Babson College

Consolidated Financial Statements

June 30, 2015 and 2014

Babson College
Index
June 30, 2015 and 2014

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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, 2015 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, 2015, 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 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

Boston, Massachusetts
October 17, 2015

Babson College
Consolidated Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 44,447,082	$ 41,575,139
Accounts receivable, net of allowance of $524,673 and $490,815 at June 30, 2015 and 2014, respectively	6,658,005	7,008,024
Prepaid expenses and other assets	7,775,101	5,017,671
Contributions receivable, net	49,702,429	29,538,449
Loans receivable, net of allowance of $741,000 and $641,000 at June 30, 2015 and 2014, respectively	4,104,285	4,358,677
Bond deposits with trustee	8,026,642	28,015,422
Investments, at fair value	348,628,929	332,014,635
Land, buildings, equipment and software, net	161,465,927	137,417,591
Total assets	$ 630,808,400	$ 584,945,608
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 25,483,145	$ 20,117,960
Deposits and advance payments	22,741,268	18,030,593
Government advances for student loans	3,209,864	3,154,360
Interest rate swap liability	13,876,719	14,218,466
Bonds payable, net	130,066,766	135,800,761
Total liabilities	195,377,762	191,322,140
Net assets		
Unrestricted	177,559,584	165,685,088
Temporarily restricted	135,074,893	116,416,261
Permanently restricted	122,796,161	111,522,119
Total net assets	435,430,638	393,623,468
Total liabilities and net assets	$ 630,808,400	$ 584,945,608

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

Babson College
Consolidated Statement of Activities
Year Ended June 30, 2015
(With Summarized Financial Information for the Year Ended June 30, 2014)

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating activities					
Operating revenues and support					
Tuition and fees	$ 150,479,558	$ -	$ -	$ 150,479,558	$ 148,037,608
Less: Student aid	(36,377,328)			(36,377,328)	(35,698,139)
Net tuition and fees	114,102,230	-	-	114,102,230	112,339,469
Room and board	24,828,795			24,828,795	23,973,265
Educational programs	2,699,672			2,699,672	2,966,813
Noneducation programs and auxiliary activities	33,167,405			33,167,405	31,171,228
Total program service fees	174,798,102	-	-	174,798,102	170,450,775
Contributions and grants	3,566,970			3,566,970	2,416,548
Investment income used in operations	143,358			143,358	155,761
Endowment spending used in operations	10,681,639			10,681,639	9,671,745
Net assets released from restrictions	6,802,960			6,802,960	9,667,461
Total operating revenues and support	195,993,029	-	-	195,993,029	192,362,290
Operating expenses					
Instruction	49,401,922			49,401,922	48,684,365
Academic support	31,981,092			31,981,092	30,635,556
Student services	27,876,461			27,876,461	26,470,487
Auxiliary activities	48,264,288			48,264,288	46,463,751
Institutional support	30,069,999			30,069,999	31,499,526
Total operating expenses	187,593,762	-	-	187,593,762	183,753,685
Increase in net assets from operations	8,399,267	-	-	8,399,267	8,608,605
Nonoperating activities					
Contributions and grants		22,631,967	11,313,137	33,945,104	18,393,651
Net assets released from restrictions	7,155,956	(14,041,169)	82,253	(6,802,960)	(9,667,461)
Unrealized gains on interest rate swap agreements	341,747			341,747	291,814
Other nonoperating net revenue	28,958			28,958	40,238
	7,526,661	8,590,798	11,395,390	27,512,849	9,058,242
Investment return					
Realized and unrealized net gains	5,388,956	8,094,859	(121,348)	13,362,467	37,632,084
Interest and dividend income	1,558,902	1,972,975		3,531,877	2,068,906
Investment consultant fees	(317,651)			(317,651)	(315,077)
Net total investment return	6,630,207	10,067,834	(121,348)	16,576,693	39,385,913
Less: Endowment spending draw	(10,681,639)			(10,681,639)	(9,671,745)
Total nonoperating activities	3,475,229	18,658,632	11,274,042	33,407,903	38,772,410
Total increase in net assets	11,874,496	18,658,632	11,274,042	41,807,170	47,381,015
Net assets					
Beginning of year	165,685,088	116,416,261	111,522,119	393,623,468	346,242,453
End of year	$ 177,559,584	$ 135,074,893	$ 122,796,161	$ 435,430,638	$ 393,623,468

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

Babson College
Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Net tuition and fees received	$ 138,916,463	$ 136,458,720
Other educational and noneducational receipts	40,191,881	37,517,701
Contributions and grants received, net of amounts restricted for long-term purposes	13,346,512	9,412,626
Proceeds from stock gifts received for operations	842,400	897,610
Interest and dividends received	3,731,610	2,326,675
Payments to employees and suppliers	(173,805,225)	(163,665,785)
Interest paid	(3,079,580)	(4,301,273)
Net cash provided by operating activities	20,144,061	18,646,274
Cash flows from investing activities		
Purchases of investments	(77,843,209)	(111,752,604)
Sales of investments	75,677,483	103,363,877
Transfers from bond deposits with trustee, net	19,988,780	(25,375,083)
Acquisition and construction of property and equipment	(29,479,364)	(18,606,982)
Student loans repaid	681,106	549,732
Student loans issued	(528,312)	(1,281,553)
Net cash used in investing activities	(11,503,516)	(53,102,613)
Cash flows from financing activities		
Payment of bond issuance costs		(196,081)
Repayments of bonds and notes	(5,741,885)	(5,447,152)
Proceeds from bonds payable		35,000,000
Payments on split interest agreements	(337,900)	(338,918)
Increase for refundable U.S. government grants	55,504	52,012
Permanently restricted contributions	2,633,212	5,918,651
Proceeds from stock gifts received for long-term purposes	341,809	2,339,173
Payments on swap contracts	(2,719,342)	(2,810,427)
Net cash (used in)/provided by financing activities	(5,768,602)	34,517,258
Net increase in cash and cash equivalents	2,871,943	60,919
Cash and cash equivalents		
Beginning of year	41,575,139	41,514,220
End of year	$ 44,447,082	$ 41,575,139
Reconciliation of increase in net assets to net cash provided by operating activities		
Cash flows from operating activities		
Increase in net assets	$ 41,807,170	$ 47,381,015
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Realized and unrealized net gains on investments	(13,436,326)	(37,331,315)
Depreciation and amortization	10,551,577	9,903,308
Permanently restricted contributions	(2,633,212)	(5,918,651)
(Increase)/Decrease in contributions receivable	(19,295,221)	339,945
(Decrease)/Increase in allowance for uncollectible pledges	(868,759)	656,635
Decrease in interest rate swap liability	(341,747)	(291,814)
Payments on interest rate swap contracts	2,719,342	2,810,427
Changes in working capital assets and liabilities, net	1,641,237	1,096,724
Net cash provided by operating activities	$ 20,144,061	$ 18,646,274

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 2,100 undergraduate and 900 graduate students from the United States and more than 80 countries worldwide. The College offers education in business and liberal arts, and it grants the Bachelor of Science degree through its undergraduate program. The College also grants Master of Business Administration degrees and custom Master of Science degrees through the F.W. Olin Graduate School of Business at the College. Additionally, the College offers distinct executive education programs to help companies reach their strategic goals.

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, excluding amounts internally designated for use in Master Plan projects. See Note 16. The approved spending rates were 4.5% for fiscal years ending June 30, 2015 and 2014. 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.

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, 2015 and 2014.

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, 2014, from which the summarized information is derived.

Reclassifications

Certain 2014 financial information has been reclassified to conform with the 2015 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, 2015, $33,008 of asset retirement costs, net of accumulated depreciation, has been included in property, plant and equipment and $1,055,988 of conditional retirement asset obligations are included within accounts payable and accrued expenses in the consolidated statements of financial position.

New Accounting Pronouncements

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, 2015 and 2014:

	2015			2014		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Donor-imposed restrictions						
Capital construction and maintenance	$ 120,000	$ 137,500	$ 257,500	$ 121,500	$ 200,000	$ 321,500
Scholarships and fellowships	9,733,416	2,677,580	12,410,996	4,234,276	2,979,662	7,213,938
Instruction and academic support	10,899,173	2,329,608	13,228,781	12,321,018	1,465,964	13,786,982
Student programs	379,681	1,446,247	1,825,928	326,800	1,930,936	2,257,736
Babson Global Saudi Center	8,000,000	10,000,000	18,000,000			
Other	2,947,319	8,729,229	11,676,548	3,465,995	12,264,914	15,730,909
	$ 32,079,589	$ 25,320,164	$ 57,399,753	$ 20,469,589	$ 18,841,476	$ 39,311,065

	2015			2014		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Unconditional promises due within						
Less than one year	$ 13,502,938	$ 12,599,020	$ 26,101,958	$ 6,722,592	$ 3,067,050	$ 9,789,642
One year to five years	17,515,747	6,733,067	24,248,814	7,668,207	7,390,002	15,058,209
More than five years	1,060,904	5,988,077	7,048,981	6,078,790	8,384,424	14,463,214
	32,079,589	25,320,164	57,399,753	20,469,589	18,841,476	39,311,065
Less						
Unamortized discount	(2,547,966)	(1,820,418)	(4,368,384)	(3,019,087)	(2,555,830)	(5,574,917)
Allowance for uncollectibles	(2,114,678)	(1,214,262)	(3,328,940)	(1,890,868)	(2,306,831)	(4,197,699)
	$ 27,416,945	$ 22,285,484	$ 49,702,429	$ 15,559,634	$ 13,978,815	$ 29,538,449

In addition, at June 30, 2015 and 2014, the College had $848,271 and $20,419,335, 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 in fiscal year 2014 included a $20,000,000 pledge for Babson Global related to the establishment of a Center for Entrepreneurial Leadership in Saudi Arabia. The condition on this pledge was met in 2015. A total of $2,000,000 has been received to date and the remaining outstanding pledge balance of $18,000,000 is included in the contributions receivable balance at June 30, 2015.

Also, at June 30, 2015, 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:

	2015	2014
Equity securities and funds	$ 199,531,798	$ 189,203,168
Fixed income securities and funds	48,361,468	53,778,675
Alternative investments		
Hedge funds	45,383,426	46,257,765
Private equity and venture capital funds	55,103,431	41,938,288
Real estate funds	248,806	836,739
	$ 348,628,929	$ 332,014,635

Equity securities and funds includes net unsettled trades of $896,815 and net unsettled purchases of $4,891 at June 30, 2015 and 2014, respectively.

The College incurred investment management fees of $3,271,891 and $2,729,414 during the years ended June 30, 2015 and 2014, respectively. These fees are reported as a reduction of investment earnings. In addition, the College incurred investment consulting fees of $317,651 and $315,077 during the years ended June 30, 2015 and 2014, 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, 2015 and 2014, by caption on the consolidated statement of financial position and by the fair value valuation hierarchy defined above:

	Fair Value as of June 30, 2015			
Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments				
Equity securities and funds	$ 79,088,490	$ 120,443,308	$ -	$ 199,531,798
Fixed income securities and funds	24,265,801	24,081,667	14,000	48,361,468
Hedge funds		32,168,576	13,214,850	45,383,426
Private equity and venture capital funds			55,103,431	55,103,431
Real estate funds		248,806		248,806
Investment totals	$ 103,354,291	$ 176,942,357	$ 68,332,281	$ 348,628,929
Liabilities				
Interest rate swaps	$ -	$ 13,876,719	$ -	$ 13,876,719

	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

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, 2015 and 2014:

	Rollforward of Investments Classified as Level 3 as of June 30, 2015						
	Value at July 1, 2014	**Realized Gains**	**Unrealized Gains**	**Interest & Dividends Net**	**Purchases**	**Sales**	**Value at June 30, 2015**
Fixed income securities and funds	$ 18,000	$ -	$ -	$ 1,111	$ -	$ (5,111)	$ 14,000
Hedge funds	11,971,561		1,416,379	(169,597)		(3,493)	13,214,850
Private equity and venture capital funds	41,938,288	2,619,380	5,924,053	(472,759)	13,777,542	(8,683,073)	55,103,431
	$ 53,927,849	$ 2,619,380	$ 7,340,432	$ (641,245)	$ 13,777,542	$ (8,691,677)	$ 68,332,281

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
	$ 47,577,808	$ 1,084,680	$ 7,073,939	$ (729,107)	$ 11,339,242	$ (12,418,713)	$ 53,927,849

The net unrealized gain on Level 3 investments held at June 30, 2015 that were also held at June 30, 2014 was $6,548,070.

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, 2015 and 2014, respectively:

Investments Asset Value as of June 30, 2015

	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Investment type				
Equity securities and funds	$ 199,531,798	$ -	Daily - Quarterly	3-60 Days
Fixed income securities and funds	48,361,468		Daily - Monthly	3-30 Days
Hedge funds	45,383,426		Quarterly - Annually	45-60 Days
Private equity and venture capital funds	55,103,431	35,889,077	N/A	N/A
Real estate funds	248,806		Quarterly	90 Days
	$ 348,628,929	$ 35,889,077		

	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:

	2015	2014
Land	$ 1,600,545	$ 489,673
Land improvements	32,621,831	31,957,669
Buildings and improvements	294,537,566	260,159,308
Equipment and software	42,677,188	38,889,437
Construction in progress	11,502,676	16,732,370
	382,939,806	348,228,457
Less: Accumulated depreciation	(221,473,879)	(210,810,866)
	$ 161,465,927	$ 137,417,591

Depreciation expense was $10,663,013 and $10,014,743 for the years ended June 30, 2015 and 2014, respectively.

During the years ended June 30, 2015 and 2014, the College capitalized interest of $875,472 and $1,201,597, respectively.

At June 30, 2015 and 2014, construction costs of $7,649,964 and $3,293,452, respectively, were included in the accounts payable and accrued expenses balance.

6. Bonds Payable

Bonds payable consisted of the following at June 30:

	2015	2014
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	$ 13,790,000	$ 14,960,000
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	15,375,000	16,205,000
Revenue bonds payable to Massachusetts Development Finance Agency (“MDFA”), Series 2008A, bearing interest at variable rates (0.05% at June 30, 2015) and due through 2032	31,145,000	32,350,000
Revenue bonds payable to Massachusetts Development Finance Agency (“MDFA”), Series 2008B, bearing interest at variable rates (0.10% at June 30, 2014) and due through 2031	24,785,000	25,550,000
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	9,870,000	10,845,000
Revenue bonds payable to Massachusetts Development Finance Agency (“MDFA”), Series 2013, bearing interest at fixed rate of 3.59% and due through 2043	33,723,410	34,400,970
	128,688,410	134,310,970
Unamortized premium	1,378,356	1,489,791
	$ 130,066,766	$ 135,800,761

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 are being 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 $130,554,236 and $137,044,166 at June 30, 2015 and 2014, 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, 2015 and 2014 were $8,026,642 and $28,015,422, respectively, which represent unexpended proceeds for the College's Master Plan projects and funds held to pay debt service. Scheduled aggregate principal payments on bonds payable are as follows:

Fiscal Years	**Principal Amount**
2016	$ 5,894,338
2017	5,238,564
2018	5,525,529
2019	5,773,493
2020	6,119,455
Thereafter	100,137,031
	$ 128,688,410

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 $55,930,000. 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 December 31, 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: $4,194,750 in fiscal year 2016, $5,593,000 in 2017, $5,593,000 in 2018, $5,593,000 in 2019, $5,593,000 in 2020 and $29,363,250 thereafter.

Interest expense was $4,919,313 and $4,702,775 for the years ended June 30, 2015 and 2014, 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, 2015. 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, 2015 and 2014, 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 2015	Fair Value of Derivatives 2014
Interest rate swap contracts	Interest rate swap liability	$ 13,876,719	$ 14,218,466

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 2015	Fair Value of Derivatives 2014
Interest rate swap contracts	Unrealized gains on interest rate swap agreements	$ 341,747	$ 291,814
	Less: Operating expenses	(2,719,342)	(2,810,427)
	Net impact	$ (2,377,595)	$ (2,518,613)

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, 2015 and 2014 accounted for all swap activity for the year.

8. Restricted Net Assets

Restricted net assets consisted of the following at June 30:

	2015		2014	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Donor stipulations				
Capital construction and maintenance	$ 11,256,478	$ 7,724,109	$ 10,554,969	$ 7,611,410
Instruction and academic support	47,851,860	50,317,832	45,986,624	50,099,517
Scholarships and fellowships	36,662,375	24,767,130	34,926,535	23,063,746
Other	11,980,854	17,647,382	9,427,324	16,714,407
Annuity	(93,619)	54,224	(38,825)	54,224
	107,657,948	100,510,677	100,856,627	97,543,304
Contributions receivable, net (Note 3)	27,416,945	22,285,484	15,559,634	13,978,815
	$ 135,074,893	$ 122,796,161	$ 116,416,261	$ 111,522,119

There were no reclassifications resulting from donor changes to original restrictions in the fiscal years ended June 30, 2015 and 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:

	2015	2014
Capital construction and maintenance	$ 617,883	$ 344,093
Instruction and academic support	6,238,640	6,571,565
Scholarships and fellowships	4,390,647	3,918,862
Other	2,793,999	4,744,975
	$ 14,041,169	$ 15,579,495

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:

	2015	2014
Fund-raising	$ 4,421,875	$ 4,173,726
Alumni relations	2,359,054	1,788,956
	$ 6,780,929	$ 5,962,682

In addition to the direct fundraising costs shown above, bad debt expense for the uncollectible pledges was $179,054 and $2,887,386 for the years ended June 30, 2015 and 2014, 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 $6,557,828 and $6,115,911 as of June 30, 2015 and 2014, 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 $904,102 and $984,231 as of June 30, 2015 and 2014, 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, 2015 and 2014 was $3,209,864 and $3,154,360, 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, 2015		June 30, 2014	
	Receivable Balance	**Related Allowance**	**Receivable Balance**	**Related Allowance**
Perkins loans	$ 3,406,508	$ (41,000)	$ 3,537,788	$ (41,000)
Other student loans	1,438,777	(700,000)	1,461,889	(600,000)
	$ 4,845,285	$ (741,000)	$ 4,999,677	$ (641,000)

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, 2015 were as follows:

	Perkin Loans	Other Student Loans
Beginning Balances June 30, 2014	$ (41,000)	$ (600,000)
Provisions for credit losses		(100,000)
Net charge-offs		
Recoveries		
Ending Balances June 30, 2015	$ (41,000)	$ (700,000)

Management considers the allowance for credit losses at June 30, 2015 to be prudent and reasonable.

13. Lease Commitments

As of June 30, 2015, 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	
2016	$ 1,980,064
2017	1,768,526
2018	605,292

Rent expense for all leased computers and equipment amounted to $1,648,964 and $2,000,138 for the years ended June 30, 2015 and 2014, 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	
2016	$ 1,438,796

Rental income for building leases amounted to $1,386,791 and $1,336,666 for the years ended June 30, 2015 and 2014, respectively.

14. Natural Classification of Expenses

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

	2015	2014
Salaries	$ 86,200,093	$ 80,350,171
Benefits	21,485,547	22,003,548
Professional and consulting	8,661,076	10,745,112
Depreciation	10,663,013	10,014,743
Travel/training/entertainment	10,021,975	9,144,763
Food and beverage services	8,441,976	8,013,845
Utilities and other facility services	7,662,654	7,218,675
Communication and information	6,286,418	6,387,662
Debt and finance expenses	5,976,587	5,772,158
Advertising and media	5,295,887	5,046,101
Consumable expenses	4,938,675	4,874,442
BECC room, conference and administration	3,006,644	3,034,193
Purchased services	2,364,357	2,598,147
Materials and supplies	2,813,666	2,589,371
Other expenses	3,775,194	5,960,754
	$ 187,593,762	$ 183,753,685

15. Commitments

As of June 30, 2015, 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 fiscal year 2014. A portion of these trustee held funds, approximately $28,000,000, were used to construct a new undergraduate residence hall which opened in January 2015. The remaining funds are being used to fund additional Master Plan projects, including renovations to other residence halls on campus.

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, 2015 and 2014, 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, 2015 and 2014, respectively:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2014	$ 145,658,661	$ 86,978,979	$ 97,543,303	$ 330,180,943
Contributions received July 1, 2014 - June 30, 2015	-	357,112	2,965,123	3,322,235
Investment return				
Investment income	1,235,182	1,972,975	-	3,208,157
Net appreciation (realized and unrealized)	5,408,461	8,103,745	-	13,512,206
Total investment return	6,643,643	10,076,720	-	16,720,363
Endowment spending policy allocation	(3,906,116)	(6,775,523)	-	(10,681,639)
Other changes				
Reclassifications and other adjustments	(71)	(6,251)	2,251	(4,071)
Babson Global endowment transfer	2,000,000	-	-	2,000,000
Transfers to Board-designated funds	4,000,000	-	-	4,000,000
Total other changes	5,999,929	(6,251)	2,251	5,995,929
Endowment net assets at June 30, 2015	154,396,117	90,631,037	100,510,677	345,537,831
Operating funds - Babson College	9,910,985	32,997,588	-	42,908,573
Funding for facilities	27,798,308	1,568,965	-	29,367,273
Interest rate swap valuation	(13,876,719)	-	-	(13,876,719)
Other funds	-	-	12,285,484	12,285,484
Babson Global	(669,107)	9,877,303	10,000,000	19,208,196
Total net assets at June 30, 2015	$ 177,559,584	$ 135,074,893	$ 122,796,161	$ 435,430,638

	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 - Babson College	10,595,269	27,850,395	-	38,445,664
Funding for facilities	23,574,242	1,586,887	-	25,161,129
Interest rate swap valuation	(14,218,466)	-	-	(14,218,466)
Other funds	-	-	13,978,816	13,978,816
Babson Global	75,382	-	-	75,382
Total net assets at June 30, 2014	$ 165,685,088	$ 116,416,261	$ 111,522,119	$ 393,623,468

The unrestricted endowment net asset amounts represent board-designated funds. Of these amounts, a total of $34,473,123 and $25,642,000 has been internally designated for the College's Master Plan as of June 30, 2015 and 2014, respectively. In addition, this balance includes board-designated funds of Babson Global, amounting to $4,181,572 and $2,000,000 as of June 30, 2015 and 2014, 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.

17. Babson Global Activities

During the prior 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 a period of time beginning in 2014 for ten 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 is accounted for under the accounting guidance for contributions received for a not-for-profit organization. The $20,000,000 pledge was recorded on the consolidated financial statements during fiscal year ended June 30, 2015. A $2,000,000 million payment was received. In the prior fiscal year, the amount was included with the conditional pledges disclosed in Note 3.

During both fiscal years 2015 and 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 17, 2015, the date the consolidated financial statements were available to be issued.

In August 2015, the College issued $23,285,000 Massachusetts Development Finance Agency Revenue Bonds, Babson College Issue, Series 2015A Bonds (the "Series A Bonds"). Proceeds will be used to partially refund two existing debt issues, the MDFA Series 2005A and the MDFA Series 2007A. The new issue will result in interest cost savings and does not extend the maturities of the bonds refunded.

In August 2015, the College issued $37,000,000 Massachusetts Development Finance Agency Revenue Bonds, Babson College Issue, Series 2015B (the "Series B Bonds"). These bonds mature over 30 years and bear a fixed rate of 3.45%. Proceeds from these issues will be used to fund projects contained within the College's Master Plan.