

The 2022-23 year was another strong enrollment year for the college, exceeding budgeted expectations, along with sound investment strategies on its short-term investments, and fiscal discipline allowed the College to fund significant unanticipated expenses while still returning a positive margin of \$116,000.

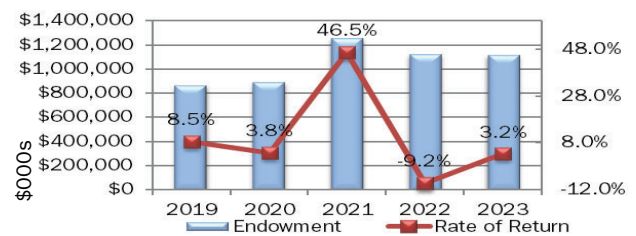
Operating Highlights include:

- The College finished the 2022-23 fiscal year with positive income after operations of \$14.1 million, a positive variance of \$1.6 million to budget. This result was driven by several factors, notably higher student charges, unfilled position savings, better returns on short-term investments, and unused contingency.
- The endowment value, while decreasing by \$6.3 million during the 2022-23 fiscal year, increased by almost \$246.2 million between 2018-19 and 2022-23. The decrease in market value results from expended funds outpacing investment performance.
- Contributions alumni, parents, corporations, foundations, and friends totaled \$63.2 million in 2022-23.
- Other deductions totaled \$14.0 million, including transfers to plant and other supplementals \$1.6 million, resulting in a net operating margin of \$116,000.

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

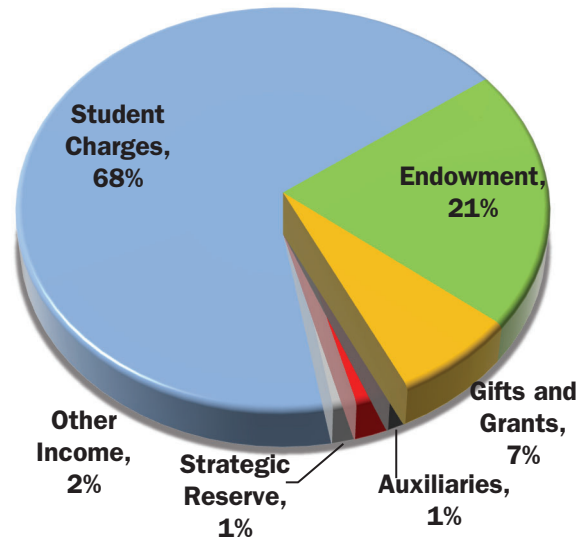
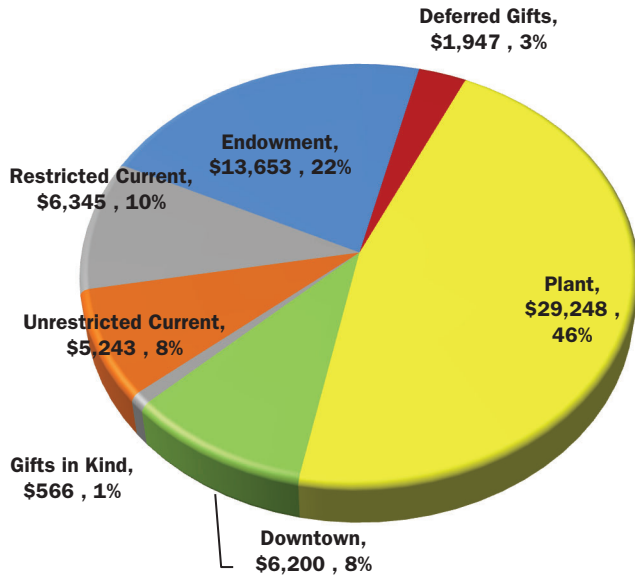
	2022-23
Revenues	\$267,296
Operating Expenses	253,167
Operating margin before other deductions	14,129
To Plant - capitalized items	1,279
To Plant - renovation allocation	12,758
From Perkins Loan	(24)
CARES Act	0
To Strategic Investment Fund	0
Net margin	\$116

2. June 30 Endowment Market Value and Return



3. Gifts Received (\$000s)

Total Gifts = \$63,202



Operating Budget

Colby College’s fiscal 2023 budget was developed using a conservative budgeted enrollment of 2,200, a renovation allocation of 1.75 percent of the estimated plant replacement value, and a \$1.8 million contingency.

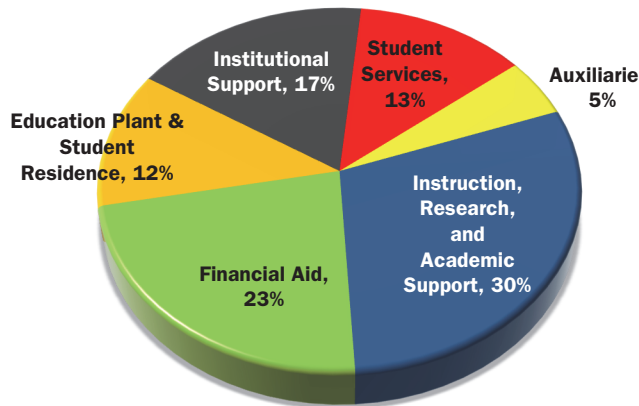
Colby completed the year with \$267.3 million in operating revenues, \$253.2 million in operating expenses, and \$14.1 million in income before deductions.

Student charge revenues of \$180.8 million—including the comprehensive fee and other charges—represented the largest source of income for the College, comprising 68 percent of total revenues. Endowment support for operations of \$53.4 million accounted for 21 percent of total revenues; gifts and grants of \$18.9 million totaling 7 percent of revenues; auxiliaries of \$2.9 million represented 1 percent; the strategic investment fund and other revenues contributed another 3 percent of the total revenues.

4. Revenues by Functional Category

Instruction, research, and academic support activities—the core of Colby’s educational mission—represented \$75 million, approximately 30 percent of the total operating expense. Financial aid expenses of \$57.9 million represented approximately 23 percent, with the increase in class size, 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 \$30.8 million, roughly 12 percent of total expenditures. Other major categories of expense were \$44.2 million (17 percent) for institutional support, including campaign expenses; \$32 million (13 percent) for student services such as admissions, student affairs, athletics, and health services; and \$13.2 million (5 percent) associated with dining services, the bookstore, and special programs.

5. Expenses by Functional Category



Variance Analysis

Total revenues of \$267.3 million are \$7.1 million positive to the budget. Significant positive variances include \$2.4 million in higher tuition and fees revenues, \$2.0M in gift revenues, \$3.3M in other revenues (i.e., returns from investments), and \$0.6 million in grants and contracts. Major negative variances include \$0.9 million less than budget endowment funds for operations and \$0.3 million less in unrestricted gifts revenues.

Total expenses of \$253.2 million are \$5.5 million over budget. Major negative variances: \$1.5 million in student financial aid due to enrollment increases, \$5.0 million in professional services, \$6.9 million in contract and services fees, \$1.0 million in travel, and \$1.6 million in incremental costs associated with commencement, reunion, and other community events. Major positive variances include \$6.2 million in salary and benefits savings, \$2.1 million lower materials cost, \$1.1 million lower debt services cost, \$0.5 million in utility savings, \$0.4 million in maintenance costs, and \$0.2 million in recruiting costs.

The net income after operating costs was \$1.6 million favorable to budget. A transfer to plant of \$12.5 million for renovation allocations and

\$1.6 million for supplemental allocations concluded FY23 with a \$116k positive margin.

Endowment

The endowment value dropped slightly year over year as modest investment gains and new gifts did not fully offset spending, resulting in a value of \$1.116 billion net of annuities at June 30, 2023.

Endowment utilized for operations based on a 5.50 percent spending rate applied to the trailing five-year average value totaled \$53.4 million. Direct campaign expenses amounted to an additional \$2.5 million of spending. Gifts to the endowment, including pledge payments, realized bequests, and new gifts, totaled \$13.7 million last year.

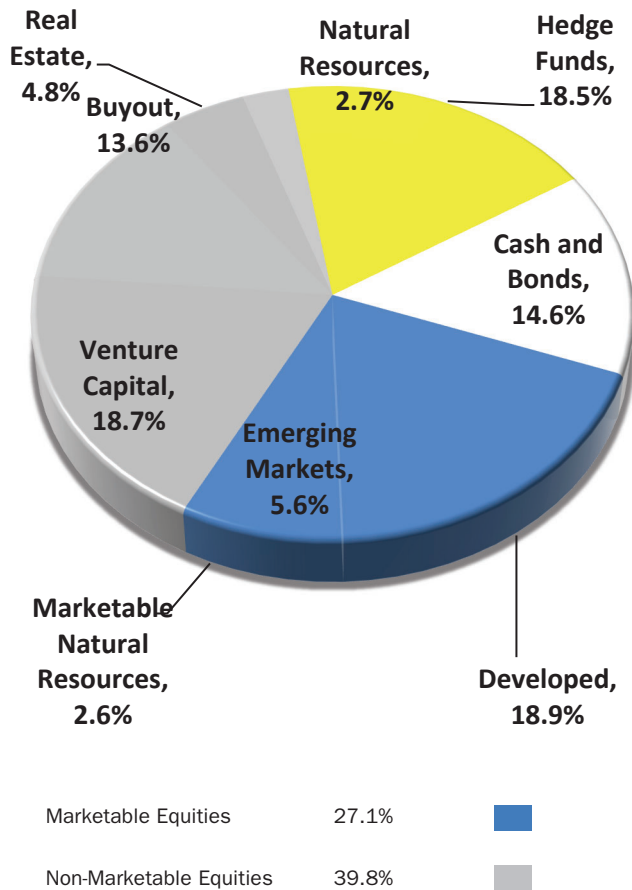
The endowment is invested across diverse strategies and geographies and targets a long-term return of at least CPI plus 6 percent while managing both volatility and liquidity.

The investment return for 2022-2023 was positive 3.2 percent, driven by a strong rebound in public markets, offset by negative returns in the private portfolio due to markdowns in the venture capital portfolio. As a result, Colby’s diversified portfolio underperformed public market benchmarks. Colby’s 10-year compound investment return was 8.6 percent versus a target of 8.7 percent (CPI + 6 percent).

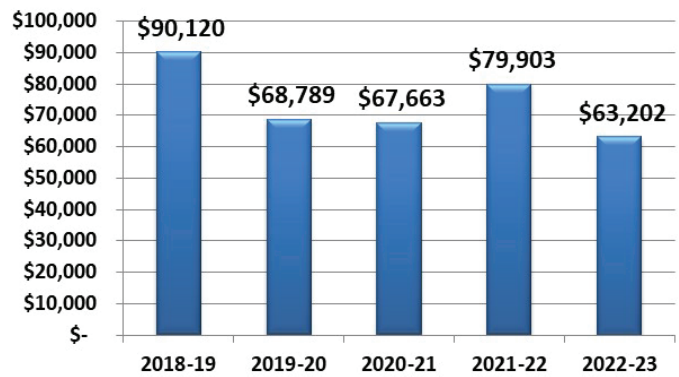
The endowment is managed by a dedicated internal team of investment professionals with the support and oversight of a highly engaged and experienced group of trustees serving on the Portfolio Investment Committee.

Colby has an equity-biased endowment portfolio with a significant commitment to alternative investments, including private equity, venture capital, real assets, and hedge funds. Alternative investments have provided above-market returns over the long term.

7. Asset Allocation at 6/30/2023



8. Five-Year Trend Gifts Received (\$000s)



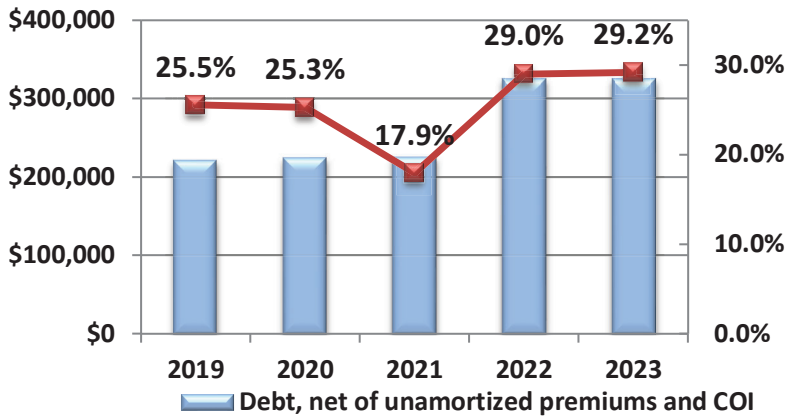
Debt

On June 30, 2023, Colby’s outstanding debt totaled \$325.7 million, resulting in a debt-to-endowment ratio of 29.2. Colby’s current debt is issued under its credit rating at fixed rates.

Fundraising

Colby received \$63.2 million in gifts in 2022-23. Gifts included \$5.2 million of unrestricted gifts for operations and \$6.3 million in restricted gifts and grants. Gifts to endowment totaled \$13.7 million, deferred gifts totaled \$2 million, and gifts for construction were \$29.2 million. The College also received \$6.2 million in gifts for downtown Waterville initiatives and another \$0.5 million for gifts in kind.

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 \$75,000 per year and limits contributions of families making \$150,000 or less to \$15,000.

The College has completed major facility projects, including the Harold Alfond Athletics and Recreation Center, the Schupf Arts Center (Main Street), Johnson Pond Houses and numerous campus infrastructure projects. And, importantly, final construction on the Gordon Center for Creative and Performing Arts (Mayflower Hill) will be ready for occupancy this fall.

The strategic plan is supported by a \$1 billion 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 \$750 million.

Summary

Colby finished out the fiscal year 2023 with strong enrollment growth. Compared to fiscal year 2022, enrollments grew by 57 students, resulting in additional tuition and fee revenues. Despite unanticipated professional fees, the college finished the year in a better position than budgeted, with an \$81,000 operating margin.

As Colby looks to fiscal year 2024 and beyond, maintaining a healthy financial profile, sustaining enrollment growths, and expanding our gifts and endowment performance is critical to its aspirations. The planned expansion of the residential halls by building Mayflower Hill Residence Hall will require consideration of additional debt.