Consolidated Financial Statements

Babson College

June 30, 2022 and 2021

BABSON COLLEGE

Consolidated Financial Statements

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Consolidated Financial Statements:

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Independent Auditors' Report

Board of Trustees
Babson College
Wellesley, Massachusetts

Opinion

We have audited the consolidated financial statements of Babson College (the "College"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Babson College as of June 30, 2022, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

The consolidated financial statements of Babson College for the year ended June 30, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on October 15, 2021.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Mayer Hoffman McCann P.C.

Boston, Massachusetts
October 21, 2022

BABSON COLLEGE

Consolidated Statements of Financial Position

June 30,

		2022		2021
Assets				
Cash and cash equivalents	$	68,569,876	$	40,015,641
Working capital investments		9,531,486		9,880,361
Accounts receivable, net of allowance of $1,708,946 and $1,578,731 at June 30, 2022 and 2021, respectively		4,703,650		4,519,306
Prepaid expenses and other assets		9,900,436		10,688,624
Contributions receivable, net		63,577,026		48,516,625
Loans receivable, net of allowance of $916,073 and $840,175 at June 30, 2022 and 2021, respectively		1,002,842		1,358,044
Bond deposits with trustee		4,628,119		4,425,574
Right of use assets - operating		4,954,522		5,414,815
Investments, at fair value		662,431,288		701,494,830
Land, buildings, equipment and software, net		261,794,259		269,123,423
Total assets	**$**	**1,091,093,504**	**$**	**1,095,437,243**
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$	36,116,272	$	32,157,183
Deposits and advance payments		16,742,209		19,283,924
Government advances for student loans		1,114,077		1,404,497
Operating lease liabilities		5,027,712		5,453,020
Interest rate swap liability		5,071,032		10,015,251
Bonds payable, net		155,449,915		162,346,833
Total liabilities		**219,521,217**		**230,660,708**
Net assets:				
Without donor restrictions		324,332,533		315,738,347
With donor restrictions		547,239,754		549,038,188
Total net assets		**871,572,287**		**864,776,535**
Total liabilities and net assets	**$**	**1,091,093,504**	**$**	**1,095,437,243**

See accompanying notes to the consolidated financial statements.

BABSON COLLEGE

Consolidated Statement of Activities

Year Ended June 30, 2022
(with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating activities:				
Operating revenues and support:				
Tuition, fees, room and board net of discount of $58,741,380 in 2022 and $49,406,789 in 2021	$ 174,240,584	$ -	$ 174,240,584	$ 151,457,616
Educational programs	2,764,683	-	2,764,683	1,703,776
Other programs and auxiliary activities	15,064,496	-	15,064,496	9,654,664
Total program service fees	192,069,763	-	192,069,763	162,816,056
Contributions and grants	11,549,144	-	11,549,144	11,025,407
Investment income used in operations	(160,400)	-	(160,400)	159,529
Endowment spending used in operations	12,787,273	-	12,787,273	16,873,753
Net assets released from restrictions	15,128,789	-	15,128,789	15,690,102
Total operating revenues and support	**231,374,569**	**-**	**231,374,569**	**206,564,847**
Operating expenses:				
Instruction	56,535,943	-	56,535,943	52,660,651
Academic support	38,314,991	-	38,314,991	32,673,248
Student services	40,683,238	-	40,683,238	36,565,731
Auxiliary activities	44,375,946	-	44,375,946	38,315,775
Institutional support	37,049,316	-	37,049,316	43,495,938
Total operating expenses	**216,959,434**	**-**	**216,959,434**	**203,711,343**
Increase in net assets from operations	**14,415,135**	**-**	**14,415,135**	**2,853,504**
Nonoperating activities:				
Contributions and grants	-	53,387,344	53,387,344	26,954,468
Net assets released from restrictions	12,861,433	(27,990,222)	(15,128,789)	(15,690,102)
Investment return, net	(10,053,210)	(23,088,811)	(33,142,021)	225,005,579
Unrealized gains on interest rate swap agreements	4,944,219	-	4,944,219	2,737,325
Other nonoperating net expenses	12,391	(4,106,745)	(4,094,354)	6,791
Loss on bond refunding	(798,509)	-	(798,509)	-
	6,966,324	(1,798,434)	5,167,890	239,014,061
Less: Endowment spending draw	(12,787,273)	-	(12,787,273)	(16,873,753)
Total nonoperating activities	**(5,820,949)**	**(1,798,434)**	**(7,619,383)**	**222,140,308**
Total increase (decrease) in net assets	**8,594,186**	**(1,798,434)**	**6,795,752**	**224,993,812**
Net assets, beginning of year	315,738,347	549,038,188	864,776,535	639,782,723
Net assets, end of year	**$ 324,332,533**	**$ 547,239,754**	**$ 871,572,287**	**$ 864,776,535**

BABSON COLLEGE

Consolidated Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Operating activities:			
Operating revenues and support:			
Tuition, fees, room and board net of discount of $49,406,789 in 2021	$ 151,457,616	$ -	$ 151,457,616
Educational programs	1,703,776	-	1,703,776
Other programs and auxiliary activities	9,654,664	-	9,654,664
Total program service fees	162,816,056	-	162,816,056
Contributions and grants	11,025,407	-	11,025,407
Investment income used in operations	159,529	-	159,529
Endowment spending used in operations	16,873,753	-	16,873,753
Net assets released from restrictions	15,690,102	-	15,690,102
Total operating revenues and support	**206,564,847**	**-**	**206,564,847**
Operating expenses:			
Instruction	52,660,651	-	52,660,651
Academic support	32,673,248	-	32,673,248
Student services	36,565,731	-	36,565,731
Auxiliary activities	38,315,775	-	38,315,775
Institutional support	43,495,938	-	43,495,938
Total operating expenses	**203,711,343**	**-**	**203,711,343**
Increase in net assets from operations	**2,853,504**	**-**	**2,853,504**
Nonoperating activities:			
Contributions and grants	-	26,954,468	26,954,468
Net assets released from restrictions	12,451,108	(28,141,210)	(15,690,102)
Investment return, net	70,276,122	154,729,457	225,005,579
Unrealized gains on interest rate swap agreements	2,737,325	-	2,737,325
Other nonoperating net expenses	6,791	-	6,791
	85,471,346	153,542,715	239,014,061
Less: Endowment spending draw	(16,873,753)	-	(16,873,753)
Total nonoperating activities	**68,597,593**	**153,542,715**	**222,140,308**
Total increase in net assets	**71,451,097**	**153,542,715**	**224,993,812**
Net assets, beginning of year	244,287,250	395,495,473	639,782,723
Net assets, end of year	**$ 315,738,347**	**$ 549,038,188**	**$ 864,776,535**

See accompanying notes to the consolidated financial statements.

BABSON COLLEGE

Consolidated Statements of Cash Flows

Years Ended June 30,

	2022	*2021*
Cash flows from operating activities:		
Net tuition and fees received	$ 175,416,683	$ 148,310,406
Other educational and noneducational receipts	15,058,668	12,955,345
Contributions and grants received, net of amounts restricted for long-term purposes	34,496,441	28,474,157
Proceeds from stock gifts received for operations	1,933,532	1,238,629
Interest and dividends received	5,086,805	1,743,789
Payments to employees and suppliers	(189,008,493)	(163,992,625)
Interest paid	(4,831,153)	(5,001,949)
Net cash and restricted cash provided by operating activities	**38,152,483**	**23,727,752**
Cash flows from investing activities:		
Purchases of investments	(239,744,472)	(280,678,603)
Sales of investments	241,240,464	292,251,765
Acquisition and construction of property and equipment	(10,720,851)	(19,574,432)
Student loans repaid	297,304	481,013
Student loans issued	(18,000)	(46,430)
Net cash and restricted cash used in investing activities	**(8,945,555)**	**(7,566,687)**
Cash flows from financing activities:		
Repayments of bonds and notes	(69,725,620)	(7,703,052)
Payment of bond issuance costs	(692,027)	-
Proceeds from new debt issued	63,872,340	-
Payments on split interest agreements	(98,117)	(100,123)
Decrease for refundable U.S. government grants	(290,420)	(344,423)
Permanently restricted contributions	5,554,252	4,645,215
Proceeds from stock gifts received for long-term purposes	2,801,270	1,776,619
Payments on interest rate swap contracts	(1,871,826)	(2,055,710)
Net cash and restricted cash used in financing activities	**(450,148)**	**(3,781,474)**
Net increase in cash and restricted cash	**28,756,780**	**12,379,591**
Cash, cash equivalents and restricted cash, beginning of year	44,441,215	32,061,624
Cash, cash equivalents and restricted cash, end of year	**$ 73,197,995**	**$ 44,441,215**
Cash and cash equivalents	$ 68,569,876	$ 40,015,641
Bond deposits with trustee	4,628,119	4,425,574
Total cash, cash equivalents and restricted cash	**$ 73,197,995**	**$ 44,441,215**
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	$ 6,795,752	$ 224,993,812
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Realized and unrealized net losses (gains) on investments	38,040,351	(223,415,572)
Depreciation	20,355,144	19,287,531
Amortization of premium on issued debt	(545,760)	(323,485)
Loss on unamortized bond issue costs and bond premium	194,149	-
Non-cash lease expense	(460,293)	2,467,491
Permanently restricted contributions	(5,554,252)	(4,645,215)
Increase in contributions receivable	(13,046,092)	(991,563)
(Decrease) increase in allowances	(2,014,309)	5,598,298
Decrease in interest rate swap liability	(4,944,219)	(2,737,325)
Payments on interest rate swap contracts	1,871,826	2,055,710
Changes in operating lease liabilities	425,308	(2,429,287)
Changes in working capital assets and liabilities, net	(2,965,122)	3,867,357
Net cash and restricted cash provided by operating activities	**$ 38,152,483**	**$ 23,727,752**
Supplemental disclosure of cash flow information:		
Right of use assets acquired under operating leases	$ 2,059,539	$ 7,861,895
Cash paid for operating leases	2,257,131	2,445,038

See accompanying notes to the consolidated financial statements.

Note 1 - Organization

Babson College (the "College") was founded in 1919 as a private not-for-profit entity and is located in Wellesley, Massachusetts. The College enrolls approximately 2,350 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. The College is accredited by the New England Commission of Higher Education, the Association to Advance Collegiate Schools of Business and EFMD – The Management Development Network.

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Net assets and changes herein are classified as follows:

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Classification as Operating or Nonoperating

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

Cash and Cash Equivalents

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

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

Working Capital Investments

The College has certain investments for working capital purposes that are intended to be used to cover immediate cash needs of the College. These are comprised of cash, money market funds, and fixed income securities.

Contributions Receivable

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

Loans Receivable

Loans receivable are carried net of an allowance for doubtful accounts. The College regularly evaluates the allowance for doubtful accounts via ongoing evaluations of factors such as prior collection history, the economic environment, and the type of loan. Management has elected to omit detailed disclosures given the limited amounts involved.

Note 2 - Summary of Significant Accounting Policies (Continued)

Loans Receivable (Continued)

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

Bond Deposits with Trustee

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

Investments

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

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

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

Fair Values

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Values (Continued)

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

Level 1 – quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange.

Level 2 – pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

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

Land, Buildings, Equipment and Software

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Works of Art and Special Collections

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

Asset Retirement Obligations

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

Asset retirement obligations are included within accounts payable and accrued expenses in the consolidated statements of financial position and amounted to $1,485,883 and $1,415,126 as of June 30, 2022 and 2021, respectively.

Deposits and Advance Payments

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

Leases

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

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

Interest Rate Swaps

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Revenue Recognition

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

Earned Revenues

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

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Earned Revenues (Continued)

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

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

	2022	***2021***
Tuition and fees	$ 197,725,785	$ 176,521,092
Room and board	35,256,179	24,343,313

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

Other programs and auxiliary revenue includes revenues from the Babson Executive Conference Center, Babson Global, Summer Camps and Conferences, Skating Rink, facility rentals and other miscellaneous activities. These revenues are recorded at the point in time goods or services are provided, with the exception of lease rental and interest income, which are accounting for under other standards. Advance payments of $6,541,082 and $7,722,570 were recorded at June 30, 2022 and 2021, respectively, which are primarily related to Babson Global and will be recognized as performance obligations under the contract are met.

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributed Support

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

In February 2020, the College received a $50M grant from a private foundation to establish the Arthur M. Blank School of Entrepreneurial Leadership. This grant, besides establishing the School of Entrepreneurial Leadership, will also be used to increase accessibility and affordability for students in need, provide new experiential learning opportunities, and create an ‘entrepreneurial village’ to create growth opportunities and allow community members space to create solutions through collaborative learning and experimentation. The College has determined that this arrangement is a conditional contribution. The College recognized $4,550,000 and $5,325,000 of revenue associated with this agreement for the years ended June 30, 2022 and 2021, respectively. The College will continue to recognize revenue as barriers and milestones identified within the grant agreement are met.

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

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

The College also records certain gifts-in-kind that are recorded as revenue and expenses, such as equipment and supplies, food, beverage, catering and event rentals, and software which are valued using prices of identical or similar products. The College also receives in-kind professional services which are valued based on current billing rates for services donated. In-kind contributions totaled $109,706 and $368,946 for the years ended June 30, 2022 and 2021, respectively. Food, beverage and related gifts-in-kind are associated with various alumni and College sanctioned events. The College does not sell in-kind contributions and uses equipment, software, etc. to support its operations. Management has not included more detailed information on gifts-in-kind given the limited amounts involved.

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Reporting of Expenses

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

Income Tax Status

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

Uncertain Tax Positions

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

Use of Estimates

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

New Accounting Pronouncements

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

Reclassifications

Certain reclassifications have been made to the 2021 consolidated financial statements in order to conform with the current presentation.

Note 2 - Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through October 21, 2022, the date the consolidated financial statements were issued. The College has concluded that no material events have occurred that impact disclosures or reported amounts in the consolidated financial statements.

Note 3 - Contributions Receivable

Contributions receivable are as follows at June 30:

	2022	*2021*
Unconditional promises due within		
Less than one year	$ 29,858,971	$ 23,248,493
One year to five years	38,961,272	32,996,102
More than five years	5,470,829	2,809,005
	74,291,072	59,053,600
Less		
Unamortized discount	(4,921,883)	(2,730,503)
Allowance for uncollectibles	(5,792,163)	(7,806,472)
	$ 63,577,026	**$ 48,516,625**

Contributions receivable are restricted as follows at June 30:

	2022	*2021*
Donor-imposed restrictions		
Capital construction and maintenance	$ 11,992,984	$ 1,756,867
Scholarships and fellowships	17,228,508	15,276,995
Instruction and academic support	23,132,908	20,992,839
Student programs	5,162,218	4,854,364
Other	16,774,454	16,172,535
	$ 74,291,072	**$ 59,053,600**

The College also has conditional contributions of $48,477,106 and $58,153,442 at June 30 2022 and 2021, respectively. These amounts are not recognized as assets in the consolidated statements of financial position as they are conditioned on future events. These conditional promises consisted of pledges and matching pledges for scholarships, professorships, endowment, the creation of an Entrepreneurial Village, and other purposes that depend on the occurrence of specified future and uncertain events.

Note 4 - Investments and Fair Values

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

	2022				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Investments					
Equity securities and funds	$ 129,103,748	$ -	$ -	$ -	$ 129,103,748
Fixed income securities and funds	19,291,444	-	-	-	19,291,444
Alternative investments:					
Equity funds	-	-	-	194,419,257	194,419,257
Private equity and venture capital funds	-	-	-	223,996,035	223,996,035
Fixed income funds	-	-	12,000	67,176,747	67,188,747
Hedge funds	-	-	-	14,037,153	14,037,153
Real estate funds	-	-	-	14,394,904	14,394,904
Investment totals	**$ 148,395,192**	**$ -**	**$ 12,000**	**$ 514,024,096**	**$ 662,431,288**
Working Capital Investments					
Fixed income securities	$ 9,531,486	$ -	$ -	$ -	$ 9,531,486
Liabilities					
Interest rate swaps	$ -	$ 5,071,032	$ -	$ -	$ 5,071,032

	2021				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Investments					
Equity securities and funds	$ 157,745,672	$ -	$ -	$ -	$ 157,745,672
Fixed income securities and funds	16,770,402	-	-	-	16,770,402
Alternative investments:					
Equity funds	-	-	-	217,359,401	217,359,401
Private equity and venture capital funds	-	-	-	217,044,728	217,044,728
Fixed income funds	-	-	12,000	69,055,932	69,067,932
Hedge funds	-	-	-	14,377,600	14,377,600
Real estate funds	-	-	-	9,129,095	9,129,095
Investment totals	**$ 174,516,074**	**$ -**	**$ 12,000**	**$ 526,966,756**	**$ 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

Note 4 - Investments and Fair Values (Continued)

The College incurred investment management fees of $5,379,884 and $5,025,339 during the years ended June 30, 2022 and 2021, respectively. These fees are reported as a reduction of investment earnings. In addition, the College incurred investment consulting fees of $889,174 and $506,932 during the years ended June 30, 2022 and 2021, respectively, which are included in Investment return, net in the nonoperating section of the consolidated statements of activities.

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

	Fair Value	
Redemption Frequency	***2022***	***2021***
Daily	$ 210,244,090	$ 238,673,055
Weekly	33,372,302	35,398,923
Monthly	72,786,674	82,182,994
Quarterly	107,625,259	119,054,012
Illiquid	238,402,963	226,185,846
Total investments	**$ 662,431,288**	**$ 701,494,830**

The above table considers the notice periods in availing such funds. The College also has unfunded commitments to purchase investments of $111,192,301 and $65,652,906 at June 30, 2022 and 2021, respectively.

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

Note 5 - Land, Buildings, Equipment and Software

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

	2022	***2021***
Land	$ 1,600,545	$ 1,600,545
Land improvements	44,962,895	43,757,186
Buildings and improvements	441,737,238	436,253,449
Equipment and software	74,562,344	63,477,858
Construction in progress	3,580,922	8,328,926
	566,443,944	553,417,964
Less: Accumulated depreciation	(304,649,685)	(284,294,541)
	$ 261,794,259	**$ 269,123,423**

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

Depreciation expense was $20,355,144 and $19,287,531 for the years ended June 30, 2022 and 2021, respectively.

Construction in progress consists of costs associated with deferred maintenance and technology projects that have not been completed and placed in service as of year end. The College had approximately $2.9 million in contractual commitments on capital projects involving construction and renovation of certain facilities, equipment purchases, and land improvements at June 30, 2022.

The College capitalized interest of $273,694 and $334,934 during the years ended June 30, 2022 and 2021, respectively.

Construction costs of $3,806,615 and $1,501,486 at June 30, 2022 and 2021, respectively, were included in accounts payable and accrued expenses.

Note 6 - Interest Rate Swaps

The College had the following swaps outstanding at June 30:

2022

Notional Amount	Termination Date	Interest Rate Received	Interest Rate Paid	Fair Value
$ 21,420,000	10/1/2032	67% of USD-LIBOR	4.089%	$ (2,367,724)
17,100,000	10/1/2031	USD-LIBOR	6.175%	(2,703,308)
$ 38,520,000				**$ (5,071,032)**

2021

Notional Amount	Termination Date	Interest Rate Received	Interest Rate Paid	Fair Value
$ 22,965,000	10/1/2032	67% of USD-LIBOR	4.089%	$ (4,667,679)
18,300,000	10/1/2031	USD-LIBOR	6.175%	(5,347,572)
$ 41,265,000				**$ (10,015,251)**

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

Note 6 - Interest Rate Swaps (Continued)

Interest rate swaps involve counterparty credit exposure and the counterparties for the swap agreements are major financial institutions that meet the College's criteria for financial stability and creditworthiness. The counterparties have performed in accordance with contract terms during both 2022 and 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 fair value of the swap agreements represents the estimated cost to the College to cancel the agreement as of the reporting date, and is based on option pricing models that consider risks and other market factors. If the valuation of the swap agreements exceeds certain thresholds, the College is required to post collateral for the amount of the excess. No collateral was required to be posted at June 30, 2022 and 2021.

Net settlements on swaps are recorded in interest expense.

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

Derivatives not designated as hedging instruments	**Consolidated Statements of Activities Location**	***Fair Value of Derivatives*** ***2022***	***2021***
Interest rate swap contracts	Unrealized gains on interest rate swap agreements	$ 4,944,219	$ 2,737,325
Net settlements	Operating expenses	(1,871,826)	(2,055,710)
	Net impact	**$ 3,072,393**	**$ 681,615**

Note 7 - Bonds Payable and Lines of Credit

Bonds payable are as follows at June 30:

	2022	***2021***
Revenue bonds payable to Massachusetts Development Finance Agency (“MDFA”), Series 2008A, bearing interest at variable rates (1.0% and 0.03% at June 30, 2022 and 2021, respectively) and due through 2032 (par value $36,475,000)	$ 21,655,000	$ 23,220,000
Revenue bonds payable to Massachusetts Development Finance Agency (“MDFA”), Series 2008B, bearing interest at variable rates (1.55% and 0.06% at June 30, 2022 and 2021, respectively) and due through 2031 (par value $28,840,000)	17,280,000	18,495,000
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
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
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)	16,820,000	18,385,000
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
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)	30,850,000	31,425,000
Revenue bonds payable to Massachusetts Development Finance Agency (“MDFA”), Series 2022, bearing interest at fixed rate of 4.00% to 5.00% and due through 2045 (par value $52,010,000)	52,010,000	-
	138,615,000	156,330,620
Unamortized premium	18,196,201	7,203,353
Unamortized bond issuance costs	(1,361,286)	(1,187,140)
	$ 155,449,915	**$ 162,346,833**

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

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

Scheduled aggregate principal payments on bonds payable are as follows:

Fiscal Years	***Principal Amount***
2023	$ 7,815,000
2024	6,995,000
2025	7,345,000
2026	7,700,000
2027	7,940,000
Thereafter	100,820,000
	$ 138,615,000

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

Interest expense, net of amounts capitalized, was $6,680,300 and $6,827,814 for the years ended June 30, 2022 and 2021, respectively.

The College also maintains an unsecured line of credit of $20M with a financial institution to support working capital and general needs of the College. This line automatically renews in June of each year on review by the lender together with the College being in compliance with the terms of the agreement. The College had not drawn on the line of credit at June 30, 2022 or 2021. An additional line of credit available in 2021 was not renewed in 2022.

In January 2022, the Massachusetts Development Finance Agency ("MDFA") Series 2022 bonds were issued in the amount of $52,010,000 for the purpose of refunding the MDFA Series 2011, Series 2013, and Series 2015B bonds. The MDFA Series 2022 bonds were issued with an original premium of $11,862,340. The College recorded a net loss on refunding of these debt issues ($798,509) resulting from the net effect of writing off the unamortized premiums and bond issuance costs associated with the prior bonds.

Note 8 - Retirement Plans

Defined Contribution Plan

The College has a qualified defined contribution retirement plan organized under section 403(b) of the Internal Revenue Code for eligible full-time academic, administrative and service personnel as defined in the plan. Expenses under this plan were $9,293,791 and $6,512,323 for the years ended June 30, 2022 and 2021, respectively. During fiscal 2022, the College restored its traditional match to the plan along with an additional amount to make up for the reduction in match that was put in place during fiscal 2021 in an effort to manage costs during the uncertainties associated with COVID.

Deferred Compensation Plan

The College also has a non-qualified deferred compensation plan organized under section 457 of the Internal Revenue Code for a select group of management. This plan allows participants to defer a portion of their compensation until after employment termination. This plan does not currently provide for any employer contributions. Deferred amounts are invested at the direction of the participant via a third-party custodian and are included in prepaid expenses and other assets along with a corresponding liability that is recorded in accounts payable and accrued expenses reflecting the obligation to the employees. The total amount of deferred compensation included in the assets and liabilities of the College was $1,776,464 and $2,056,692 as of June 30, 2022 and 2021, respectively.

Note 9 - Lease Commitments

Lease Agreements as Lessee

The College leases equipment, computers and office facilities under operating leases expiring through August 2028. Certain leases pass through any changes in operating costs over the lease term.

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

Fiscal Years	
2023	$ 1,944,413
2024	1,327,962
2025	693,093
2026	644,413
2027	405,865
Thereafter	79,368
Total lease payments	5,095,114
Less: imputed interest	(47,317)
Total	**$ 5,047,797**

Note 9 - Lease Commitments (Continued)

Lease Agreements as Lessee (Continued)

Total lease expenses amounted to $2,306,038 and $2,468,687 for the years ended June 30, 2022 and 2021, respectively.

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

The weighted average remaining lease term and discount rate for operating leases were as follows:

	2022	*2021*
Weighted average remaining lease term	3.52 years	4.32 years
Weighted average discount rate	0.59%	0.34%

Lease Agreements as Lessor

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

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

Fiscal Years	
2023	$ 2,453,168
2024	1,816,168
2025	1,139,039
2026	1,064,872
2027	1,064,872
Thereafter	5,324,360
Total	**$ 12,862,479**

Rental income amounted to $2,918,137 and $2,655,156 for the years ended June 30, 2022 and 2021, respectively.

Note 10 - Babson College Endowment Funds and Net Assets

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 tracking of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College tracks in perpetuity: (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment fund. Funds are subject to appropriation for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

(1) The duration and preservation of the fund;
(2) The purposes of the College and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the College; and
(7) The investment policies of the College.

Spending Policies

The College employs an endowment spending policy that establishes the amount of investment return made available for expenditure each year. This amount is up to 5% of the previous 20 quarter average market value of the endowment as of June 30 of the preceding year, plus additional spending for endowment management, excluding amounts internally designated for use in Master Plan projects. The approved spending rate was 4.5% for the fiscal years ended June 30, 2022 and 2021. During the current fiscal year, the College returned a total of $6,250,000 of the original spending calculation, which resulted in an actual spending draw rate of 3%.

Underwater Endowment Funds

It is the College's policy to not spend from underwater endowments funds. Periodically, the fair value of individual endowment funds may fall below the original gift amount "corpus". There was a total of $4,927,502 of underwater funds at June 30, 2022. There were no endowment funds that were underwater at June 30, 2021.

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

Return Objectives and Strategies for Achieving Objectives

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

Endowment Net Asset Composition

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

	Fiscal Year 2022		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Board-designated endowment funds			
Board-designated for unrestricted purposes	$ 108,306,939	$ -	$ 108,306,939
Board-designated for Master Plan projects	24,473,123	-	24,473,123
Board-designated for scholarships	7,834,993	-	7,834,993
Board-designated for Babson Global	9,730,437	-	9,730,437
Total board-designated endowment funds	150,345,492	-	150,345,492
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	169,879,041	169,879,041
Accumulated investment gains	74,357,902	268,733,505	343,091,407
Total donor-restricted endowment funds	74,357,902	438,612,546	512,970,448
Total endowment funds	**$ 224,703,394**	**$ 438,612,546**	**$ 663,315,940**

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

Endowment Net Asset Composition (Continued)

	Fiscal Year 2021		
	Without Donor Restrictions	***With Donor Restrictions***	***Total***
Board-designated endowment funds			
Board-designated for 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**

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

Endowment Net Asset Composition (Continued)

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

	Fiscal Year 2022		
	Without Donor Restrictions	***With Donor Restrictions***	***Total***
Endowment net assets at June 30, 2021	$ 234,880,238	$ 465,853,543	$ 700,733,781
Contributions received July 1, 2021 - June 30, 2022	-	8,355,522	8,355,522
Investment return	(10,036,601)	(22,915,857)	(32,952,458)
Appropriation of endowment assets pursuant to spend rate policy	(140,243)	(12,647,030)	(12,787,273)
Other changes			
Donor redesignations	-	(33,632)	(33,632)
Total other changes	-	(33,632)	(33,632)
Endowment net assets at June 30, 2022	224,703,394	438,612,546	663,315,940
Operating funds - Babson College	19,628,230	68,232,818	87,861,048
Funding for facilities	78,889,338	10,886,884	89,776,222
Interest rate swap valuation	(5,071,032)	-	(5,071,032)
Babson Global	6,182,603	48,875	6,231,478
Other funds	-	29,458,631	29,458,631
Total net assets at June 30, 2022	**$ 324,332,533**	**$ 547,239,754**	**$ 871,572,287**

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

Endowment Net Asset Composition (Continued)

	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**

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, 2022 and 2021. In addition, this balance includes board-designated funds of Babson Global, amounting to $9,730,437 and $9,756,480 as of June 30, 2022 and 2021, respectively. All other endowment net asset amounts represent donor-restricted endowment funds.

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

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

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

	2022	*2021*
Donor stipulations		
Capital construction and maintenance	$ 51,045,262	$ 43,824,583
Instruction and academic support	213,543,635	206,183,650
Scholarships and fellowships	140,302,204	132,171,790
Other	78,588,276	117,907,491
Annuity	183,351	434,049
	483,662,728	500,521,563
Contributions receivable, net (Note 3)	63,577,026	48,516,625
	$ 547,239,754	**$ 549,038,188**

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:

	2022	*2021*
Capital construction and maintenance	$ 754,827	$ 1,118,933
Instruction and academic support	11,829,612	9,432,213
Scholarships and fellowships	8,593,900	6,350,598
Other	6,811,883	11,239,466
	$ 27,990,222	**$ 28,141,210**

Note 11 - Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the College. Expenses reported by functional categories include allocations of costs for operation and maintenance of plant, interest on indebtedness and depreciation and amortization expense. The College allocates costs among the program and support functions by the amount of building space utilized based on square footage. Plant operations and maintenance related expenditures allocated across functional expense classifications amounted to $18,661,624 and $18,360,008 for the years ended June 30, 2022 and 2021, respectively. General and Administrative expenses, along with Fundraising expenses, are the components in the Institutional Support functional expense classification. Expenses by functional and natural classification were as follows for the years ended June 30:

	2022			
	Academic & Student Services	Auxiliary Activities	Institutional Support	Total Operating Expenses
Salaries and wages	$ 71,930,597	$ 5,997,980	$ 18,243,631	$ 96,172,208
Benefits	19,615,575	1,682,632	6,770,896	28,069,103
Depreciation	7,420,247	11,946,919	987,978	20,355,144
Interest	2,435,231	3,920,827	324,242	6,680,300
Supplies, services, and other	34,132,522	20,827,588	10,722,569	65,682,679
	$ 135,534,172	**$ 44,375,946**	**$ 37,049,316**	**$ 216,959,434**

	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**

Note 11 - Functional Expenses (Continued)

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

	2022	***2021***
Fundraising	$ 6,141,520	$ 6,626,139
Alumni relations	2,324,164	1,815,051
	$ 8,465,684	**$ 8,441,190**

In addition to the direct fundraising costs shown above, bad debt expense for the uncollectible pledges was $4,106,745 and $6,339,834 for the years ended June 30, 2022 and 2021, respectively.

Note 12 - Commitments and Contingencies

The College has long-term agreements with certain third-party vendors. Agreements for food services and integrated facility management services will expire in fiscal year 2025. The agreement for bookstore operations expires in fiscal year 2024. These agreements include cancelation clauses with notice.

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

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

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

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

Note 13 - Related Parties

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

Company	***Babson Trustee Title***	***Services Rendered***	***Amount Paid*** **2022**	**2021**
Bank of America	President of Bank of America Business Capital	Letter of credit for variable bonds	$ 179,158	$ 227,859
First Republic Bank	Chairman, CEO (Founder) and Board Member	Private placement tax-exempt debt. Working capital investements	-	1,154,195

Note 14 - Babson Global

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

Total programmatic revenues associated with Babson Global amounted to $4.3M and $4.4M as of June 30, 2022 and 2021, respectively.

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

Note 15 - Liquidity and Availability

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

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

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

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

	2022	***2021***
Total assets at year end	$ 1,091,093,504	$ 1,095,437,243
Less:		
Accounts and loans receivable due in more than one year	(805,055)	(1,035,185)
Contributions receivable due in more than one year	(56,875,370)	(45,725,723)
Donor-restricted endowment funds	(438,612,546)	(465,853,543)
Board-designated endowment funds	(224,703,394)	(234,880,238)
Prepaid expenses and other assets	(4,930,423)	(5,522,843)
Bond deposits with trustee	(4,628,119)	(4,425,574)
Right of use assets - operating	(4,954,522)	(5,414,815)
Working capital investments	(4,301,284)	(6,104,558)
Endowment spending allocation for upcoming year	22,232,639	19,037,272
Land, buildings, equipment and software, net	(261,794,259)	(269,123,423)
Total financial assets available for general expenditure within one year	**$ 111,721,171**	**$ 76,388,613**

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

Note 16 - Revenue and Expenses Associated with COVID-19

The College incurred certain costs associated with preventing the spread of COVID-19 on campus and experienced a loss of revenue due to COVID-19 effects on enrollment and on-campus housing during 2022 and 2021. The College was eligible to receive funding to help offset these financial impacts caused by the COVID-19 pandemic. Further detail of significant impacts are as follows:

Higher Education Emergency Relief Funds

The College was granted funding to assist students and the institution with the impact of COVID-19. The College recorded grant revenue of $4,384,842 and $4,172,583 for the years ended June 30, 2022 and 2021, respectively. Of this grant revenue, amounts provided directly to students or used by students to pay their outstanding account balances was $2,192,421 and $1,740,857 for the years ended June 30, 2022 and 2021, respectively.

Federal Emergency Management Agency

The College plans to apply for a Federal Emergency Management Agency assistance grant during fiscal 2023 which includes amounts related to prior incurred costs. Such amounts have not been reflected in revenue given there was no notification of approval of a federal award as of June 30, 2022. Such amounts, if awarded, are expected to be recorded as revenue in fiscal 2023.

Deferred Tax Payments

The College was allowed to defer 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. The College had a total of $1.7M and $3.5M deferred as of June 30, 2022 and 2021, respectively, which is included in accounts payable and accrued expenses.

Forward Impact

The College expects continued impact from COVID-19 associated with revenues and costs, however the level of impact is uncertain and will be driven by the trends of the pandemic, consumer behavior, regulatory requirements, along with other factors.

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