2013-14 Financial Overview

Colby enjoyed another successful year in FY2013-14. Highlights include:

- The College finished the year with an operating margin of $13.2 million, a positive variance of $1.8 million. This result was driven by higher endowment revenues, unused contingency, and savings in debt service and financial aid.

- The net endowment value increased by $91 million to $741 million at June 30, 2014, with an investment return of 16.6 percent for the fiscal year.

- Contributions from alumni, parents, corporations, foundations, and friends totaled $130.1 million in 2013-14, including $105.6 in gifts of art and other gifts-in-kind.

- The positive budget variance allowed the College to make supplemental transfers totaling $1.5 million, divided equally between the plant fund and unrestricted endowment.

### 1. Revenue and Expense Summary ($000s)

<table>
<thead>
<tr>
<th>Item</th>
<th>2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>148,887</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>135,649</td>
</tr>
<tr>
<td>Operating margin before other deductions</td>
<td>13,238</td>
</tr>
<tr>
<td>From Endowment - investment management office</td>
<td>(752)</td>
</tr>
<tr>
<td>To Plant - debt service</td>
<td>3,547</td>
</tr>
<tr>
<td>To Plant - renovation allocation</td>
<td>8,894</td>
</tr>
<tr>
<td>To Plant - supplemental allocation</td>
<td>736</td>
</tr>
<tr>
<td>To Endowment - supplemental allocation</td>
<td>736</td>
</tr>
<tr>
<td><strong>Net margin</strong></td>
<td><strong>77</strong></td>
</tr>
</tbody>
</table>

### 2. June 30 endowment market value and return

*Bar labels show return on investment*

### 3. 2013-14 gifts received ($000s)

*Total Gifts = $130,146*

*Gifts in Kind, $105,561*
Colby's fiscal year 2014 budget was developed using an enrollment projection of 1,850, a renovation allocation of approximately 2.0 percent of estimated plant replacement cost, and a budgeted contingency of 1 percent of total revenues.

Colby completed the year with revenues of $148.9 million and operating expenses of $135.7 million, resulting in an operating margin of $13.2 million.

Student charge revenues of $106.5 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 $25.7 million accounted for 17 percent of total revenues; gifts and grants of $11.3 million added 8 percent; and all other sources including auxiliaries were $5.4 million for the remaining 4 percent of revenues.

Operating revenues in 2013-14 were $.7 million above budget. Major positive variances included $1.4 million in gifts and grants with mostly offsetting expenses, $.4 million in higher endowment utilized for operations, and $.2 million net all other. The major negative variance was student charge revenue which was $1.3 million under budget due to enrollment 20 FTEs below budget.

Operating expenses were $1.1 million under budget. Major positive variances included $1.4 million for unused contingency, $1.3 million in lower compensation, $.3 million for debt service savings due to refinancing, and $.2 million for financial aid. Major negative variances were $1.2 million for gifts, grants, and other restricted expenses (with mostly offsetting restricted aids initiatives designed to increase racial, geographic, and socio-economic diversity as well as enroll more presidential scholars.

Educational plant and student residence expenses totaled $17.4 million, roughly 13 percent of total expenditures. Other major categories of expense included $18.6 million (14 percent) for institutional support; $15.6 million (12 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).
revenues); $.4 million for search expenses; $.3 million for Admissions initiatives; and $.2 million net all other.

Other deductions included transfers to the plant fund totaling $9.6 million for renovation allocation, $3.0 million for debt-service principal payments, $.8 million from endowment to cover investment management office expenses, and $.8 million to unrestricted quasi endowment. The resulting operating margin for 2013-14 was $77,000.

6. 2013-14 Operating Budget Major Variances by Category ($000s)

Total variances = $1,809

Endowment

Colby’s endowment was valued at $741 million as of June 30, 2014, an increase of roughly $91 million from a year earlier. Endowment spending for operations was $28.2 million, based on a 4.5 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 2013-14 was 16.6 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.

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 $130.1 million in gifts during 2013-14. Gifts included $4.4 million of unrestricted gifts for operations and $2.9 million in restricted gifts and grants. Capital gifts totaled $21.3 million, consisting of $11.7 million of gifts to endowment, $.2 million in new deferred gifts, $5.4 million in gifts for construction, $3.4 million of gifts-in-kind, and $102.2 million of Lunder Collection artwork.

Facilities

Colby completed the Davis Science Center in 2014, a key component of the strategic plan and new home to the Mathematics and Statistics, Psychology, and Computer Science Departments. The new facility—named in recognition of the lead gift by the Shelby Cullom Davis Charitable Fund—provides much needed and state-of-the-art teaching, research, laboratory, and office spaces.

With the move of psychology and computer science from Roberts to Davis, the College began renovating Roberts to create additional on-campus housing. The renovations will include a mix of singles, doubles, and suites—84 beds in all—to be ready for use in the fall of 2015.

Other major projects included Miller Phase 2, renovations to the President’s House, installation of natural gas pipelines through campus, conversion of the central heating plant’s secondary boilers from oil to natural gas, and regular upgrades to the campus technology infrastructure.

Looking ahead, a preliminary feasibility study was completed on a major renovation and expansion of the athletics center and planning work was initiated to assess program needs for music performance and instruction.

Financial Projections

While the last year saw continued slow economic growth, Colby’s finances remain sound. Using the 2014-15 budget as a base, the 10-year financial projections remain balanced. 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, additional financial aid awards to increase the diversity of the student body, and completion of the Davis Science Center.

The Class of 2018 builds on recent efforts to increase diversity in the student body, with more than 110 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 2013-14. The College exceeded its operating budget targets, providing resources to fund the renovation allocation at 2.1 percent of replacement value and also transfer $.7 million to endowment. The endowment ended the year up, noticeably from June 2013, through a combination of strong investment returns, new gifts, and supplemental transfers. The College ended fiscal 2014 in a strong position.

Colby enters a new era with the arrival of David Greene as the College’s 20th president. President Greene has articulated a bold vision for the College, one in which Colby is recognized as among the pre-eminent liberal arts colleges in the world.

“Thanks to its careful stewardship for generations, Colby is well situated to carve its own unique path in this changing landscape. We must do this by recommitting ourselves to the broad spectrum of liberal arts, connecting the liberal arts more directly to the world beyond the academy, focusing on the opportunities we provide that improve the life chances of our graduates, reaching and being accessible to the broadest group of talented students, and never, never settling for anything other than true excellence.”

David A. Greene
Inaugural Address
September 13, 2014

With a commitment to excellence and innovation, thoughtful planning, focused execution, strategic investments, and engaged alumni, parents, and friends, Colby can achieve this vision.