	$ 189,203,168	$ 125,577,133
Fixed income securities and funds	53,778,675	58,077,918
Alternative investments		
Hedge funds	46,257,765	58,506,140
Private equity and venture capital funds	41,938,288	30,188,364
Real estate funds	836,739	3,170,413
	$ 332,014,635	$ 275,519,968

Equity securities and funds includes unsettled purchases of $4,891 and unsettled trades of $101,136 at June 30, 2014 and 2013, respectively.

The College incurred investment management fees of $2,729,414 and $2,389,614 during the years ended June 30, 2014 and 2013, respectively. These fees are reported as a reduction of investment earnings. In addition, the College incurred investment consulting fees of $315,077 and $316,139 during the years ended June 30, 2014 and 2013, 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, 2014 and 2013, by caption on the consolidated statement of financial position and by the fair value valuation hierarchy defined above:

	Fair Value as of June 30, 2014			
Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments				
Equity securities and funds	$ 75,692,477	$ 113,510,691	$ -	$ 189,203,168
Fixed income securities and funds	41,458,694	12,301,981	18,000	53,778,675
Hedge funds	-	34,286,204	11,971,561	46,257,765
Private equity and venture capital funds	-	-	41,938,288	41,938,288
Real estate funds	-	836,739	-	836,739
Investment totals	$ 117,151,171	$ 160,935,615	$ 53,927,849	$ 332,014,635
Liabilities				
Interest rate swaps	$ -	$ 14,218,466	$ -	$ 14,218,466

	Fair Value as of June 30, 2013			
Type	**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

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, 2014 and 2013:

	Rollforward of Investments Classified as Level 3 as of June 30, 2014						
	Value at July 1, 2013	**Realized Gains**	**Unrealized Gains**	**Interest & Dividends Net**	**Purchases**	**Sales**	**Value at June 30, 2014**
Fixed income securities and funds	$ 18,000	$ -	$ -	$ 1,534	$ -	$ (1,534)	$ 18,000
Hedge funds	17,371,444	-	2,154,261	(243,674)	-	(7,310,470)	11,971,561
Private equity and venture capital funds	30,188,364	1,084,680	4,919,678	(486,967)	11,339,242	(5,106,709)	41,938,288
Real estate funds	-	-	-	-	-	-	-
	$ 47,577,808	$ 1,084,680	$ 7,073,939	$ (729,107)	$ 11,339,242	$ (12,418,713)	$ 53,927,849

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

The net unrealized gain on Level 3 investments held at June 30, 2014 that were also held at June 30, 2013 was $885,653.

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, 2014 and 2013, respectively:

Investments Asset Value as of June 30, 2014

	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Investment type				
Equity securities and funds	$ 189,203,168	$ -	Daily - Quarterly	3-60 Days
Fixed income securities and funds	53,778,675	-	Daily - Monthly	3-30 Days
Hedge funds	46,257,765	-	Quarterly - Annually	45-180 Days
Private equity and venture capital funds	41,938,288	40,749,454	N/A	N/A
Real estate funds	836,739	-	Quarterly	90 Days
	$ 332,014,635	$ 40,749,454		

5. Land, Buildings, Equipment and Software

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

	2014	2013
Land	$ 489,673	$ 489,673
Land improvements	31,957,669	31,664,611
Buildings and improvements	260,159,308	256,927,485
Equipment and software	38,889,437	35,390,387
Construction in progress	16,732,370	2,698,474
	348,228,457	327,170,630
Less: Accumulated depreciation	(210,810,866)	(200,796,123)
	$ 137,417,591	$ 126,374,507

Depreciation expense was $10,014,743 and $10,110,800 for the years ended June 30, 2014 and 2013, respectively.

During the years ended June 30, 2014 and 2013, the College capitalized interest of $1,201,597 and $80,416, respectively.

At June 30, 2014 and 2013, construction costs of $3,293,452 and $2,044,204, respectively, were included in the accounts payable and accrued expenses balance.

6. Bonds Payable

Bonds payable consisted of the following at June 30:

	2014	2013
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	$ 14,960,000	$ 16,075,000
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	16,205,000	16,995,000
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2008A, bearing interest at variable rates (0.03% at June 30, 2014) and due through 2032	32,350,000	33,380,000
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2008B, bearing interest at variable rates (0.16% at June 30, 2014) and due through 2031	25,550,000	26,415,000
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	10,845,000	11,775,000
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2013, bearing interest at fixed rate of 3.59% and due through 2043	34,400,970	-
	134,310,970	104,640,000
Unamortized premium	1,489,791	1,601,227
	$ 135,800,761	$ 106,241,227

During fiscal year 2014, the College issued $35,000,000 Massachusetts Development Finance Agency Revenue Bonds, Babson College Issue, Series 2013A (the "Series A Bonds"). Proceeds from these bonds will be utilized to fund projects contained within the College's Master Plan. Costs associated with the new bond issue amounted to $231,831 and will be amortized over the life of the bond.

The estimated fair value of the College's debt was $137,044,166 and $106,938,230 at June 30, 2014 and 2013, 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, 2014 and 2013 were $28,015,422 and $2,640,339, respectively, which represent unexpended proceeds of debt issuance, funds held to pay debt service and fund expenses associated with the College's Master Plan. Scheduled aggregate principal payments on bonds payable are as follows:

Fiscal Years	Principal Amount
2015	$ 5,622,600
2016	5,894,338
2017	5,238,564
2018	5,525,529
2019	5,773,493
Thereafter	106,256,446
	$ 134,310,970

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 $57,900,000. 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: $4,342,500 in fiscal year 2015, $5,790,000 in 2016, $5,790,000 in 2017, $5,790,000 in 2018, $5,790,000 in 2019, and $30,397,500 thereafter.

Interest expense was $4,702,775 and $4,952,170 for the years ended June 30, 2014 and 2013, 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, 2014. 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, 2014 and 2013, no collateral was required to be 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 2014	Fair Value of Derivatives 2013
Interest rate swap contracts	Interest rate swap liability	$ 14,218,466	$ 14,510,280

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 2014	Fair Value of Derivatives 2013
Interest rate swap contracts	Unrealized gains on interest rate swap agreements	$ 291,814	$ 5,591,301
	Less: Operating expenses	(2,810,427)	(2,874,897)
	Net impact	$ (2,518,613)	$ 2,716,404

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, 2014 and 2013 accounted for all swap activity for the year.

8. Restricted Net Assets

Restricted net assets consisted of the following at June 30:

	2014		2013	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Donor stipulations				
Capital construction and maintenance	$ 10,554,969	$ 7,611,410	$ 8,677,275	$ 7,506,310
Instruction and academic support	45,986,624	50,099,517	37,048,458	46,918,705
Scholarships and fellowships	34,926,535	23,063,746	27,701,843	22,274,264
Other	9,427,324	16,714,407	6,884,450	13,724,976
Annuity	(38,825)	54,224	(87,211)	54,224
	100,856,627	97,543,304	80,224,815	90,478,479
Contributions receivable, net (Note 3)	15,559,634	13,978,815	21,677,104	8,857,926
	$ 116,416,261	$ 111,522,119	$ 101,901,919	$ 99,336,405

For the year ended June 30, 2013, 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. There were no reclassifications resulting from donor changes to original restrictions in the fiscal year ended June 30, 2014.

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:

	2014	2013
Capital construction and maintenance	$ 344,093	$ 482,094
Instruction and academic support	6,571,565	5,807,825
Scholarships and fellowships	3,918,862	3,463,464
Other	4,744,975	3,810,767
	$ 15,579,495	$ 13,564,150

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 were as follows for the years ended June 30:

	2014	2013
Fund-raising	$ 4,173,726	$ 3,845,000
Alumni relations	1,788,956	1,728,893
	$ 5,962,682	$ 5,573,893

In addition to the direct fundraising costs shown above, bad debt expense for the uncollectible pledges was $2,887,386 and $995,809 for the years ended June 30, 2014 and 2013, 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 $6,115,911 and $5,779,493 as of June 30, 2014 and 2013, 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 $984,231 and $920,261 as of June 30, 2014 and 2013, 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, 2014 and 2013 was $3,154,360 and $3,102,348, 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, 2014		June 30, 2013	
	Receivable Balance	**Related Allowance**	**Receivable Balance**	**Related Allowance**
Perkins loans	$ 3,537,788	$ (41,000)	$ 2,951,372	$ (41,000)
Other student loans	1,461,889	(600,000)	1,320,156	(550,000)
	$ 4,999,677	$ (641,000)	$ 4,271,528	$ (591,000)

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, 2014 were as follows:

	Perkin Loans	**Other Student Loans**
Beginning Balances June 30, 2013	$ (41,000)	$ (550,000)
Provisions for credit losses	-	(50,000)
Net charge-offs	-	-
Recoveries	-	-
Ending Balances June 30, 2014	$ (41,000)	$ (600,000)

Management considers the allowance for credit losses at June 30, 2014 to be prudent and reasonable.

13. Lease Commitments

As of June 30, 2014, 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	
2015	$ 1,645,522
2016	1,013,448
2017	645,389

Rent expense for all leased computers and equipment amounted to $2,000,138 and $1,913,977 for the years ended June 30, 2014 and 2013, 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	
2015	$ 1,386,791
2016	1,438,796

Rental income for building leases amounted to $1,336,666 and $1,288,352 for the years ended June 30, 2014 and 2013, respectively.

14. Natural Classification of Expenses

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

	2014	2013
Salaries	$ 80,350,171	$ 75,704,607
Benefits	22,003,548	19,957,557
Professional and consulting	10,745,112	6,089,253
Depreciation	10,014,743	10,110,800
Travel/training/entertainment	9,144,763	7,850,691
Food and beverage services	8,013,845	7,923,677
Utilities and other facility services	7,218,675	7,402,237
Communication and information	6,387,662	5,699,775
Debt and finance expenses	5,772,158	6,041,721
Advertising and media	5,046,101	4,908,038
Consumable expenses	4,874,442	4,360,347
BECC room, conference and administration	3,034,193	2,952,713
Purchased services	2,598,147	2,303,659
Materials and supplies	2,589,371	2,460,840
Other expenses	5,960,754	3,503,322
	$ 183,753,685	$ 167,269,237

15. Commitments

As of June 30, 2014, the College has no contractual 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.

The College issued $35,000,000 in new debt in FY14. A portion of these trustee held funds are going towards the construction of a new residence hall scheduled to open in the fall of 2015. As of June 30, 2014 amount capitalized for the residence hall project was $12,440,390. The projected total cost of the new residence hall is $30,000,000.

16. Babson College Endowment Funds and Net Assets

The College's endowment consists of over 250 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, 2014 and 2013, there were no endowment funds that were deemed underwater, where the fair value had declined below the corpus.

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, 2014 and 2013, respectively:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2013	$ 115,638,715	$ 67,990,878	$ 90,478,479	$ 274,108,072
Contributions received July 1, 2013 - June 30, 2014	-	1,200,987	7,064,824	8,265,811
Investment return				
Investment income	652,719	1,100,190	-	1,752,909
Net appreciation (realized and unrealized)	14,249,398	23,184,061	-	37,433,459
Total investment return	14,902,117	24,284,251	-	39,186,368
Endowment spending policy allocation	(3,203,294)	(6,468,451)		(9,671,745)
Other changes				
Reclassifications and other adjustments	(10,000)	(28,686)		(38,686)
Babson Global endowment transfer	2,000,000	-	-	2,000,000
Transfers to Board-designated funds	16,331,123			16,331,123
Total other changes	18,321,123	(28,686)	-	18,292,437
Endowment net assets at June 30, 2014	145,658,661	86,978,979	97,543,303	330,180,943
Operating funds	10,670,651	27,850,395		38,521,046
Funding for facilities	23,574,242	1,586,887		25,161,129
Interest rate swap valuation	(14,218,466)	-		(14,218,466)
Funds internally designated for Master Plan	-	-		-
Other funds	-	-	13,978,816	13,978,816
Total net assets at June 30, 2014	$ 165,685,088	$ 116,416,261	$ 111,522,119	$ 393,623,468

	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

The unrestricted endowment net asset amounts represent board-designated funds. Of these amounts, a total of $25,642,000 and $18,392,000 has been internally designated for the College's Master Plan as of June 30, 2014 and 2013, 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. Babson Global Activities

During the current fiscal year, Babson Global, a wholly owned subsidiary of Babson College, entered into a Technical Academic Services Agreement and a Name and Intellectual Property (IP) Agreement 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 the period of time spanning from the current fiscal year to 10 years after the school is opened, which is expected to occur during fiscal year 2016, 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 to establish a Center for Entrepreneurial Leadership in the Kingdom of Saudi Arabia.

After reviewing the applicable accounting guidance governing revenue recognition for multiple element arrangements, management has concluded that revenue should be recognized as a single arrangement as the deliverables do not have a stand-alone value to the customer on a stand-alone basis. Revenue will be recognized on a proportional performance model, and the recognition will occur on a straight-line basis that is consistent with Babson Global's level of effort in performing the obligations within the agreements.

The gift agreement from Lockheed Martin will be accounted for under the accounting guidance for contributions received for a not-for-profit organization. The $20,000,000 pledge, payable over several years, is not recorded on the consolidated financial statements as of June 30, 2014 due to the existence of a condition. However, the amount is included with the conditional pledges disclosed in Note 3.

Also, during fiscal year 2014, Babson Global invested $2,000,000 with the College's endowment funds. These funds are board-designated and are considered unrestricted in nature. Funds will be held by the College on behalf of Babson Global in accordance with its policies and procedures governing the investment, management and distribution of endowment and other funds. The agreement may be terminated by a party if other parties fail to perform their obligations under the contract.

18. Subsequent Events

Subsequent events have been evaluated through October 18, 2014, the date the consolidated financial statements were available to be issued.