

The 2019-20 year presented Colby with significant financial challenges. Despite numerous obstacles arising from the pandemic, the move to remote learning and work in March, and the impact of lower student charge and Colby Fund revenues, the College achieved positive financial results for the year.

Highlights include:

- The College finished the 2019-20 fiscal year with an operating margin of \$13.4 million, a positive variance of \$2.9 million. This result was driven by a number of factors, notably reduced spending from moving instruction on line and savings on open positions, debt restructuring, and benefit costs.
- The endowment value increased by \$8 million to \$878 million at June 30, 2020, the net result of spending, gifts, and 3.8 percent investment return for the fiscal year.
- Contributions from alumni, parents, corporations, foundations, and friends totaled \$68.8 million in 2019-20.
- Other deductions totaled \$13.3 million, including transfers to plant and a \$2.9 million addition to the strategic investment fund, resulting in a net operating margin of \$150,000.

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

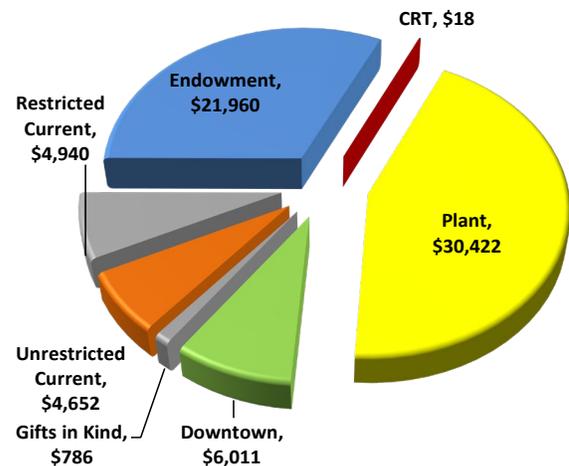
	2019-20
Revenues	\$205,864
Operating Expenses	\$192,445
<b>Operating margin before other deductions</b>	<b>\$13,419</b>
To Plant - capitalized items	\$1,511
To Plant - renovation allocation	\$8,639
From Perkins Loan	(\$190)
CARES Act	\$455
To Strategic Investment Fund	\$2,854
<b>Net margin</b>	<b>\$150</b>

### 2. June 30 Endowment Market Value and Return



### 3. Gifts Received (\$000s)

Total Gifts = \$68,789



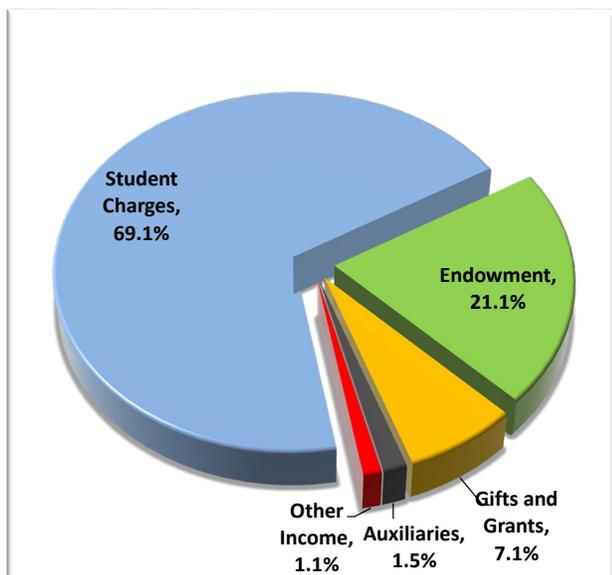
## Operating Budget

Colby's fiscal 2020 budget was developed using budgeted enrollment of 2,010, a renovation allocation of 1.5 percent of estimated plant replacement value, and a \$1.5 million contingency.

Colby completed the year with \$205.9 million in operating revenues, \$192.5 million of operating expenses, and a \$13.4 million operating margin.

Student charge revenues of \$142.3 million—including the comprehensive fee and other charges—represented the largest source of income for the College, comprising 69 percent of total revenues. Endowment support for operations of \$43.4 million accounted for 21 percent of total revenues; gifts and grants of \$14.7 million added 7 percent; auxiliaries of \$3.1 million represented 1 percent; and the strategic investment fund and other revenues contributed another 2 percent combined.

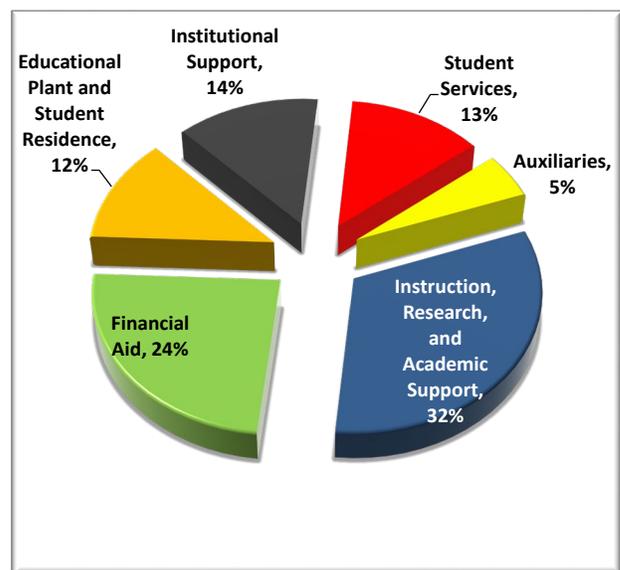
### 4. Revenues by Functional Category



Instruction, research, and academic support activities—the core of Colby's educational mission—represented \$62 million, or about 32 percent of the total operating expense. Financial aid expense of \$46.2 million represented about 24 percent, including additional initiatives designed to support racial, geographic, and socio-economic diversity while at the same time enhancing the academic strength of the entering class.

Educational plant and student residence expenses totaled \$23.6 million, roughly 12 percent of total expenditures. Other major categories of expense were \$26.1 million (14 percent) for institutional support, including campaign expense; \$24.5 million (13 percent) for student services such as admissions, student affairs, athletics, and health services; and \$10.1 million (5 percent) associated with dining services, the bookstore, and special programs.

### 5. Expenses by Functional Category



Total revenues of \$205.9 million are \$7.5 million below budget. Major positive variances include \$1.9 million higher gifts and grants with mostly off-setting expenses, \$.9 million higher endowment utilized for operations and \$.2 million net all other. Major negative variances include \$4.7 million lower student charge revenues on refunds, \$1.1 million on lower Colby Fund, and \$.9 million lower dining, event, and Bookstore revenues.

Total expenses of \$192.5 million are \$10.4 million below budget. Major positive variances include \$3.4 million lower compensation expense on open positions, turnover and benefits, \$1.7 million in lower instruction and off-campus programs expense, \$1.5 million unused contingency, \$1.1 million in capitalized interest with a corresponding off-set, \$1.1 million in lower dining services expense, \$.6 million lower financial aid expense, and \$.6 million in lower utilities expense. Major negative variances include \$1.6 million in gifts and grants expense with off-setting revenues.

The operating margin before other deductions was \$2.9 million above budget. Additional net savings in other deductions of \$.6 million arose from lower principal payments and capitalized transfers. Supplemental transfers to the strategic investment reserve included \$2.9 million unrestricted and \$.45 million from CARES Act funding to support additional student grant aid for the 2020-21 academic year.

The total operating margin was \$.3 million after all transfers.

### Endowment

The volatility in financial markets was reflected in Colby's endowment value through the year. Beginning at \$870 million on July 1, 2019, the estimated value peaked at \$912 million in mid-February 2020, declined 22 percent to \$715 million in late March, and rebounded to \$878 million at June 30, 2020.

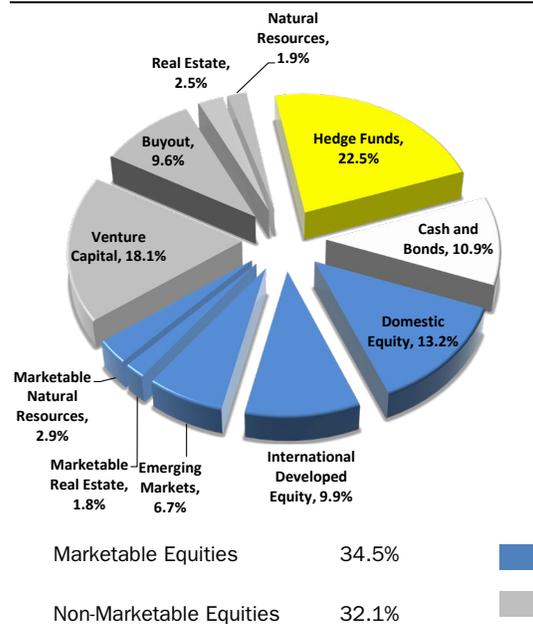
Endowment utilized for operations, based on a 5.50 percent spending rate applied to the trailing 5-year average value, totaled \$42.2 million with an additional \$1.2 million utilized to support direct campaign expenses.

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. Investment return for 2019-20 was 3.8 percent, consistent with market returns and benchmarks.

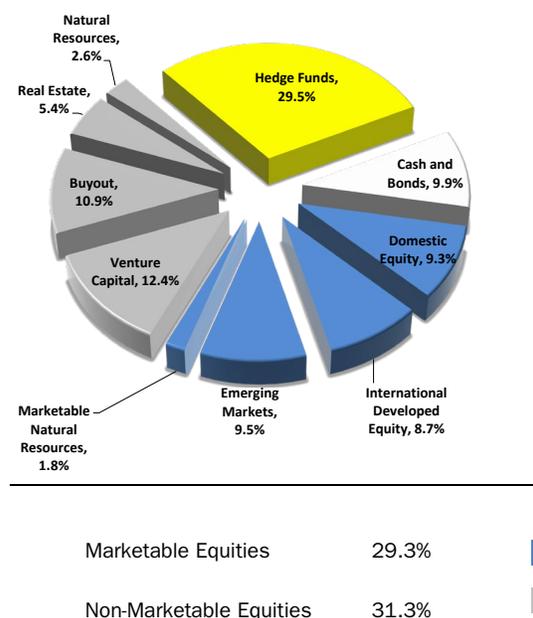
Colby's 10-year compound investment return was 8.8 percent vs. a target of 7.7 percent (CPI + 6 percent).

As illustrated in the accompanying graphs, Colby has emphasized equity-based investments in managing the endowment over the last decade and has also made a significant commitment to alternative investments such as private equity, real estate, hedge funds, and hard assets. Alternative investments have provided above-market returns over the long term.

7a. Asset Allocation at 6/30/2020



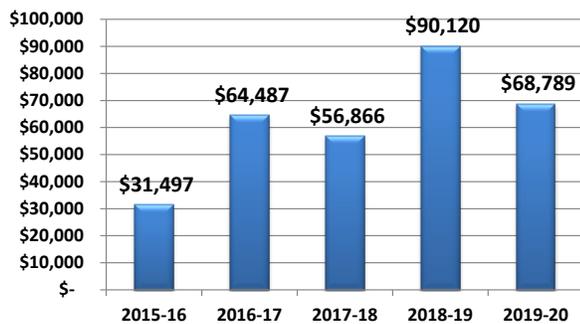
7b. Asset Allocation at 6/30/2010 (for comparison)



## Fundraising

Colby received \$68.8 million in gifts in 2019-20. Gifts included \$4.7 million of unrestricted gifts for operations and \$4.9 million in restricted gifts and grants. Gifts to endowment totaled \$22.0 million and gifts for construction were \$30.4 million. The College also received \$6.0 million in gifts for Downtown Waterville initiatives and another \$1.0 million for gifts in kind.

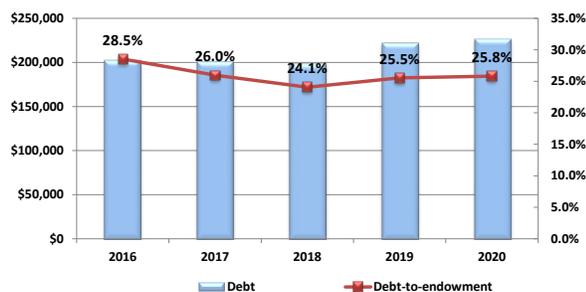
### 8. Five-Year Trend Gifts Received



## Debt

At June 30, 2020, Colby's outstanding debt totaled \$226.9 million, resulting in a debt-to-endowment ratio of 25.8 percent at fiscal year-end. All of Colby's current debt is issued under its own credit rating at fixed rates. The College issued \$96 million of taxable debt in January 2020, taking advantage of low interest rates and deferred amortization to refinance almost half of the College debt, lower debt service expense for the next decade, and, through the use of a "sinking fund" within the endowment, hold the operating budget neutral over the long-term.

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



## Financial Projections

The College continued implementation of key initiatives contained in the strategic plan approved in 2016 and affirmed by the board in 2019. The strategic plan creates a bold new vision for Colby with a strong commitment to the liberal arts featuring:

- Distinctive academic programs anchored to the world's challenges.
- A set of universal experiences designed to engage students more deeply in their learning, enrich their education, and provide the broadest set of post-graduate opportunities.
- A campus culture supported and shaped by the arts and creativity, civic engagement, and a healthy, active and athletic lifestyle.

The plan includes major new investments to support the academic program, including new faculty and academic support positions, a new creative and performing arts center, laboratory renovations, technology, and operating budget support. Faculty expansion has provided the opportunity to enhance curricular offerings while at the same time reduce the teaching load to 4.5 courses, releasing faculty to invest more time in teaching, scholarship, and advising.

Colby continues to support enrollment of a diverse student body, with increased funding for financial aid, including a new initiative that eliminates family contributions for families earning less than \$65,000 per year and limits contributions of families making \$150,000 or less to \$15,000.

The College has completed several major facility projects, including new artificial- and natural-turf athletics fields, renovation and expansion of Grossman, and completion of the Bill and Joan Alford Main Street Commons, and most recently the Harold Alford Athletics and Recreation Center. Construction of the Lockwood Hotel is nearing completion and, across Main Street, renovation has begun on two buildings to create the Arts Collaborative facility. Other investments have been, and continue to be made, to support the student experience through DavisConnects, civic and community engagement, and new student support and athletics staffing.

The strategic plan is supported by a \$750 million comprehensive fundraising campaign that is the largest campaign in the history of liberal arts colleges. Significant investments in advancement staffing and operating support have been made to support this effort. As of June 30, commitments to the campaign totaled \$550 million.

The global pandemic forced significant changes at Colby and across higher education, changes that are still playing out this fall. The board and administration reviewed a full range of sensitivity analyses to assess short- and long-term financial projections. Not surprisingly, the projections in April showed sizable deficits on a business-as-usual basis, but were generally manageable using various financial levers (e.g., revenue and expense adjustments) over time.

## Summary

Colby experienced another successful financial year in 2019-20, meeting important goals for the College's educational programs while also achieving strong financial results.

At a time when much of higher education appears to be in steady-state or retrenchment mode, Colby is in a position to make new investments in academic programs, financial aid, student life programs, and facilities, along with new faculty and staff positions. These investments will enhance both the student experience and the College's market position.

With aspirational goals; thoughtful planning; focused execution; and continued philanthropic support from alumni, parents, and friends, Colby can realize this vision and position the College as a preeminent liberal arts institution.