Colby enjoyed another successful year in FY2012-13. Highlights include:

- The College finished the year with an operating margin of $16.8 million, a positive variance of $6.6 million. This result was driven by higher enrollment and endowment revenues combined with below-budget compensation and financial aid expenses as well as unused contingency.

- The net endowment value increased by $50 million to $650 million at June 30, 2013, with an investment return of 11.1 percent for the fiscal year.

- Contributions from alumni, parents, corporations, foundations, and friends totaled $22.1 million in 2012-13.

- The positive budget variance allowed the College to make supplemental transfers totaling $5.6 million, divided equally between the plant fund and unrestricted endowment.
Operating Budget

Colby’s fiscal year 2013 budget was developed using an enrollment projection of 1,840, a renovation allocation of approximately 2.0 percent of estimated plant replacement cost, and a budgeted contingency of 1 percent of total revenues plus a reserve for strategic initiatives of $635,000.

Colby completed the year with revenues of $147.7 million and operating expenses of $130.9 million, resulting in an operating margin of over $16.8 million.

Student charge revenues of $106 million – including the comprehensive fee and other charges – represented the largest source of income for the College, comprising 72 percent of total revenues. Endowment support for operations of $24.5 million accounted for 17 percent of total revenues; gifts and grants of $11.5 million added 8 percent; and all other sources, totaling $5.6 million, represented the remaining 4 percent of revenues.

4. FY2013 Revenues by Functional Category

Instruction, research, and academic support activities – the core of Colby’s educational mission – represented $45.6 million, or about 35 percent of the total operating expense. Financial aid expense of $6.6 million represented about 20 percent, including continuation of the “no loan” program and aid programs designed to increase racial, geographic, and socio-economic diversity. Educational plant and student residence expenses totaled $17.0 million, roughly 13 percent of total expenditures. Other major categories of expense included $18.2 million (14 percent) for institutional support; $14.3 million (11 percent) for student services such as admissions, student affairs, athletics, and health services; and $9.1 million associated with dining services, the bookstore, and special programs (7 percent).

5. FY2013 Expenses by Functional Category

Operating revenues in 2012-13 were $4.3 million above budget. Major positive variances included $2.0 million for higher student charges and student fees and $1.0 million for higher endowment revenues. There were $.7 million of restricted museum opening gifts and $.2 million of other restricted revenues, gifts, and grants, both with offsetting expenses. All other revenue variances totaled $.4 million.

Operating expenses were $2.3 million under budget. Major positive variances included $2.0 million in unused contingency and strategic reserve, $1.6 million in lower financial aid, and $1.4 million in lower compensation expense. Major negative variances included $1.8 million for restricted revenues, gifts and grants, including $.7 million of museum opening expense. One-time
expenditures for operational support, search costs, and new initiatives totaled $9 million.

Other deductions included transfers to the plant fund totaling $11.2 million for renovation allocation, $2.6 million for debt-service principal payments, $.7 million from endowment to cover investment management office expenses, and $2.8 million to unrestricted quasi endowment. The resulting operating margin for 2012-13 was $297,000.

6. 2012-13 Operating Budget Major Variances by Category ($000s)

Total variances = $6,574

Endowment

Colby’s endowment was valued at $650 million as of June 30, 2013, an increase of roughly $50 million from a year earlier. Endowment spending for operations was $24.5 million, based on a 4.55 percent spending rate, and represented 17 percent of total revenues.

The endowment is invested in a sophisticated and diversified portfolio that seeks to achieve a long-term return of at least 6 percent real while also minimizing volatility. Actual investment return for 2012-13 was 11.1 percent.

Colby has emphasized equity-based investments in managing the endowment and has also made a significant commitment to alternative investments such as private equity, real estate, hedge funds, and hard assets. These investments provided above-market returns over the last 10 years.

Modest changes have been made to the portfolio following the stressful 2008-2009 period and the College has placed additional emphasis on liquidity management. The Investment Committee will continue its efforts to manage the endowment for long-term growth while addressing liquidity issues as they arise.
Fundraising

Colby received $22.1 million in gifts during 2012-13. Gifts included $4.5 million of unrestricted gifts for operations and $2.7 million in restricted gifts and grants. Capital gifts totaled $14.8 million, consisting of $8.6 million of gifts to endowment, $.8 million in new deferred gifts, $2.9 million in gifts for construction, and $2.5 million of gifts-in-kind.

8. Gifts 2008-09 through 2012-13

While the majority of the gifts received represent payments on commitments made during the highly successful Reaching the World campaign, new commitments are being made to support Colby 2013 initiatives through capital gifts and multi-year pledges to the Colby Fund.

Debt

Colby's outstanding debt as of June 30, 2013 totaled $85.0 million. With a $650-million endowment value, Colby’s debt-to-endowment ratio stands at 13.1 percent, providing the College with significant balance sheet strength. All of Colby’s debt is at fixed rates.

The debt portfolio contains both incremental borrowing for major new construction projects (50 percent of total debt), and so-called “systematic” borrowing for renovations and other small projects (50 percent). This latter debt represents a balance sheet management strategy that places a portion of unrestricted funds in the endowment to cover future debt-service payments for the underlying liability.

FY2013 saw no new issuances of debt as projects financed with the 2012 issuance were still under construction.

9. Debt and Debt-to-Endowment as of June 30

Facilities

Last year saw the completion of the Alfond-Lunder Family Pavilion, the cornerstone of a major expansion of Colby’s Museum of Art. The glass pavilion provides a spacious lobby that includes a sculpture gallery and terrace, as well as new exhibition galleries, classrooms, expanded collection storage, and staff offices. The pavilion’s upper floor is dedicated to the College’s art department, providing new studios for photography and fine art foundation classes.

Construction began on a new science building on the Colby Green, adjacent to the Schair-Swenson-Watson Alumni Center. This important new project will provide critical teaching, research, and study space for the psychology, mathematics and statistics, and computer science programs.

Released space in Roberts and Mudd will allow Colby to address other important residential and academic space needs.

Construction was completed on a storage building in mid-winter, allowing the College to embark on a major renovation and repurposing of space in Miller Library. Miller’s renovation will be completed in several phases; Phase I, completed this summer, provided new student research and study space, program space for Academic ITS, the Center for Teaching and Learning, the Center for Arts and the Humanities, new teaching spaces, as well as improved spaces for library staff. Phase 2, to be completed next year will focus on the entrance to Miller and recreation of the historic reading room.

Renovations to Drummond and Piper residence halls were completed over the summer, part of a multi-year effort to renew the Roberts Row residence halls.
Planning is now underway for projects to convert Roberts to a residence hall – following the move of Computer Science and Psychology to the new academic building – and Grossman to administrative space. These projects are anticipated to begin in 2014.

Financial Projections

While the last year saw continued slow economic growth, Colby’s finances remain sound. Using the 2013-14 budget as a base, the 10-year financial projections remain balanced, with new initiative expenses associated offset by new fundraising, a modest increase in the endowment spending formula, and operational savings from the biomass plant.

As with any projection, however, it is important to note that results are very sensitive to the starting assumptions, including the comprehensive fee, endowment return, energy costs, and financial aid expense, which could change significantly (positively or negatively) in the future. The projections will continue to be reviewed and future budgets adjusted as new information becomes available.

Implementation of Colby’s strategic plan – Colby 2013 – continued with investments in new tenure-track faculty and additional financial aid awards to increase the diversity of the student body. Two new Centers – for the Arts and Humanities and for Teaching and Learning – were created and Colby students enrolled in the inaugural Colby-at-Bigelow semester program.

In April, Colby reached carbon neutrality – two years ahead of schedule – one of only three higher education institutions to reach this milestone, solidifying Colby’s position as an environmental leader. Together, these initiatives build on Colby’s strengths and seize exciting, new opportunities.

The Class of 2017 builds on recent efforts to increase diversity in the student body, with more than 100 students of color enrolled in the entering class.

These are just a few examples of important and positive progress made through strategic investment of financial resources.

Summary

Colby experienced another successful financial year in 2012-13. The College exceeded its operating budget targets, providing resources to fund the renovation allocation at 2.6 percent of replacement value and also transfer $2.8 million to endowment. The endowment ended the year up noticeably from June 2012.

With a strong balance sheet, a culture of financial discipline, and an energized leadership, the College is in a strong position to continue executing the initiatives outlined in Colby 2013. Thoughtful planning, strategic investments, and a commitment to balanced budgets will allow Colby to continue enhancing the academic program and fulfilling the College’s educational mission.