



Consolidated Financial Statements

Babson College

June 30, 2025 and 2024

BABSON COLLEGE
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 statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, and cash flows for the years 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, 2025 and 2024, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

CBIZ CPAs P.C.

Boston, Massachusetts
October 24, 2025

BABSON COLLEGE

Consolidated Statements of Financial Position

June 30,

	2025	2024
Assets		
Cash and cash equivalents	\$ 28,236,462	\$ 61,099,043
Working capital investments	24,902,276	23,640,957
Accounts receivable, net	4,990,195	3,985,086
Prepaid expenses and other assets	11,716,494	14,407,695
Contributions receivable, net	73,430,720	69,538,652
Loans receivable, net	330,436	389,310
Bond deposits with trustee	4,664,506	4,406,436
Right of use assets - operating	4,958,058	5,405,906
Investments	813,258,194	741,033,186
Land, buildings, equipment and software, net	<u>315,624,236</u>	<u>295,113,018</u>
Total assets	<u>\$ 1,282,111,577</u>	<u>\$ 1,219,019,289</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 44,529,150	\$ 51,271,014
Deposits and advance payments	19,033,569	21,967,444
Government advances for student loans	462,785	569,960
Operating lease liabilities	5,150,270	5,508,058
Interest rate swap liability	2,140,409	1,971,993
Bonds payable, net	<u>129,642,602</u>	<u>138,100,520</u>
Total liabilities	<u>200,958,785</u>	<u>219,388,989</u>
Net assets:		
Without donor restrictions	410,699,901	391,398,020
With donor restrictions	<u>670,452,891</u>	<u>608,232,280</u>
Total net assets	<u>1,081,152,792</u>	<u>999,630,300</u>
Total liabilities and net assets	<u>\$ 1,282,111,577</u>	<u>\$ 1,219,019,289</u>

See accompanying notes to the consolidated financial statements.

BABSON COLLEGE

Consolidated Statement of Activities

Year Ended June 30, 2025
(with comparative totals for 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating activities:				
Operating revenues and support:				
Tuition, fees, room and board net of discount of \$63,596,533 in 2025 and \$63,420,928 in 2024	\$ 194,204,306	\$ -	\$ 194,204,306	\$ 194,927,757
Educational programs	4,939,705	-	4,939,705	3,263,447
Other programs and auxiliary activities	18,157,088	-	18,157,088	16,802,315
Total program service fees	217,301,099	-	217,301,099	214,993,519
Contributions and grants	8,913,999	-	8,913,999	17,227,268
Investment income used in operations	3,463,430	-	3,463,430	4,450,790
Board designated funds used for approved strategic initiatives	2,117,657	-	2,117,657	341,771
Endowment spending used in operations	26,797,983	-	26,797,983	24,200,456
Net assets released from restrictions	13,782,035	-	13,782,035	16,331,708
Total operating revenues and support	272,376,203	-	272,376,203	277,545,512
Operating expenses:				
Instruction	71,064,449	-	71,064,449	66,871,505
Academic support	51,001,361	-	51,001,361	47,770,750
Student services	48,727,991	-	48,727,991	46,289,698
Auxiliary activities	47,908,321	-	47,908,321	48,834,691
Institutional support	50,536,517	-	50,536,517	50,123,296
Total operating expenses	269,238,639	-	269,238,639	259,889,940
Increase in net assets from operations	3,137,564	-	3,137,564	17,655,572
Nonoperating activities:				
Contributions and grants	-	38,656,705	38,656,705	37,610,670
Net assets released from restrictions	23,009,157	(36,791,192)	(13,782,035)	(16,331,708)
Investment return, net	24,835,940	59,808,329	84,644,269	64,687,026
Unrealized (losses) gains on interest rate swap agreements	(168,417)	-	(168,417)	789,443
Other nonoperating net (expenses) revenues	(2,596,723)	546,769	(2,049,954)	(1,321,075)
Board designated funds released for approved strategic initiatives	(2,117,657)	-	(2,117,657)	(341,771)
Endowment spending allocation used in nonoperating activities	400,697	-	400,697	388,160
	43,362,997	62,220,611	105,583,608	85,480,745
Less: Endowment spending draw	(27,198,680)	-	(27,198,680)	(24,588,616)
Total nonoperating activities	16,164,317	62,220,611	78,384,928	60,892,129
Total increase in net assets	19,301,881	62,220,611	81,522,492	78,547,701
Net assets, beginning of year	391,398,020	608,232,280	999,630,300	921,082,599
Net assets, end of year	\$ 410,699,901	\$ 670,452,891	\$ 1,081,152,792	\$ 999,630,300

BABSON COLLEGE
Consolidated Statement of Activities
Year Ended June 30, 2024

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Operating activities:			
Operating revenues and support:			
Tuition, fees, room and board net of discount of \$63,420,928	\$ 194,927,757	\$ -	\$ 194,927,757
Educational programs	3,263,447	-	3,263,447
Other programs and auxiliary activities	16,802,315	-	16,802,315
Total program service fees	214,993,519	-	214,993,519
Contributions and grants	17,227,268	-	17,227,268
Investment income used in operations	4,450,790	-	4,450,790
Board designated funds used for approved strategic initiatives	341,771	-	341,771
Endowment spending used in operations	24,200,456	-	24,200,456
Net assets released from restrictions	16,331,708	-	16,331,708
Total operating revenues and support	277,545,512	-	277,545,512
Operating expenses:			
Instruction	66,871,505	-	66,871,505
Academic support	47,770,750	-	47,770,750
Student services	46,289,698	-	46,289,698
Auxiliary activities	48,834,691	-	48,834,691
Institutional support	50,123,296	-	50,123,296
Total operating expenses	259,889,940	-	259,889,940
Increase in net assets from operations	17,655,572	-	17,655,572
Nonoperating activities:			
Contributions and grants	-	37,610,670	37,610,670
Net assets released from restrictions	36,173,526	(52,505,234)	(16,331,708)
Investment return, net	19,682,458	45,004,568	64,687,026
Unrealized gains on interest rate swap agreements	789,443	-	789,443
Other nonoperating net expenses	(102,742)	(1,218,333)	(1,321,075)
Board designated funds released for approved strategic initiatives	(341,771)	-	(341,771)
Endowment spending allocation used in nonoperating activities	388,160	-	388,160
	56,589,074	28,891,671	85,480,745
Less: Endowment spending draw	(24,588,616)	-	(24,588,616)
Total nonoperating activities	32,000,458	28,891,671	60,892,129
Total increase in net assets	49,656,030	28,891,671	78,547,701
Net assets, beginning of year	341,741,990	579,340,609	921,082,599
Net assets, end of year	\$ 391,398,020	\$ 608,232,280	\$ 999,630,300

See accompanying notes to the consolidated financial statements.

BABSON COLLEGE

Consolidated Statements of Cash Flows

Years Ended June 30,

	2025	2024
Cash flows from operating activities:		
Net tuition and fees received	\$ 197,796,035	\$ 191,059,755
Other educational and noneducational receipts	18,373,739	30,038,695
Contributions and grants received, net of amounts restricted for long-term purposes	28,621,686	39,990,123
Proceeds from stock gifts received for operations	930,242	451,170
Interest and dividends received	7,918,192	8,211,596
Payments to employees and suppliers	(242,993,521)	(234,445,144)
Interest paid	<u>(4,484,594)</u>	<u>(5,097,334)</u>
Net cash and restricted cash provided by operating activities	<u>6,161,779</u>	<u>30,208,861</u>
Cash flows from investing activities:		
Purchases of investments	(195,637,998)	(118,954,196)
Sales of investments	202,683,998	110,400,731
Acquisition and construction of property and equipment	(52,602,081)	(41,115,560)
Student loans repaid	69,356	225,617
Student loans issued	<u>(10,500)</u>	<u>(10,500)</u>
Net cash and restricted cash used in investing activities	<u>(45,497,225)</u>	<u>(49,453,908)</u>
Cash flows from financing activities:		
Repayments of bonds and notes	(7,345,000)	(6,995,000)
Payments on split interest agreements	(110,483)	(97,897)
Decrease for refundable U.S. government grants	(107,175)	(139,375)
Permanently restricted contributions	13,687,755	14,226,888
Proceeds from stock gifts received for long-term purposes	935,564	866,568
Payments on interest rate swap contracts	<u>(329,726)</u>	<u>(191,693)</u>
Net cash and restricted cash provided by financing activities	<u>6,730,935</u>	<u>7,669,491</u>
Net decrease in cash and restricted cash	<u>(32,604,511)</u>	<u>(11,575,556)</u>
Cash, cash equivalents and restricted cash, beginning of year	<u>65,505,479</u>	<u>77,081,035</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 32,900,968</u>	<u>\$ 65,505,479</u>
Cash and cash equivalents	\$ 28,236,462	\$ 61,099,043
Bond deposits with trustee	<u>4,664,506</u>	<u>4,406,436</u>
Total cash, cash equivalents and restricted cash	<u>\$ 32,900,968</u>	<u>\$ 65,505,479</u>
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	\$ 81,522,492	\$ 78,547,701
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Realized and unrealized net gains on investments	(78,928,184)	(60,310,162)
Loss on disposal of property and equipment	2,617,508	-
Proceeds from sale of property and equipment	207,000	-
Depreciation	22,811,601	20,273,477
Amortization of bond issuance costs and accretion of premium on issued debt	(1,112,919)	(1,142,131)
Change in operating lease assets	(447,848)	1,150,914
Permanently restricted contributions	(13,687,755)	(14,226,888)
(Increase) decrease in contributions receivable	(2,760,789)	597,906
(Decrease) increase in allowances	(1,131,279)	875,018
Increase (decrease) in interest rate swap liability	168,416	(789,443)
Payments on interest rate swap contracts	329,726	191,693
Changes in operating lease liabilities	357,788	(1,185,774)
Changes in working capital assets and liabilities, net	<u>(3,783,978)</u>	<u>6,226,550</u>
Net cash and restricted cash provided by operating activities	<u>\$ 6,161,779</u>	<u>\$ 30,208,861</u>
Supplemental disclosure of cash flow information:		
Right of use assets acquired under operating leases	\$ 3,055,084	\$ 3,820,783
Cash paid for operating leases	2,434,316	2,465,269

See accompanying notes to the consolidated financial statements.

BABSON COLLEGE

Notes to 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 2,800 undergraduate and 1,100 graduate students from the United States and more than 90 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.

BABSON COLLEGE

Notes to Consolidated Financial Statements

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, bad debt expense for the uncollectible pledges, 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 primarily of fixed income securities with original maturity dates in excess of three months.

Accounts Receivable

Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic or auxiliary activity. Payments for tuition and fees and room and board charges are generally due by the start of the academic period with the recognition that on behalf payments being made by the DOE or others are subject to specific requirements within those programs as to when those funds can be availed. Certain DOE funding can be availed prior to the commencement of the academic period, while other amounts are paid at specified intervals based on the rules as promulgated by the DOE. Thus, cash flows on accounts receivable balances and the measurement of deferred revenues do not directly depend on meeting specified performance obligations of the College. Student accounts are not collateralized.

Accounts receivable are carried net of an allowance for credit losses of \$850,479 and \$1,366,726 as of June 30, 2025 and 2024, respectively. The College estimates expected credit losses over the life of its financial assets and certain off-balance sheet exposures as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts. The College records the estimate of expected credit losses as an allowance for credit losses. An account is considered uncollectible when all efforts to collect the account have been exhausted.

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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. Discounts for the years ended June 30, 2025 and 2024 were calculated using rates ranging from 0.83% to 5.71%. Amortization of the discount is included in contributions and grants revenue. Conditional promises are not included as support until the conditions are substantially met. Unconditional promises are periodically reviewed to estimate an allowance for credit losses. 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. An account is considered uncollectible when all efforts to collect the account have been exhausted.

Loans Receivable

Loans receivable are carried net of an allowance for credit losses of \$890,920 and \$890,902 as of June 30, 2025 and 2024, respectively. The College estimates expected credit losses over the life of its financial assets and certain off-balance sheet exposures as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts. The College records the estimate of expected credit losses as an allowance for credit losses. An account is considered uncollectible when all efforts to collect the account have been exhausted.

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.

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments (Continued)

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.

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.

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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 as incurred.

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

	<i>Years</i>
Buildings	40 to 50
Building improvements	10 to 30
Land improvements	10 to 50
Equipment and software	3 to 10

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 \$1,567,110 and \$1,519,967 as of June 30, 2025 and 2024, 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.

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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 the 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.

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 effective interest method to amortize the bond discounts/premiums and origination costs.

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.

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Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Earned Revenues (Continued)

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.

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:

	2025	2024
Tuition and Fees	\$ 215,529,244	\$ 217,236,418
Room and Board	42,271,595	41,112,267

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 ("BECC"), 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 accounted for under other standards.

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Earned Revenues (Continued)

In connection with the Babson Global activities as more fully discussed in Note 13, 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.

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 \$4,875,000 and \$4,950,000 of revenue associated with this agreement for the years ended June 30, 2025 and 2024, respectively. The College will continue to recognize revenue as barriers and milestones identified within the grant agreement are met; the remaining conditional amount of \$19,025,000 and \$23,900,000 to be recognized in the future is included in the total conditional contributions amounts at June 30, 2025 and 2024, respectively, as disclosed below.

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributed Support (Continued)

The College has conditional contributions of \$33,201,981 and \$39,083,899 at June 30, 2025 and 2024, 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.

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 applied for and received Federal grants totaling \$9,537,819 during the year ended June 30, 2024, for various COVID-related costs incurred in 2023 and prior and such amounts are included in contributions and grants on the consolidated statement of activities for the year ended June 30, 2024. There were no COVID-related reimbursements received during the year ended June 30, 2025.

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 \$656,772 and \$165,105 for the years ended June 30, 2025 and 2024, respectively.

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.

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Subsequent Events

Subsequent events have been evaluated through October 24, 2025, 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.

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 3 - Contributions Receivable

Contributions receivable are as follows at June 30:

	2025	2024
Unconditional promises due within		
Less than one year	\$ 34,909,756	\$ 32,333,048
One year to five years	47,675,426	45,491,009
More than 5 years	<u>3,992,963</u>	<u>5,417,966</u>
	86,578,145	83,242,023
Less		
Unamortized discount	(7,712,377)	(7,137,044)
Allowance for credit losses	<u>(5,435,048)</u>	<u>(6,566,327)</u>
	<u>\$ 73,430,720</u>	<u>\$ 69,538,652</u>

Contributions receivable are restricted as follows at June 30:

	2025	2024
Donor-imposed restrictions		
Capital construction and maintenance	\$ 18,385,077	\$ 11,295,066
Scholarships and fellowships	13,496,181	11,558,004
Instruction and academic support	36,016,744	42,938,643
Student programs	8,152,832	5,586,308
Other	1,279,634	2,553,106
Restricted for time	<u>9,247,677</u>	<u>9,310,896</u>
	<u>\$ 86,578,145</u>	<u>\$ 83,242,023</u>

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 4 - Investments and Fair Values

The following tables summarize the valuation of the College's financial instruments at June 30:

	2025				
	Level 1	Level 2	Level 3	NAV	Total
Investments					
Equity securities and funds	\$ 176,017,210	\$ -	\$ -	\$ -	\$ 176,017,210
Fixed income securities and funds	11,659,261	-	-	-	11,659,261
Alternative investments:					
Equity funds	-	-	-	260,606,021	260,606,021
Private equity and venture capital funds	-	-	-	245,289,859	245,289,859
Fixed income funds	-	-	12,000	48,641,521	48,653,521
Hedge funds	-	-	-	18,249,444	18,249,444
Real estate funds	-	-	-	52,782,878	52,782,878
Investment totals	\$ 187,676,471	\$ -	\$ 12,000	\$ 625,569,723	\$ 813,258,194
Working Capital Investments					
Fixed income securities	\$ 24,902,276	\$ -	\$ -	\$ -	\$ 24,902,276
Liabilities					
Interest rate swaps	\$ -	\$ 2,140,409	\$ -	\$ -	\$ 2,140,409

	2024				
	Level 1	Level 2	Level 3	NAV	Total
Investments					
Equity securities and funds	\$ 158,644,410	\$ -	\$ -	\$ -	\$ 158,644,410
Fixed income securities and funds	16,211,222	-	-	-	16,211,222
Alternative investments:					
Equity funds	-	-	-	256,934,995	256,934,995
Private equity and venture capital funds	-	-	-	218,800,993	218,800,993
Fixed income funds	-	-	12,000	35,619,135	35,631,135
Hedge funds	-	-	-	16,110,456	16,110,456
Real estate funds	-	-	-	38,699,975	38,699,975
Investment totals	\$ 174,855,632	\$ -	\$ 12,000	\$ 566,165,554	\$ 741,033,186
Working Capital Investments					
Fixed income securities	\$ 23,640,957	\$ -	\$ -	\$ -	\$ 23,640,957
Liabilities					
Interest rate swaps	\$ -	\$ 1,971,993	\$ -	\$ -	\$ 1,971,993

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 4 - Investments and Fair Values (Continued)

The College incurred investment management fees of \$7,115,971 and \$6,481,566 during the years ended June 30, 2025 and 2024, respectively. These fees are reported as a reduction of investment earnings. In addition, the College incurred investment consulting fees of \$1,258,993 and \$1,125,390 during the years ended June 30, 2025 and 2024, 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:

<i>Redemption Frequency</i>	<i>Fair Value</i>	
	<i>2025</i>	<i>2024</i>
Daily	\$ 236,317,968	\$ 210,474,742
Weekly	23,164,284	22,993,756
Monthly	86,248,206	81,394,688
Quarterly	169,442,974	168,657,007
Illiquid	<u>298,084,762</u>	<u>257,512,993</u>
Total investments	<u>\$ 813,258,194</u>	<u>\$ 741,033,186</u>

The above table considers the notice periods in availing such funds. The College also has unfunded commitments to purchase investments of \$111,070,711 and \$101,728,754 at June 30, 2025 and 2024, 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:

	<i>2025</i>	<i>2024</i>
Land	\$ 1,600,545	\$ 1,600,545
Land improvements	49,291,579	46,613,775
Buildings and improvements	505,816,468	473,049,667
Equipment and software	108,596,956	94,913,284
Construction in progress	<u>14,427,519</u>	<u>23,966,049</u>
	679,733,067	640,143,320
Less: Accumulated depreciation	<u>(364,108,831)</u>	<u>(345,030,302)</u>
	<u>\$ 315,624,236</u>	<u>\$ 295,113,018</u>

BABSON COLLEGE

Notes to Consolidated Financial Statements

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

Depreciation expense was \$22,811,601 and \$20,273,477 for the years ended June 30, 2025 and 2024, respectively. During 2025, the College disposed of assets in the amount of \$6,557,580 which resulted in a reduction in accumulated depreciation of \$3,733,072. The College received \$207,000 in sales proceeds and recorded a loss on disposal of \$2,617,508. The majority of the assets disposed are related to demolition of the BECC parking garage.

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 \$4M in contractual commitments on capital projects involving construction and renovation of certain facilities, equipment purchases, and land improvements at June 30, 2025.

The College capitalized interest of \$866,087 and \$771,174 during the years ended June 30, 2025 and 2024, respectively.

Construction costs of \$12,092,721 and \$18,547,475 at June 30, 2025 and 2024, respectively, were included in accounts payable and accrued expenses.

Note 6 - Interest Rate Swaps

The College had the following swaps outstanding at June 30:

2025				
Notional Amount	Termination Date	Interest Rate Received	Interest Rate Paid	2025 Fair Value
\$ 16,555,000	10/1/2032	67% of USD-LIBOR	4.089%	\$ (1,030,298)
12,900,000	10/1/2031	1 Month SOFR*	6.175%	(1,110,111)
<u>\$ 29,455,000</u>				<u>\$ (2,140,409)</u>

*Secured Overnight Financing Rate

2024				
Notional Amount	Termination Date	Interest Rate Received	Interest Rate Paid	2024 Fair Value
\$ 18,225,000	10/1/2032	67% of USD-LIBOR	4.089%	\$ (942,224)
14,400,000	10/1/2031	1 Month SOFR*	6.175%	(1,029,769)
<u>\$ 32,625,000</u>				<u>\$ (1,971,993)</u>

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

BABSON COLLEGE

Notes to Consolidated Financial Statements

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 2025 and 2024. 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, 2025 and 2024.

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:

Derivates not designated as hedging instruments	Consolidated Statement of Activities Location	<i>Fair Value of Derivatives</i>	
		2025	2024
Interest rate swap contracts	Unrealized (losses) gains on interest rate swap adjustments	\$ (168,417)	\$ 789,443
Net settlements	Operating expenses	<u>(329,726)</u>	<u>(191,693)</u>
	Net impact	<u>\$ (498,143)</u>	<u>\$ 597,750</u>

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 7 - Bonds Payable and Lines of Credit

Bonds payable are as follows at June 30:

	2025	2024
Revenue bonds payable to Massachusetts Development Finance Agency ("MDFA"), Series 2008A, bearing interest at variable rates based on SOFR (2.35% and 3.90% at June 30, 2025 and 2024, respectively) and due through 2032 (par value \$36,475,000)	\$ 16,730,000	\$ 18,420,000
Revenue bonds payable to MDFA, Series 2008B, bearing interest at variable rates based on SOFR (4.33% and 5.33% at June 30, 2025 and 2024, respectively) and due through 2031 (par value \$28,840,000)	13,035,000	14,550,000
Revenue bonds payable to MDFA, Series 2015A, bearing interest at fixed rates of 4.00% and 5.00% at June 30, 2025 and 2024, respectively, and due through 2035 (par value \$23,285,000)	11,625,000	13,445,000
Revenue bonds payable to MDFA, Series 2017, bearing interest at fixed rates of 4.00% and 5.00% at June 30, 2025 and 2024, respectively, and due through 2047 (par value \$33,000,000)	28,940,000	29,610,000
Revenue bonds payable to MDFA, Series 2022, bearing interest at fixed rates of 4.00% and 5.00% at June 30, 2025 and 2024, respectively, and due through 2045 (par value \$52,010,000)	<u>46,130,000</u>	<u>47,780,000</u>
	116,460,000	123,805,000
Unamortized premium	14,336,173	15,518,330
Unamortized bond issuance costs	<u>(1,153,571)</u>	<u>(1,222,810)</u>
	<u>\$ 129,642,602</u>	<u>\$ 138,100,520</u>

BABSON COLLEGE

Notes to Consolidated Financial Statements

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:

<i>Fiscal Years</i>	<i>Principal Amount</i>
2026	\$ 7,700,000
2027	7,940,000
2028	8,240,000
2029	7,115,000
2030	7,435,000
Thereafter	<u>78,030,000</u>
Total investments	<u>\$ 116,460,000</u>

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, inclusive of amounts incurred relative to swaps and net of amounts capitalized, was \$4,759,291 and \$5,236,648 for the years ended June 30, 2025 and 2024, 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 did not draw on the line of credit during the years ended June 30, 2025 or 2024.

BABSON COLLEGE

Notes to Consolidated Financial Statements

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 \$9,972,110 and \$9,205,308 for the years ended June 30, 2025 and 2024, respectively.

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 \$2,063,435 and \$1,928,651 as of June 30, 2025 and 2024, respectively.

Note 9 - Lease Commitments

Lease Agreements as Lessee

The College leases equipment, computers and office facilities under operating leases expiring through July 2034. 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

2026	\$ 1,424,414
2027	1,146,151
2028	788,994
2029	667,501
2030	386,811
Thereafter	<u>1,340,704</u>
Total lease payments	5,754,575
Less: imputed interest	<u>(604,305)</u>
Total	<u>\$ 5,150,270</u>

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 9 - Lease Commitments (Continued)

Lease Agreements as Lessee (Continued)

Total lease expense amounted to \$2,366,762 and \$2,811,682 for the years ended June 30, 2025 and 2024, 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 for the years ended June 30:

	2025	2024
Weighted average remaining lease term	5.77 years	5.59 years
Weighted average discount rate	3.36%	3.20%

Lease Agreements as Lessor

The College rents to third parties certain athletic facilities and land under operating lease agreements expiring 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

2026	\$ 2,645,080
2027	2,688,653
2028	2,733,533
2029	2,779,760
2030	2,827,373
Thereafter	<u>14,902,581</u>
Total	<u>\$ 28,576,980</u>

Rental income amounted to \$2,965,810 and \$1,820,733 for the years ended June 30, 2025 and 2024, respectively, and is included in other programs and auxiliary activities in the consolidated statements of activities.

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 10 - Babson College Endowment Funds and Net Assets

The College's endowment consists of approximately 340 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, 2025 and 2024.

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". As of June 30, 2025 and 2024, the College had no donor-restricted endowment funds for which the fair value was less than the original gift amount required to be maintained by donor stipulation or law.

BABSON COLLEGE

Notes to Consolidated Financial Statements

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:

	2025		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Board-designated endowment funds:			
Board-designated for unrestricted purposes	\$ 110,692,285	\$ -	\$ 110,692,285
Board-designated for Master Plan projects	24,473,123	-	24,473,123
Board-designated for scholarships	8,692,077	-	8,692,077
Board-designated for Babson Global	10,520,123	-	10,520,123
Total board-designated endowment funds	154,377,608	-	154,377,608
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	212,434,658	212,434,658
Accumulated investment gains	98,913,008	346,814,587	445,727,595
Total donor-restricted endowment funds	98,913,008	559,249,245	658,162,253
Total endowment funds	\$ 253,290,616	\$ 559,249,245	\$ 812,539,861

BABSON COLLEGE

Notes to Consolidated Financial Statements

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

Endowment Net Asset Composition (Continued)

	2024		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Board-designated endowment funds:			
Board-designated for unrestricted purposes	\$ 106,618,608	\$ -	\$ 106,618,608
Board-designated for Master Plan projects	24,473,123	-	24,473,123
Board-designated for scholarships	8,218,135	-	8,218,135
Board-designated for Babson Global	9,809,937	-	9,809,937
Total board-designated endowment funds	149,119,803	-	149,119,803
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	197,909,206	197,909,206
Accumulated investment gains	88,511,101	304,771,048	393,282,149
Total donor-restricted endowment funds	88,511,101	502,680,254	591,191,355
Total endowment funds	\$ 237,630,904	\$ 502,680,254	\$ 740,311,158

BABSON COLLEGE

Notes to Consolidated Financial Statements

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:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2024	\$ 237,630,904	\$ 502,680,254	\$ 740,311,158
Contributions received July 1, 2024 - June 30, 2025	-	14,623,318	14,623,318
Investment return	25,026,426	59,777,639	84,804,065
Appropriation of endowment assets pursuant to spend rate policy	(9,366,714)	(17,831,966)	(27,198,680)
Other changes			
Donor redesignations	-	-	-
Total other changes	-	-	-
Endowment net assets at June 30, 2025	253,290,616	559,249,245	812,539,861
Operating funds - Babson College	(16,877,743)	68,280,234	51,402,491
Board-designated funds for strategic initiatives	3,540,572	-	3,540,572
Funding for facilities	160,066,537	2,709,135	162,775,672
Interest rate swap valuation	(2,140,409)	-	(2,140,409)
Babson Global	12,820,328	-	12,820,328
Other funds	-	40,214,277	40,214,277
Total net assets at June 30, 2025	\$ 410,699,901	\$ 670,452,891	\$ 1,081,152,792

BABSON COLLEGE

Notes to Consolidated Financial Statements

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

Endowment Net Asset Composition (Continued)

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2023	\$ 226,420,967	\$ 458,481,689	\$ 684,902,656
Contributions received July 1, 2023 - June 30, 2024	-	15,093,456	15,093,456
Investment return	19,686,240	45,023,883	64,710,123
Appropriation of endowment assets pursuant to spend rate policy	(8,476,303)	(16,112,313)	(24,588,616)
Other changes			
Donor redesignations	-	193,539	193,539
Total other changes	-	193,539	193,539
Endowment net assets at June 30, 2024	237,630,904	502,680,254	740,311,158
Operating funds - Babson College	10,758,298	60,498,321	71,256,619
Board-designated funds for strategic initiatives	5,658,229	-	5,658,229
Funding for facilities	130,258,990	1,604,714	131,863,704
Interest rate swap valuation	(1,971,993)	-	(1,971,993)
Babson Global	9,063,592	-	9,063,592
Other funds	-	43,448,991	43,448,991
Total net assets at June 30, 2024	\$ 391,398,020	\$ 608,232,280	\$ 999,630,300

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

BABSON COLLEGE

Notes to Consolidated Financial Statements

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

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

	2025	2024
Donor-imposed restriction		
Capital construction and maintenance	\$ 55,930,266	\$ 48,693,400
Instruction and academic support	257,534,444	233,121,668
Scholarships and fellowships	165,105,399	153,047,080
Student Programs	33,069,298	30,185,508
Other	85,089,839	73,387,332
Annuity	<u>292,925</u>	<u>258,640</u>
	597,022,171	538,693,628
Contributions receivable, net (Note 3)	<u>73,430,720</u>	<u>69,538,652</u>
	<u>\$ 670,452,891</u>	<u>\$ 608,232,280</u>

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:

	2025	2024
Donor-imposed restriction		
Capital construction and maintenance	\$ 6,065,766	\$ 20,964,250
Instruction and academic support	12,944,749	12,615,439
Scholarships and fellowships	10,517,658	9,071,689
Student Programs	2,996,203	2,688,234
Other	<u>4,266,816</u>	<u>7,165,622</u>
	<u>\$ 36,791,192</u>	<u>\$ 52,505,234</u>

BABSON COLLEGE

Notes to Consolidated Financial Statements

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 \$19,707,507 and \$20,207,451 for the years ended June 30, 2025 and 2024, 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:

	2025			
	<i>Instruction, Academic Support and Student Services</i>	<i>Auxiliary Activities</i>	<i>Institutional Support</i>	<i>Total Operating Expenses</i>
Salaries and wages	\$ 93,872,401	\$ 6,263,656	\$ 25,851,067	\$ 125,987,124
Benefits	25,660,557	1,725,615	7,467,541	34,853,713
Depreciation	8,832,477	12,803,736	1,176,010	22,812,223
Interest	1,842,711	2,671,230	245,350	4,759,291
Supplies, services, and other	40,585,655	24,444,084	15,796,549	80,826,288
	<u>\$ 170,793,801</u>	<u>\$ 47,908,321</u>	<u>\$ 50,536,517</u>	<u>\$ 269,238,639</u>

	2024			
	<i>Instruction, Academic Support and Student Services</i>	<i>Auxiliary Activities</i>	<i>Institutional Support</i>	<i>Total Operating Expenses</i>
Salaries and wages	\$ 88,290,396	\$ 6,838,046	\$ 26,496,233	\$ 121,624,675
Benefits	23,784,881	1,861,224	6,950,790	32,596,895
Depreciation	7,390,477	11,898,986	984,014	20,273,477
Interest	1,908,964	3,073,513	254,171	5,236,648
Supplies, services, and other	39,557,235	25,162,922	15,438,088	80,158,245
	<u>\$ 160,931,953</u>	<u>\$ 48,834,691</u>	<u>\$ 50,123,296</u>	<u>\$ 259,889,940</u>

BABSON COLLEGE

Notes to Consolidated Financial Statements

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:

	2025	2024
Fundraising	\$ 10,116,228	\$ 8,951,698
Alumni relations	<u>4,101,450</u>	<u>3,059,345</u>
	<u>\$ 14,217,678</u>	<u>\$ 12,011,043</u>

In addition to the direct fundraising costs shown above, bad debt expense (recovery) for the uncollectible pledges was (\$546,769) and \$1,218,333 for the years ended June 30, 2025 and 2024, 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 2026. The agreement for bookstore operations expires in fiscal year 2029. 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.

BABSON COLLEGE

Notes to Consolidated Financial Statements

Note 13 - 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 \$52.2M 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 \$20M to establish a Center for Entrepreneurial Leadership in the Kingdom of Saudi Arabia.

Total programmatic revenues associated with Babson Global amounted to approximately \$3.8M and \$4.1M for the years ended June 30, 2025 and 2024, respectively.

The College holds approximately \$6,500,000 of board-designated endowment corpus 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 either the College or Babson Global should either party fail to perform their obligations under the contract.

Note 14 - Risks and Uncertainties Related to Federal Policy Changes

In 2025, various executive actions and policy changes proposed or enacted by the federal government have introduced uncertainty within the higher education sector. Several of these actions have directly or indirectly impacted the U.S. Department of Education’s regulatory framework, federal student aid programs, and other areas that may materially affect the operational and financial outlook of institutions of higher education.

As a recipient of federal financial aid and other federally supported programs, the College is subject to the evolving regulatory and funding environment. Any future changes in federal policy may affect the College’s access to funding or its compliance obligations.

Management is actively monitoring federal decision-making and proposed regulatory changes to assess potential impacts on the College’s operations, financial aid administration, and broader strategic planning. The College will continue to evaluate developments at the federal level to respond appropriately to any changes that could affect its financial position, results of operations, or future enrollment.

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Notes to Consolidated Financial Statements

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:

	2025	2024
Total assets at year end	\$ 1,282,111,577	\$ 1,219,019,289
Less:		
Accounts and loans receivable due in more than one year	(543,212)	(278,822)
Contributions receivable due in more than one year	(67,462,524)	(64,857,435)
Donor-restricted endowment funds	(559,249,245)	(502,680,254)
Board-designated endowment funds	(253,290,616)	(237,630,904)
Prepaid expenses and other assets	(5,556,101)	(5,114,051)
Bond deposits with trustee	(4,664,506)	(4,406,436)
Right of use assets - operating	(4,958,058)	(5,405,906)
Working capital investments	(7,732,303)	(15,068,557)
Land, buildings, equipment and software, net	(315,624,236)	(295,113,018)
Plus:		
Endowment spending allocation for upcoming year	29,941,724	27,198,679
Total financial assets available for general expenditure within one year	\$ 92,972,500	\$ 115,662,585

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

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Notes to Consolidated Financial Statements

Note 16 - 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:

<i>Company</i>	<i>Babson Trustee Title</i>	<i>Services Rendered</i>	<i>Amount Paid</i>	
			<i>2025</i>	<i>2024</i>
Bank of America	President of Bank of America Business Capital	Letter of credit for variable bonds	\$ 128,855	\$ 142,117
Cottingham & Butler Insurance Services, Inc.	Executive Chairman	Property & Internet Liability Insurance	\$ 715,407	\$ 726,739