

The 2020-21 year presented Colby with significant challenges and, importantly, the opportunity to provide a safe, in-person educational program while many other institutions chose otherwise. Strong enrollment, the highest in Colby’s history, higher grants and gifts, and fiscal discipline allowed the College to fund roughly \$10 million in health and safety program costs and still achieve positive financial results for the year.

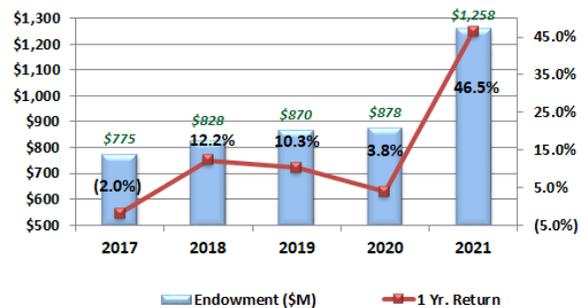
Highlights include:

- The College finished the 2020-21 fiscal year with an operating margin of \$16 million, a positive variance of \$6.5 million. This result was driven by a number of factors, notably higher student charge, endowment, and grant revenues with savings on open positions, research, travel, events, and unused contingency.
- The endowment value increased by \$380 million to \$1.258 billion at June 30, 2021, the net result of spending, gifts, and a 46.5 percent investment return for the fiscal year.
- Contributions from alumni, parents, corporations, foundations, and friends totaled \$67.7 million in 2020-21.
- Other deductions totaled \$15.7 million, including transfers to plant and a \$5.7 million addition to the strategic investment

fund, resulting in a net operating margin of \$301,000.

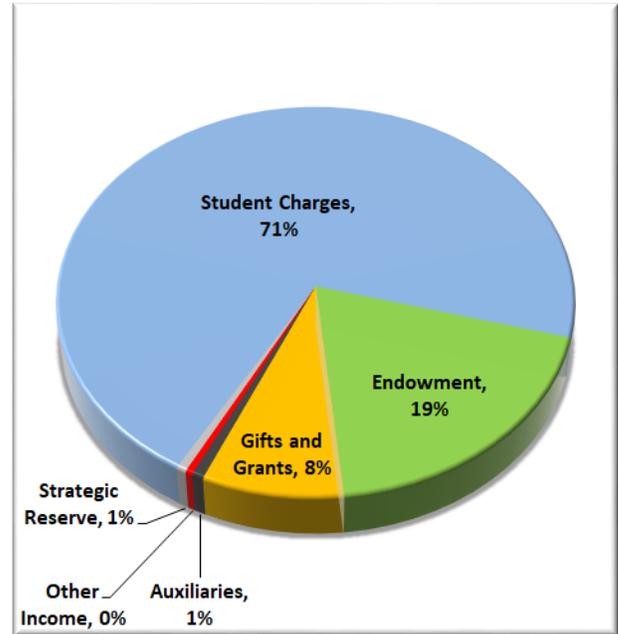
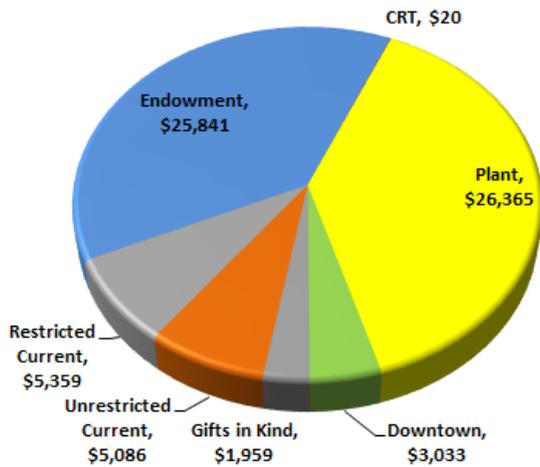
1. Revenue and Expense Summary (\$000s)

	2020-21
Revenues	\$223,210
Operating Expenses	\$207,162
Operating margin before other deductions	\$16,048
To Plant - capitalized items	\$492
To Plant - renovation allocation	\$9,588
From Perkins Loan	(\$46)
To Strategic Investment Fund	\$5,713
Net margin	\$301



3. Gifts Received (\$000s)

Total Gifts = \$67,663



Operating Budget

Colby’s fiscal 2021 budget was developed using budgeted enrollment of 2,050, a renovation allocation of 1.5 percent of estimated plant replacement value, and a \$1.5 million contingency.

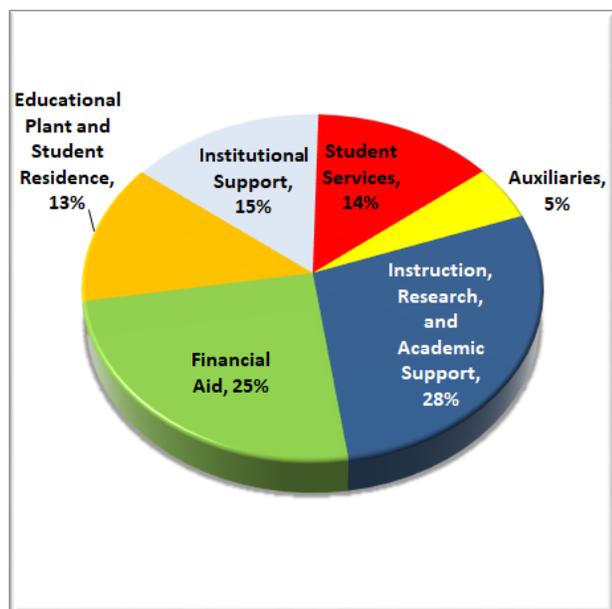
Colby completed the year with \$223.2 million in operating revenues, \$207.2 million of operating expenses, and a \$16 million operating margin.

Student charge revenues of \$158.1 million—including the comprehensive fee and other charges—represented the largest source of income for the College, comprising 71 percent of total revenues. Endowment support for operations of \$42.8 million accounted for 19 percent of total revenues; gifts and grants of \$18.4 million added 8 percent; auxiliaries of \$1.5 million represented 1 percent; the strategic investment fund and other revenues contributed another 1 percent combined.

4. Revenues by Functional Category

Instruction, research, and academic support activities—the core of Colby’s educational mission—represented \$59 million, or about 28 percent of the total operating expense. Financial aid expense of \$51.1 million represented about 25 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 \$27.3 million, roughly 13 percent of total expenditures. Other major categories of expense were \$30.7 million (15 percent) for institutional support, including campaign expense; \$28.7 million (14 percent) for student services such as admissions, student affairs, athletics, and health services; and \$10.7 million (5 percent) associated with dining services, the bookstore, and special programs. COVID-related expenses totaled \$9.9 million last year and were expensed by functional area.

5. Expenses by Functional Category



Variance Analysis

Total revenues of \$223.2 million are \$2.7 million over budget. Major positive variances include \$5.3 million comprehensive fee revenue on higher enrollment, \$5.9 million federal COVID grant support with offsetting expenses, \$1.3 million higher endowment utilized for operations, \$.9 million of other grant revenues, and \$.2 million higher annual gifts. Major negative variances include \$2.4 million lower off-campus study, JanPlan and other student charges, \$2.1 million lower auxiliary revenues, \$1.5 million lower other revenues, and \$.49 million unused supplemental transfers from endowment the Strategic Investment Fund.

Total expenses of \$207.2 million are \$3.8 million below budget. Major positive variances include \$5.8 million lower research, travel, and event expense; \$2.5 million compensation expense savings on open positions, turnover, and benefits; \$2.1 million in lower off campus, special programs, and bookstore expense with partially offsetting revenue reductions; \$1.5 million in unused contingency; \$1 million in lower facilities expense; and \$.6 million in lower unrestricted aid expense. The major negative variance of \$9.9 million was for COVID-related expenses, including costs for a comprehensive testing program, student support services, temporary housing, expanded dining options, staffing, and other mitigation efforts.

The operating margin before other deductions was \$6.5 million above budget. Variances among other

deductions and transfers included \$5.7 million transfer of operating margin to the strategic investment fund and \$.5 million in capitalized interest, equipment, and other transfers. The total operating margin was \$.3 million after all transfers.

Endowment

The endowment benefited from strong performance in the financial markets last year, growing to a record-high \$1.258 billion at June 30, 2021.

Endowment utilized for operations, based on a 5.50 percent spending rate applied to the trailing five-year average value, totaled \$42.8 million. The budgeted draw direct campaign expense was not utilized last year. Gifts to endowment, including pledge payments, realized bequests, and new gifts, totaled \$25.8 million last year.

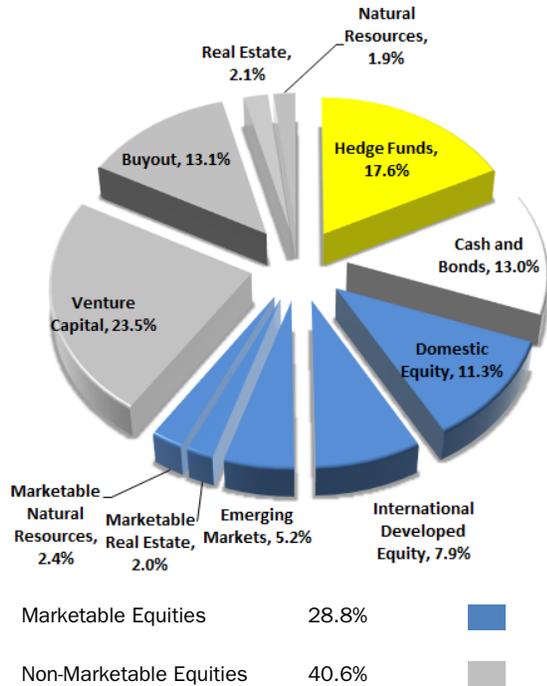
The endowment is invested in a sophisticated and diversified portfolio that seeks to achieve a long-term return of at least 6 percent real while also minimizing volatility.

Investment return for 2020-21 was 46.5 percent, consistent with strong market returns in the venture capital portfolio and benchmarks. Colby's 10-year compound investment return was 10.6 percent vs. a target of 7.9 percent (CPI + 6 percent).

The endowment is managed by a dedicated internal team of investment professionals with the support of a strong, engaged group of trustees serving on the Portfolio Investment Committee.

Colby has emphasized equity-based investments in managing the endowment, with 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.

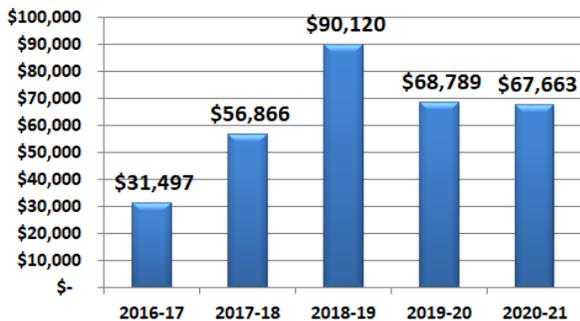
7. Asset Allocation at 6/30/2021



Fundraising

Colby received \$67.7 million in gifts in 2020-21. Gifts included \$5.1 million of unrestricted gifts for operations and \$5.4 million in restricted gifts and grants. Gifts to endowment totaled \$25.8 million and gifts for construction were \$26.4 million. The College also received \$3 million in gifts for downtown Waterville initiatives and another \$2.0 million for gifts in kind.

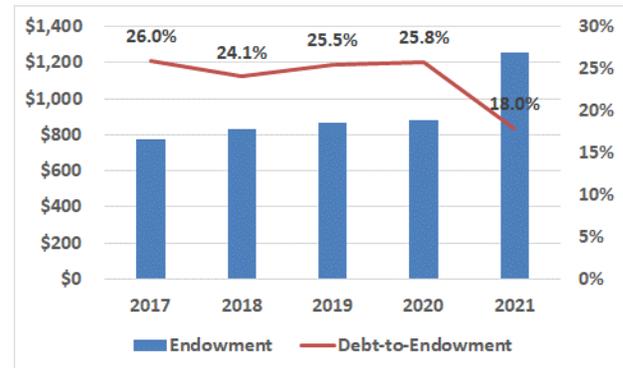
8. Five-Year Trend Gifts Received



Debt

At June 30, 2021, Colby's outstanding debt totaled \$225.9 million, resulting in a debt-to-endowment ratio of 18 percent at fiscal year-end close. 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



Strategic Plan

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, new academic programs including the Davis Institute for Artificial Intelligence, 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 major facility projects, including new athletics fields, renovation and expansion of Grossman, the Bill and Joan Alford Main Street Commons, the Harold Alford Athletics and Recreation Center, the Lockwood Hotel, the Arts Collaborative at 18 Main Street, and numerous campus infrastructure projects. And, importantly, construction began earlier this year on the Gordon Center for Creative and Performing Arts (Mayflower Hill) and the Schupf Arts Center (Main Street).

The strategic plan is supported by a \$750 million comprehensive fundraising campaign that is the largest campaign in the history of liberal arts colleges. Major new investments in advancement staffing and operating support have been made to support this effort. As of June 30, commitments to the campaign totaled \$625 million.

Summary

Colby was able to safely provide students with a rich, in-person experience in the midst of a pandemic; continued to make progress on key academic, student service, and facility initiatives; and achieved strong financial results last year.

The global pandemic forced significant changes across higher education, changes that continue to play out this fall. In many ways, the College has emerged from this period stronger than ever with admissions applications, yield, enrollment, and endowment value at their highest levels ever.

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.