Babson College
Consolidated Financial Statements
June 30, 2021 and 2020

Babson College
Index
June 30, 2021 and 2020

Report of Independent Auditors

To the Board of Trustees of Babson College

We have audited the accompanying consolidated financial statements of Babson College and its subsidiary (the "College"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities for the year ended June 30, 2021 and of cash flows for the years ended June 30, 2021 and 2020.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 and its subsidiary as of June 30, 2021 and 2020, and the changes in their net assets for the year ended June 30, 2021 and their cash flows for the years ended June 30, 2021 and 2020 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We previously audited the consolidated statement of financial position as of June 30, 2020 and the related consolidated statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 15, 2020, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2020 and for the year then ended is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP

October 15, 2021

Babson College
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 40,015,641	$ 26,423,524
Working capital investments	9,880,361	9,874,616
Accounts receivable, net of allowance of $1,578,731 and $1,001,938 at June 30, 2021 and 2020, respectively	4,519,306	3,479,560
Prepaid expenses and other assets	10,688,624	7,934,418
Contributions receivable, net	48,516,625	53,123,360
Loans receivable, net of allowance of $840,175 and $847,105 at June 30, 2021 and 2020	1,358,044	1,792,627
Bond deposits with trustee	4,425,574	5,638,100
Right of use assets - operating	5,414,815	-
Investments, at fair value	701,494,830	489,737,817
Land, buildings, equipment and software, net	269,123,423	274,185,292
Total assets	$ 1,095,437,243	$ 872,189,314
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 32,549,683	$ 30,038,685
Deposits and advance payments	18,891,424	17,630,870
Government advances for student loans	1,404,497	1,748,920
Operating lease liabilities	5,453,020	-
Interest rate swap liability	10,015,251	12,752,576
Bonds payable, net	162,346,833	170,235,540
Total liabilities	230,660,708	232,406,591
Net assets		
Without donor restrictions	315,738,347	244,287,250
With donor restrictions	549,038,188	395,495,473
Total net assets	864,776,535	639,782,723
Total liabilities and net assets	$ 1,095,437,243	$ 872,189,314

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

Babson College
Consolidated Statements of Activities
Years Ended June 30, 2021 and 2020
(With Summarized Financial Information for the Year Ended June 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating activities				
Operating revenues and support				
Tuition, fees, room and board net of discount of $49,406,789 in 2021 and $48,901,017 in 2020	$ 151,457,616	$ -	$ 151,457,616	$ 154,985,152
Educational programs	1,703,776	-	1,703,776	1,554,283
Other programs and auxiliary activities	9,654,664	-	9,654,664	18,732,275
Total program service fees	162,816,056	-	162,816,056	175,271,710
Contributions and grants	11,025,407	-	11,025,407	7,542,860
Investment income used in operations	159,529	-	159,529	615,061
Endowment spending used in operations	16,873,753	-	16,873,753	17,428,799
Net assets released from restrictions	15,690,102	-	15,690,102	11,275,536
Total operating revenues and support	206,564,847	-	206,564,847	212,133,966
Operating expenses				
Instruction	52,660,651	-	52,660,651	56,840,539
Academic support	32,673,248	-	32,673,248	37,708,586
Student services	36,565,731	-	36,565,731	34,318,405
Auxiliary activities	38,315,775	-	38,315,775	40,457,267
Institutional support	43,495,938	-	43,495,938	40,570,149
Total operating expenses	203,711,343	-	203,711,343	209,894,946
Increase in net assets from operations	2,853,504	-	2,853,504	2,239,020
Nonoperating activities				
Contributions and grants	-	26,954,468	26,954,468	41,537,443
Net assets released from restrictions	12,451,108	(28,141,210)	(15,690,102)	(11,275,536)
Investment return, net	70,276,122	154,729,457	225,005,579	33,649,718
Unrealized gains (losses) on interest rate swap agreements	2,737,325	-	2,737,325	(2,075,440)
Other nonoperating net expenses	6,791	-	6,791	(80,545)
	85,471,346	153,542,715	239,014,061	61,755,640
Less: Endowment spending draw	(16,873,753)	-	(16,873,753)	(17,428,799)
Total nonoperating activities	68,597,593	153,542,715	222,140,308	44,326,841
Total increase in net assets	71,451,097	153,542,715	224,993,812	46,565,861
Net assets				
Beginning of year	244,287,250	395,495,473	639,782,723	593,216,862
End of year	$ 315,738,347	$ 549,038,188	$ 864,776,535	$ 639,782,723

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

Babson College
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Net tuition and fees received	$ 148,310,406	$ 157,632,295
Other educational and noneducational receipts	12,955,345	18,325,007
Contributions and grants received, net of amounts restricted for long-term purposes	28,474,157	22,755,871
Proceeds from stock gifts received for operations	1,238,629	1,347,984
Interest and dividends received	1,743,789	1,191,410
Payments to employees and suppliers	(163,992,625)	(179,250,168)
Interest paid	(5,001,949)	(4,917,919)
Net cash and restricted cash provided by operating activities	23,727,752	17,084,480
Cash flows from investing activities		
Purchases of investments	(280,678,603)	(96,397,554)
Sales of investments	292,251,765	99,039,840
Acquisition and construction of property and equipment	(19,574,432)	(31,085,779)
Student loans repaid	481,013	476,476
Student loans issued	(46,430)	(40,745)
Net cash and restricted cash used in investing activities	(7,566,687)	(28,007,762)
Cash flows from financing activities		
Repayments of bonds and notes	(7,703,052)	(7,492,986)
Payments on split interest agreements	(100,123)	(82,573)
Decrease for refundable U.S. government grants	(344,423)	(545,993)
Permanently restricted contributions	4,645,215	8,528,903
Proceeds from stock gifts received for long-term purposes	1,776,619	10,024,565
Payments on interest rate swap contracts	(2,055,710)	(1,672,976)
Net cash and restricted cash (used in) provided by financing activities	(3,781,474)	8,758,940
Net increase (decrease) in cash and restricted cash	12,379,591	(2,164,342)
Cash, cash equivalents and restricted cash		
Beginning of year	32,061,624	34,225,966
End of year	$ 44,441,215	$ 32,061,624
Cash and cash equivalents	$ 40,015,641	$ 26,423,524
Bond deposits with trustee	4,425,574	5,638,100
Total cash, cash equivalents and restricted cash	$ 44,441,215	$ 32,061,624
Reconciliation of increase in net assets to net cash and restricted cash provided by operating activities		
Cash flows from operating activities		
Increase in net assets	$ 224,993,812	$ 46,565,861
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Realized and unrealized net gains on investments	(223,415,572)	(32,693,868)
Depreciation	19,287,531	18,192,046
Amortization of premium on issued debt	(323,485)	(323,487)
Non-cash lease expense	2,467,491	-
Loss on disposal of building, equipment and software	-	72,095
Permanently restricted contributions	(4,645,215)	(8,528,903)
Increase in contributions receivable	(991,563)	(5,618,574)
Increase (decrease) in allowances	5,598,298	(304,926)
(Decrease) increase in interest rate swap liability	(2,737,325)	2,075,440
Payments on interest rate swap contracts	2,055,710	1,672,976
Changes in operating lease liabilities	(2,429,287)	-
Changes in working capital assets and liabilities, net	3,867,357	(4,024,180)
Net cash and restricted cash provided by operating activities	$ 23,727,752	$ 17,084,480
Supplemental disclosure of cash flow information:		
Right of use assets acquired under operating leases	$ 7,861,895	$ -
Cash paid for operating leases	2,445,038	-

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 2,350 undergraduate and nearly 1,000 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, in accordance with accounting principles generally accepted in the United States of America which requires the College to classify its net assets into two categories based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes herein are classified as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are net assets which the College may use at its discretion. Funds invested in fixed assets, unrestricted endowment and other unrestricted current funds comprise the majority of the College’s net assets without donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are net assets subject to donor-imposed restrictions that will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that resources be maintained in perpetuity. In these instances, 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.

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, and unrealized gains and losses on interest rate swap agreements.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions, including time restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of donor-imposed restrictions on net assets are reported as released from restrictions. Expirations of donor-imposed 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 net assets without donor restrictions and net assets with donor imposed restrictions 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 class.

Contributions
Contributions are recognized as revenues in the period received or when an unconditional promise to give has been made. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as revenues without donor restrictions. Unconditional promises to give with due dates scheduled after the statement of financial position date are shown as increases in net assets with donor-imposed restrictions, depending on the nature of the restrictions involved. Conditional contributions received are accounted for as a liability within deposits and advance payments or are unrecognized initially, until the barriers to entitlement are overcome, at which point the transaction is recognized as an unconditional contribution and classified as either net assets with donor restrictions or net assets without donor restrictions. 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. 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 increases in net assets without donor restrictions 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 increases in net assets with donor restrictions and are reclassified to increases in net assets without donor restrictions upon the later of the asset being placed into service or when a time restriction expires.

Revenue Recognition
Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the College expects to be entitled to in exchange for those goods or services.

Tuition and fees are derived from degree programs as well as certain executive education programs and are recognized ratably over the academic period of the course or program offered based on time elapsed. Aid awarded to students reduces the amount of revenue recognized. The majority of the College's programs are designed to be completed within the fiscal year. Discounts in the form of scholarships and financial aid grants, including those funded by the endowment, restricted specific-purpose gifts and government grants, are reported as a reduction of tuition and fees. A discount represents the difference between the stated charge for the academic (living/learning) program and the amount that is billed to the student and/or third parties making payments on behalf of the student. The academic programs are delivered in the Fall (late-August to mid-December), Winter (mid-December to mid-January) and Spring (mid-January to mid-May) terms, as well as summer terms spanning from June to August. Payments for the fall term are due by August 1st and recorded as deposits and advance payments until the performance obligations are met and totaled $805,186 and $818,266, respectively, for the years ended June 30, 2021 and 2020.

Total tuition and fees and room and board amounted to the following for the years ended June 30, 2021 and June 30, 2020 respectively.

	2021	**2020**
Tuition and fees	$ 176,521,092	$ 178,723,252
Room and board	24,343,313	25,162,917

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

Other programs and auxiliary revenue includes revenues from the Babson Executive Conference Center, Babson Global, Summer Camps and Conferences, Skating Rink, facility rentals and other miscellaneous activities. These revenues are subject to ASC 606, *Revenue from Contracts with Customers* and, except for Babson Global (Note 16), are recognized at the point in time goods or services are provided, with the exception of lease rental and interest income, which are accounting for under other standards. Advance payments of $7,722,570 and $6,442,781 were recorded at June 30, 2021 and 2020, which are primarily related to Babson Global and will be recognized as performance obligations under the contract are met.

The College receives sponsored support from governmental and private sources. Certain sponsored arrangements are considered exchange arrangements, and revenue under these agreements is recognized based on the College's fulfillment of the contract, which is typically based on costs incurred or the achievement of milestones. Other sponsored support is considered contribution revenue in accordance with ASU 2018-08, *Contributions Received and Contributions Made*, which is recognized when any donor-imposed conditions (if any) have been met.

In February 2020, the College received a $50M grant from a private foundation to establish the Arthur M Blank School of Entrepreneurial Leadership. This grant, besides establishing the School of Entrepreneurial Leadership, will also be used to increase accessibility and affordability for students in need, provide new experiential learning opportunities, and create an ‘entrepreneurial village’ to create growth opportunities and allow community members space to create solutions through collaborative learning and experimentation. The College has determined that this arrangement is a nonexchange, conditional transaction and has recorded it in accordance with the guidance presented in ASU 2018-08. The College recognized $5,325,000 and $6,500,000 of revenue associated with this agreement for the years ended June 30, 2021 and 2020, respectively. The College will continue to recognize revenue as barriers and milestones identified within the grant agreement are met.

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 net assets with donor restrictions 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 net assets with donor restrictions 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 net assets without donor restrictions 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 (Note 15). The approved spending rate was 4.5% and 5.0% for the fiscal years ending June 30, 2021 and 2020. 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, 2021 and 2020.

Working Capital Investments

The College has certain investments for working capital purposes that are intended to be used to cover immediate cash needs of the College. These are comprised of cash, money market funds, and fixed income securities. The balance of these funds for the fiscal years ended June 30, 2021 and 2020 was $9,880,361 and $9,874,616, respectively.

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 management. 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.

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

See Note 4 for additional fair value disclosures.

See Note 15 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 ASC 815, *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 nonoperating section of 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 estimated 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 30
Land improvements	10 to 50
Equipment and software	3 to 10

Leases

On July 1, 2020, the College adopted ASU 2016-02, *Leases* using the modified retrospective approach. This new standard requires lessees to recognize leases on the consolidated statements of financial position and disclose key information about leasing arrangements. The new standard establishes a right of use model that requires a lessee to recognize a right of use asset and lease liability on the statement of financial position for all leases with a term greater than 12 months. (The College has elected the short-term lease exemption and therefore does not recognize a right of use asset or corresponding liability for any lease arrangements with an original term of 12 months or less.) Leases have been classified as financing or operating, with classification affecting the pattern of expense recognition and classification of expense in the consolidated statement of activities.

The College elected the ‘package of practical expedients’, an option which permits it to not reassess prior conclusions about lease identification, lease classification and initial direct costs under the new standard.

Results for June 30, 2021 are presented under the new standard, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. Under adoption of the new leasing standard, the College capitalized right of use assets and liabilities of $6,173,858 as of July 1, 2020 within the consolidated statement of financial position. Refer to Note 12 for further information.

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.

All costs incurred to issue debt are presented in the statement of financial position as a direct deduction from the carrying value of the associated debt liability.

Functional Reporting of Expenses

The costs of providing the College’s activities have been summarized on a functional basis in the consolidated statements of activities. Expenses associated with the College’s land, buildings, equipment and software, including interest, depreciation, and operations and maintenance expenses, are functionally allocated based on square footage utilization. (Note 13).

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 approximate fair value.

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

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 the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

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 College. 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.

Asset retirement costs, net of accumulated depreciation of $15,001 and $18,003, have been included in land, buildings, equipment and software, net and $1,415,126 and $1,347,752 of conditional retirement asset obligations are included within accounts payable and accrued expenses in the consolidated statements of financial position as of June 30, 2021 and 2020, respectively.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2020, from which the summarized information is derived.

New Accounting Pronouncements
In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which simplifies fair value measurement disclosures through the removal and modification of a number of investment related disclosure requirements. Certain disclosures are no longer required including amount of and reasons for transfers between Level 1 and 2; policy for timing of transfers between levels; valuation processes for Level 3 investments and the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. Effective July 1, 2020, the College adopted ASU 2018-13. The guidance did

not have a significant impact on the College's consolidated financial statements. Refer to Note 4 for further information.

In August 2018, the FASB issued ASU 2018-15 *Intangibles-Goodwill and Other-Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract,* which align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The amendments in this update are effective for annual reporting periods beginning after December 15, 2020 or fiscal year 2022 for the College. Early adoption is permitted. The College will continue to evaluate the impact of the new guidance on the consolidated financial statements.

In September 2020, the FASB issued 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The ASU is effective for annual periods beginning after June 15, 2021 or fiscal year 2022 for the College. Early adoption is permitted. The College will continue to evaluate the impact of the new guidance on the consolidated financial statements.

3. Contributions Receivable

Contributions receivable at June 30 have the following donor-imposed restrictions:

	2021	2020
Donor-imposed restrictions		
Capital construction and maintenance	$ 1,756,867	$ 2,648,968
Scholarships and fellowships	15,276,995	16,319,351
Instruction and academic support	20,992,839	18,550,833
Student programs	4,854,364	4,610,637
Other	16,172,535	16,555,891
	$ 59,053,600	$ 58,685,680

	2021	2020
Unconditional promises due within		
Less than one year	$ 23,248,493	$ 20,563,908
One year to five years	32,996,102	33,181,542
More than five years	2,809,005	4,940,230
	59,053,600	58,685,680
Less		
Unamortized discount	(2,730,503)	(3,354,146)
Allowance for uncollectibles	(7,806,472)	(2,208,174)
	$ 48,516,625	$ 53,123,360

In addition, at June 30, 2021 and 2020, the College had $58,153,442 and $48,116,415, 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, the creation of an Entrepreneurial Village, and other purposes that depend on the occurrence of specified future and uncertain events.

4. Investments

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

	2021	2020
Equity securities and funds	$ 157,745,672	$ 122,685,273
Fixed income securities and funds	16,770,402	28,498,026
Alternative investments		
Equity funds	217,359,401	136,056,696
Private equity and venture capital funds	217,044,728	133,466,980
Fixed income funds	69,067,932	50,215,606
Hedge funds	14,377,600	13,081,661
Real estate funds	9,129,095	5,733,575
	$ 701,494,830	$ 489,737,817

Equity securities and funds includes net unsettled sales of $24,334 and $594,999 at June 30, 2021 and 2020, respectively.

The College incurred investment management fees of $5,025,339 and $4,572,886 during the years ended June 30, 2021 and 2020, respectively. These fees are reported as a reduction of investment earnings. In addition, the College incurred investment consulting fees of $506,932 and $575,993 during the years ended June 30, 2021 and 2020, respectively, which are included in Investment return, net in the nonoperating section of the consolidated statement of activities.

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 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.

The following tables present the financial instruments carried at fair value as of June 30, 2021 and 2020, by caption on the consolidated statement of financial position and by the fair value valuation hierarchy defined above:

Type	Fair Values as of June 30, 2021 Level 1	Level 2	Level 3	Total
Investments				
Equity securities and funds	$ 157,745,672	$ -	$ -	$ 157,745,672
Fixed income securities and funds	16,770,402	-	12,000	16,782,402
Total Leveled Investments	$ 174,516,074	$ -	$ 12,000	174,528,074
Investments at NAV				526,966,756
Investment totals				$ 701,494,830
Working Capital Investments				
Fixed income securities	$ 9,880,361	$ -	$ -	$ 9,880,361
Liabilities				
Interest rate swaps	$ -	$ 10,015,251	$ -	$ 10,015,251

Type	Fair Values as of June 30, 2020 Level 1	Level 2	Level 3	Total
Investments				
Equity securities and funds	$ 122,685,273	$ -	$ -	$ 122,685,273
Fixed income securities and funds	28,498,026	-	12,000	28,510,026
Total Leveled Investments	$ 151,183,299	$ -	$ 12,000	151,195,299
Investments at NAV				338,542,518
Investment totals				$ 489,737,817
Working Capital Investments				
Fixed income securities	$ 9,874,616	$ -	$ -	$ 9,874,616
Liabilities				
Interest rate swaps	$ -	$ 12,752,576	$ -	$ 12,752,576

The value of certain investments represents 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 due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30 and has assessed whether it is probable that any of these investments would be sold at amounts different from NAV. The College has assessed factors including, but not limited to, managers’ compliance with ASC 820 *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. While not part of a leveling category, fair values for certain investments held are based on the net asset value (NAV) of such investments as determined 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 external investment advisors. Investment at NAV as of June 30 include:

	2021	2020
Private equity funds and venture capital funds	$ 217,044,728	$ 133,466,980
Domestic equity funds	104,676,412	71,987,103
Fixed income funds	69,055,932	50,203,606
International equity funds	42,403,259	24,220,189
Global asset allocation funds	29,085,034	24,313,766
Emerging market funds	25,590,449	15,535,638
Global equity funds	15,604,247	-
Hedge funds	14,377,600	13,081,661
Real estate funds	9,129,095	5,733,575
	$ 526,966,756	$ 338,542,518

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, 2021 and 2020, respectively:

	Investments Asset Value as of June 30, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Investment type				
Equity securities and funds	$ 375,105,073	$ -	Daily - Quarterly	1-60 Days
Fixed income securities and funds	85,838,334	-	Daily - Monthly	3-30 Days
Hedge funds	14,377,600	-	Quarterly - Annually	45-60 Days
Private equity and venture capital funds	217,044,728	54,132,893	N/A	N/A
Real estate funds	9,129,095	11,520,013	N/A *	N/A
	$ 701,494,830	$ 65,652,906		

	Investments Asset Value as of June 30, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Investment type				
Equity securities and funds	$ 258,741,969	$ -	Daily - Quarterly	1-60 Days
Fixed income securities and funds	78,713,632	-	Daily - Monthly	3-30 Days
Hedge funds	13,081,661	-	Quarterly - Annually	45-60 Days
Private equity and venture capital funds	133,466,980	50,142,287	N/A	N/A
Real estate funds	5,733,575	6,891,558	N/A *	N/A
	$ 489,737,817	$ 57,033,845		

* - certain real estate funds permit quarterly redemptions.

5. Land, Buildings, Equipment and Software

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

	2021	2020
Land	$ 1,600,545	$ 1,600,545
Land improvements	43,757,186	43,566,150
Buildings and improvements	436,253,449	431,414,296
Equipment and software	63,477,858	55,674,882
Construction in progress	8,328,926	6,936,429
	553,417,964	539,192,302
Less: Accumulated depreciation	(284,294,541)	(265,007,010)
	$ 269,123,423	$ 274,185,292

Depreciation expense was $19,287,531 and $18,192,045 for the years ended June 30, 2021 and 2020, respectively.

Construction in progress consists of costs associated with Master Plan projects and other facilities projects that have not been completed and placed in service as of June 30, 2021 and 2020, respectively.

During the years ended June 30, 2021 and 2020, the College capitalized interest of $334,934 and $976,954, respectively.

At June 30, 2021 and 2020, construction costs of $1,501,486 and $6,850,255 respectively, were included in the accounts payable and accrued expenses balance.

6. Bonds Payable

Bonds payable consisted of the following at June 30:

	2021	2020
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2008A, bearing interest at variable rates (0.03% at June 30, 2021) and due through 2032 (par value $36,475,000)	$ 23,220,000	$ 24,635,000
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2008B, bearing interest at variable rates (0.06% at June 30, 2021) and due through 2031 (par value $28,840,000)	18,495,000	19,710,000
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 (par value $13,680,000)	3,220,000	4,435,000
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2013, bearing interest at fixed rate of 3.59% and due through 2043 (par value $35,000,000)	29,049,490	29,891,940
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2015A, bearing interest at fixed rate of 4.00% to 5.00% and due through 2035 (par value $23,285,000)	18,385,000	19,875,000
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2015B, bearing interest at fixed rate of 3.45% and due through 2045 (par value $37,000,000)	32,536,130	33,378,902
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2017, bearing interest at fixed rate of 4.00% to 5.00% and due through 2047 (par value $33,000,000)	31,425,000	31,970,000
	156,330,620	163,895,842
Unamortized premium	7,203,353	7,602,232
Unamortized bond issuance costs	(1,187,140)	(1,262,534)
	$ 162,346,833	$ 170,235,540

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, 2021 and 2020 were $4,425,574 and $5,638,100, respectively, which represent unexpended proceeds for the College's Master Plan projects and funds held to pay debt service, and are included in restricted cash on the statement of cash flows. Scheduled aggregate principal payments on bonds payable are as follows:

Fiscal Years		**Principal Amount**
2022	$	7,941,360
2023		8,309,717
2024		7,484,775
2025		7,838,208
2026		8,183,709
Thereafter		116,572,851
	$	156,330,620

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 $41,715,000. The repayment schedule under the letter-of-credit commences on the 90th day subsequent to the borrowing and requires 6 equal semi-annual payments. The amounts noted above in the schedule of maturities would be adjusted if the maximum amount of the letter of credit were utilized. In October of 2021, the College renewed the standby letter-of-credit and the remarketed bonds with its financial institution. The letter-of-credit expires on October 15, 2026.

Drawings on the letter of credit for bonds tendered that are not remarketed are payable in 6 equal, semi-annual principal installments over a period ending no later than the letter of credit expiration date, which may be extended from time to time. 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 6 semi-annual payments, would be as follows:, $19,066,360 in fiscal year 2022, $19,304,717 in fiscal year 2023, $18,334,775 in fiscal 2024, $4,633,208 in fiscal 2025; $4,838,709 in fiscal 2026 and $90,152,851 thereafter.

Interest expense, net of capitalized interest, was $6,827,814 and $7,085,412 for the years ended June 30, 2021 and 2020, 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, 2021. 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 represents the estimated cost to the College to cancel the agreement as of the reporting date, and is based on option pricing models that consider risks and other market factors. If the valuation of the swap agreements exceeds certain thresholds, the College is required to post collateral for the amount of the excess. At June 30, 2021 and 2020, 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:

Derivatives not designated as hedging instruments	**Consolidated Statements of Position Location**	**Fair Value of Derivatives 2021**	**2020**
Interest rate swap contracts	Interest rate swap liability	$ 10,015,251	$ 12,752,576

Derivatives not designated as as hedging instruments	**Consolidated Statements of Activities Location**	**Fair Value of Derivatives 2021**	**2020**
Interest rate swap contracts	Unrealized gains (losses) on interest rate swap agreements	$ 2,737,325	$ (2,075,440)
	Operating expenses	(2,055,710)	(1,672,976)
	Net impact	$ 681,615	$ (3,748,416)

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, 2021 and 2020 accounted for all swap activity for the year.

8. Net Assets Released From Restrictions

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

	2021	2020
Capital construction and maintenance	$ 1,118,933	$ 1,872,655
Instruction and academic support	9,432,213	8,859,377
Scholarships and fellowships	6,350,598	6,836,296
Other	11,239,466	4,022,981
	$ 28,141,210	$ 21,591,309

9. Fund-Raising and Alumni Relations Expenses

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

	2021	2020
Fund-raising	$ 6,626,139	$ 9,220,037
Alumni relations	1,815,051	3,868,637
	$ 8,441,190	$ 13,088,674

In addition to the direct fundraising costs shown above, bad debt expense for the uncollectible pledges was $6,339,834 and $1,108,296 for the years ended June 30, 2021 and 2020, respectively.

10. 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 $6,512,323 and $8,150,029 for the years ended June 30, 2021 and 2020, 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 $2,056,692 and $1,581,059 as of June 30, 2021 and 2020, respectively.

11. 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. Under federal law, the authority for the College to make new Federal Perkins Loans to graduate and undergraduate students expired on September 30, 2016 and 2017, respectively, and final disbursements were permitted through June 30, 2018. As such, students are no longer eligible to receive these loans. The College continues to service the outstanding loans and the federal government's portion of these student loans at June 30, 2021 and 2020 was $1,404,497 and $1,748,920, 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, 2021		June 30, 2020	
	Receivable Balance	Related Allowance	Receivable Balance	Related Allowance
Perkins loans	$ 1,124,795	$ (30,175)	$ 1,447,983	$ (37,105)
Other student loans	1,073,424	(810,000)	1,191,749	(810,000)
	$ 2,198,219	$ (840,175)	$ 2,639,732	$ (847,105)

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 private 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, 2021 were as follows:

	Perkin Loans	Other Student Loans
Beginning Balances June 30, 2020	$ (37,105)	$ (810,000)
Net charge-offs	6,930	-
Ending Balances June 30, 2021	$ (30,175)	$ (810,000)

Management considers the allowance for credit losses at June 30, 2021 to be prudent and reasonable.

12. Lease Commitments

The College leases equipment, computers and office facilities under operating leases expiring through August 2028. Under ASC 842, the College determines whether a contract is a lease at inception. Arrangements deemed to be leases are subsequently measured, classified as operating or financing, and recognized at lease commencement. Under the newly adopted accounting standard, a lease is defined as a contract that conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration.

Right of use assets and lease liabilities for operating leases of $5,414,815 and $5,453,020 respectively, are included in ‘Right of use assets - operating’ and ‘Operating lease liabilities’ in the Consolidated Statements of Financial Position at June 30, 2021. The lease assets represent the right to use an underlying asset for the lease term and lease liabilities represent the College’s obligation to make scheduled payments arising from the lease based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease but only when it is reasonably certain that the College will exercise those options. As the rate implicit in the lease agreements is often not readily determinable, the College has elected to apply a risk-free rate, using the applicable treasury yield as of the implementation date.

Lease expense is recognized on a straight-line basis over the term of the lease. The College recognizes variable expenses, other than those related to indices or specifically identified in the lease arrangements, in operating expenses in the period in which the obligation is incurred. Lease expenses are included in the Supplies, services, and other line of the natural classification of expense table included in Footnote 13. On the Consolidated Statement of Activities, these expenses are included in the functional expense lines that an operating lease pertains to. For facilities related leases, these expenses are allocated across all functional expense classifications based on square footage.

At June 30, 2021, the weighted average remaining lease term and discount rate for operating leases were as follows:

Weighted average remaining lease term	4.32 years
Weighted average discount rate	0.34%

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

Fiscal Years	
2022	$ 1,980,206
2023	961,009
2024	801,034
2025	639,179
2026	634,093
Thereafter	485,233
Total lease payments	5,500,754
Less: imputed interest	(47,734)
Total	$ 5,453,020

At June 30, 2021, total lease operating costs amounted to $2,468,687.

Prior to the adoption of ASC 842, net minimum future operating lease payments for periods subsequent to June 30, 2020 were as follows:.

Fiscal Years	
2021	$ 2,400,728
2022	1,559,590
2023	732,403
2024	694,196
2025	530,875
Thereafter	832,796
Total	$ 6,750,588

Expenses incurred on leased computers, facilities and equipment amounted to $3,270,962 for the year ended June 30, 2020.

Under operating lease agreements, the College rents to third parties certain athletic facilities known as The Wellesley Center and a 59 acre parcel of land located in Needham in which the tenant operates a senior living facility. The College receives minimum rental income over the life of the lease; however, certain of the leases include a one-time variable rental payment that is based on a percentage of tenant sales in excess of a contracted amount.

As of June 30, 2021, the total of future minimum payments to be received by the College under the noncancelable component of these leases are as follows:

Fiscal Years	
2022	$ 2,501,168
2023	2,501,168
2024	1,836,168
2025	1,139,039
2026	1,064,872
Thereafter	5,324,360
Total	$ 14,366,775

As of June 30, 2020, the total of future minimum payments to be received by the College under the noncancelable component of these leases were as follows:

Fiscal Years	
2021	$ 3,043,115
2022	1,361,168
2023	1,361,168
2024	1,361,168
2025	1,361,168
Thereafter	5,324,360
Total	$ 13,812,147

Rental income for building leases amounted to $2,655,156 and $2,563,463 for the years ended June 30, 2021 and 2020, respectively.

13. Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the College. Expenses reported by functional categories include allocations of costs for operation and maintenance of plant, interest on indebtedness and depreciation and amortization expense. The College allocates costs among the program and support functions by the amount of building space utilized based on square footage. Plant operations and maintenance related expenditures allocated across functional expense classifications amounted to $18,360,008 and $16,161,522 for the years ended June 30, 2021 and 2020, respectively. General and Administrative expenses, along with Fundraising expenses (Note 9), are the components in the Institutional Support functional expense classification. Expenses by functional and natural classification were as follows for the years ended June 30:

	2021			
	Academic & Student Services	**Auxiliary Activities**	**Institutional Support**	**Total Operating Expenses**
Salaries and wages	$ 68,694,610	$ 5,967,236	$ 21,629,435	$ 96,291,281
Benefits	17,004,471	1,540,730	6,260,689	24,805,890
Depreciation	7,031,061	11,320,311	936,159	19,287,531
Interest	2,489,005	4,007,407	331,402	6,827,814
Supplies, services, and other	26,680,483	15,480,091	14,338,253	56,498,827
	$ 121,899,630	$ 38,315,775	$ 43,495,938	$ 203,711,343

	2020			
	Academic & Student Services	**Auxiliary Activities**	**Institutional Support**	**Total Operating Expenses**
Salaries and wages	$ 72,801,273	$ 6,134,202	$ 21,181,264	$ 100,116,739
Benefits	19,210,404	1,642,978	5,714,484	26,567,866
Depreciation	6,631,714	10,677,344	882,987	18,192,045
Interest	2,582,910	4,158,597	343,905	7,085,412
Supplies, services, and other	27,641,229	17,844,146	12,447,509	57,932,884
	$ 128,867,530	$ 40,457,267	$ 40,570,149	$ 209,894,946

14. Commitments

At June 30, 2021, the College had approximately $2.8 million in contractual commitments on capital projects involving construction and renovation of certain facilities, equipment purchases, and land improvements. The College also has unfunded commitments with limited partnerships of $65,652,906. (Note 4). It is expected that the resources to satisfy these commitments will come from bond proceeds, anticipated gifts, unexpended plant funds, and unrestricted funds.

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.

15. Babson College Endowment Funds and Net Assets

Net assets are categorized as without donor restrictions and with donor restrictions. Net assets without donor restrictions are derived from gifts and other institutional resources that are not subject to explicit donor-imposed restrictions. This category also includes income and gains on these funds. Included in the total is the net investment in plant and equipment. Certain net assets classified as without donor restrictions for external reporting purposes are board-designated for specific purposes or uses under the internal operating budget practices of the College. Net assets with donor restrictions are generally established by donors in support of various programs and initiatives of the College, often for specific purposes such as professorships, research, faculty support, scholarships and fellowships, athletics, building construction, and other specific purposes. This category includes gifts, pledges, and income and gains that can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions and time restrictions imposed by donors or implied by the nature of the gift, or by the interpretations of law. Donor restrictions are normally released upon the passage of time or the incurrence of expenditures that fulfill the donor-specified purpose. Certain donor restrictions are perpetual in nature and may include gifts and pledges that are required to be permanently retained.

The components of net assets with donor restriction and by purpose at June 30, 2021 and 2020 were as follows:

	2021	2020
Donor stipulations		
Capital construction and maintenance	$ 43,824,583	$ 28,994,952
Instruction and academic support	206,183,650	148,544,976
Scholarships and fellowships	132,171,790	90,581,199
Other	117,907,491	74,186,438
Annuity	434,049	64,548
	500,521,563	342,372,113
Contributions receivable, net (Note 3)	48,516,625	53,123,360
	$ 549,038,188	$ 395,495,473

The College's endowment consists of over 290 individual funds which have been established over time for various purposes, including scholarships, chairs and professorships, facilities, athletics and other educational services. The College's endowment consists of both donor-restricted funds as well as board-designated endowment funds. The classification of funds is based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College retains in perpetuity: (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment fund. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate endowment funds:

(1) The duration and preservation of the fund;

(2) The purposes of the College and the donor-restricted endowment fund;

(3) General economic conditions;

(4) The possible effect of inflation and deflation;

(5) The expected total return from income and the appreciation of investments;

(6) Other resources of the College; and

(7) The investment policies of the College.

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. When donor-restricted endowment fund deficits exist, they are classified as a reduction of donor-restricted net assets. If an individual endowment fund does not have sufficient earnings within a particular year to support the annual spending draw based upon the approved spending rate, either (a) no payment will be made, or (b) a reduced payment will be made based upon the amount of actual returns. It is the College's policy to not spend from underwater endowments funds.

As of June 30, 2021, there were no endowment funds that were underwater. In 2020, there was one endowment fund that was deemed underwater, where the fair value had declined below the corpus by $100.

Return Objectives and Strategies for Achieving Objectives

The College has approved and adopted investment and endowment spending policies with the expectation of capital preservation of principal over time, while at the same time providing a dependable source of income for current operations and programs. The College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Total return with prudent investment management is the primary goal.

Endowment Net Asset Composition

Endowment net asset composition by type of funds are as follows for the years ended June 30, 2021 and 2020, respectively:

	Fiscal Year 2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board-designated endowment funds			
Board designated unrestricted purposes	$ 101,918,081	$ -	$ 101,918,081
Board designated for Master Plan projects	24,473,123	-	24,473,123
Board designated for scholarships	7,740,179	-	7,740,179
Board designated for Babson Global	9,756,480	-	9,756,480
Total Board-designated endowment funds	143,887,863	-	143,887,863
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	161,523,519	161,523,519
Accumulated investment gains	90,992,375	304,330,024	395,322,399
Total Donor-restricted endowment funds	90,992,375	465,853,543	556,845,918
Total endowment funds	$ 234,880,238	$ 465,853,543	$ 700,733,781

	Fiscal Year 2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board-designated endowment funds			
Board designated unrestricted purposes	$ 73,147,380	$ -	$ 73,147,380
Board designated for Master Plan projects	24,473,123	-	24,473,123
Board designated for scholarships	5,563,039	-	5,563,039
Board designated for Babson Global	7,021,993	-	7,021,993
Total Board-designated endowment funds	110,205,535	-	110,205,535
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	155,822,179	155,822,179
Accumulated investment gains	59,369,075	162,280,134	221,649,209
Total Donor-restricted endowment funds	59,369,075	318,102,313	377,471,388
Total endowment funds	$ 169,574,610	$ 318,102,313	$ 487,676,923

Changes in net assets are as follows for the years ended June 30, 2021 and 2020, respectively:

	Fiscal Year 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2020	$ 169,574,610	$ 318,102,313	$ 487,676,923
Contributions received July 1, 2020 - June 30, 2021	-	6,421,834	6,421,834
Investment return	70,277,768	154,707,045	224,984,813
Appropriation of endowment assets pursuant to spend rate policy	(4,972,140)	(11,901,613)	(16,873,753)
Other changes			
Donor redesignations	-	(1,476,036)	(1,476,036)
Total other changes	-	(1,476,036)	(1,476,036)
Endowment net assets at June 30, 2021	234,880,238	465,853,543	700,733,781
Operating funds - Babson College	4,397,357	47,423,239	51,820,596
Funding for facilities	80,090,438	5,338,321	85,428,759
Interest rate swap valuation	(10,015,251)	-	(10,015,251)
Babson Global	6,385,565	48,875	6,434,440
Other funds	-	30,374,210	30,374,210
Total net assets at June 30, 2021	$ 315,738,347	$ 549,038,188	$ 864,776,535

	Fiscal Year 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2019	$ 173,970,388	$ 285,353,224	$ 459,323,612
Contributions received July 1, 2019 - June 30, 2020	-	18,573,275	18,573,275
Investment return	10,679,237	23,029,598	33,708,835
Appropriation of endowment assets pursuant to spend rate policy	(7,575,015)	(9,853,784)	(17,428,799)
Other changes			
Babson Global endowment transfers	2,500,000	1,000,000	3,500,000
Transfers from Board-designated funds	(10,000,000)	-	(10,000,000)
Total other changes	(7,500,000)	1,000,000	(6,500,000)
Endowment net assets at June 30, 2020	169,574,610	318,102,313	487,676,923
Operating funds - Babson College	6,955,835	47,187,785	54,143,620
Funding for facilities	77,039,510	2,361,237	79,400,747
Interest rate swap valuation	(12,752,576)	-	(12,752,576)
Babson Global	3,469,871	48,875	3,518,746
Other funds	-	27,795,263	27,795,263
Total net assets at June 30, 2020	$ 244,287,250	$ 395,495,473	$ 639,782,723

Endowment net asset amounts without donor restrictions represent board-designated funds. Of these amounts, a total of $24,473,123 has been internally designated for the College's Master Plan as of June 30, 2021 and 2020. In addition, this balance includes board-designated funds of Babson Global, amounting to $9,756,480 and $7,021,993 as of June 30, 2021 and 2020, respectively. All other endowment net asset amounts represent donor-restricted endowment funds.

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

16. Babson Global Activities

In 2014, 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 and for ten years after the opening date of the school on September 10, 2017, for the use of Babson IP, Academic Development Services, and Technical Academic Services. In addition, there was a gift agreement entered into between Babson Global and Lockheed Martin totaling $20 million to establish a Center for Entrepreneurial Leadership in the Kingdom of Saudi Arabia.

On July 1, 2018, the College adopted ASC 606 and as a result, transitioned to a percentage of completion revenue recognition model. The impact of adoption of ASC 606 to Babson Global was not significant. Under the Technical Academic Services Agreement, management identified specific performance obligations that make up the related transaction price. The level of effort the College puts forth each year to deliver the identified performance obligations can vary based upon the needs of the New College. As a result, the College does not have a reliable method of estimating progress based on outputs and it was determined that the most reliable method of estimating progress would be using a cost-to-cost input revenue recognition model. This model is based on measuring the College's percentage of completion under the contract based on actual costs incurred to date divided by estimated costs expected to be incurred over the term of the Technical Academic Services Agreement. The College excludes costs that are not related to the completion of performance obligations under this arrangement, such as administrative tasks associated with operating Babson Global. Revenue under the IP agreement will continue to be recognized on a straight-line basis. Total programmatic revenues associated with Babson Global amounted to $4.4M and $4.2M as of June 30, 2021 and 2020, respectively.

Babson Global has invested a total of $6,500,000 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.

17. Liquidity and Availability

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

For purposes of analyzing resources available to meet general expenditures over a 12 month period, the College considers all expenditures related to its ongoing activities of teaching as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are used solely to make new loans and are therefore, not available to meet current operating needs.

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

Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. As described in Note 2, the College's board designated endowment is subject to an annual spending rate of 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. Although the Board does not intend to spend from this board-designated endowment (other than amounts appropriated per the Board's annual spending rate approval), these amounts could be made available if necessary.

As of June 30, 2021 and 2020 the following table depicts the amount of financial assets that could be made readily available within one year of the Consolidated Statements of Financial Position date to meet general expenditures:

	2021	2020
Total assets at year end	$ 1,095,437,243	$ 872,189,314
Less:		
Accounts and loans receivable due in more than one year	(1,035,185)	(1,434,102)
Pledges receivable due in more than one year	(45,725,723)	(52,603,966)
Donor-restricted endowment funds	(465,853,543)	(318,102,313)
Board-designated endowment funds	(234,880,238)	(169,574,610)
Prepaid expenses and other assets	(5,522,843)	(3,326,082)
Bond deposits with trustee	(4,425,574)	(5,638,100)
Right of assets - operating	(5,414,815)	-
Working Capital Investments	(6,104,558)	(4,160,359)
Endowment spending allocation for upcoming year	19,037,272	16,753,637
Land, buildings, equipment and software, net	(269,123,423)	(274,185,292)
Total financial assets available for general expenditure within one year	$ 76,388,613	$ 59,918,127

The College also maintains both a secured line of credit of $5 million and an unsecured line of credit of $20M with a financial institution to support working capital and general needs of the College. The College had not drawn on either line of credit at June 30, 2021 or 2020.

18. COVID-19

The COVID-19 pandemic continued to cause disruptions to our nation's higher education systems, including the College. Adversely affected areas include, but are not limited to, student enrollment, housing and dining revenues, faculty, staff and student travel, and increased financial need of students.

During the current fiscal year, the College received $4.2M of funding under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), used to provide emergency financial aid to students as well as to offset costs associated with changes to the delivery of instruction due to the coronavirus.

The CARES Act provided for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. As of June 30, 2021 and 2020, the College had a total of $3.5M and $1.4M respectively in deferred taxes, which are included in accounts payable and accrued expenses on the Consolidated Statements of Financial Position.

The College continues to monitor legislative developments, including future funding opportunities, and directives from federal, state and local officials.

19. Subsequent Events

Subsequent events have been evaluated through October 15, 2021, the date the consolidated financial statements were issued. The College has concluded that no other material events have occurred that are not accounted for in the accompanying consolidated financial statements or disclosed in the accompanying notes.