Greetings from Amherst. Once again, I am pleased to provide you with this annual financial summary as a supplement to our audited financial statements. Those statements give a true financial picture of Amherst College (the College) and provide consistency and comparability among nonprofit institutions by utilizing generally accepted accounting principles (GAAP). However, Amherst and its peers prepare budgets, manage day-to-day operations, and assess financial performance on the principles of cash-basis fund accounting, which is the basis for this financial summary. Together, these reports provide useful insights about the College's financial position, trends, and overall financial health.

The fiscal year that concluded on June 30, 2019 (FY19), was a terrific one for Amherst. The College continues to make excellent progress against the goals *of Promise: The Campaign for Amherst's Third Century*, with a goal of $625 million by the time the campaign comes to a close in June 2023. As of June 30, 2019, Amherst had received $429.3 million in campaign commitments, or 69 percent of the goal. Of those commitments, $86.9 million were made during FY19, another excellent year. In addition, the endowment experienced another year of solid investment returns. The College ended the year with all-time highs in endowment market valuation of $2.47 billion, an all-time high. Investment returns on the endowment were 7.2 percent in FY19, exceeding benchmarks and peer averages. For the last three, five, ten, and twenty years, the endowment gained an annualized average rate of return of 10.9%, 6.8%, 9.4%, and 9.8%, respectively, all exceeding peer averages. The College continues to budget carefully and deliver strong financial results against its budget, concluding the year with a $1.9 million operating surplus before discretionary transfers and designations.

I will describe these and other aspects of FY19 financial performance in the sections that follow. Before I do so, I wanted to highlight a bittersweet moment. We said farewell to Mauricia Geissler, Amherst's Chief Investment Officer for over sixteen years – one of the longest-tenured CIOs in higher education - as she retired from her position. Mauricia was the first CIO in Amherst's history, building an office from scratch to a skilled team of eight professionals today. During her remarkable period of service to the College, the endowment nearly tripled. She is recognized far and wide in the investment world not only for her technical insights and expertise, but for her attentive and dedicated support for her team and her leadership skills. The ability of the College to achieve its mission is due, in no small part, to the work of Mauricia and her team over the last sixteen years. We thank her for her tireless service to the Institution.

Our new CIO, Letitia Johnson, describes our investment performance and more details in a separate report. Letitia arrived from Cambridge Associates, where she provided endowment management services to a number of clients who outsourced their investment functions to Cambridge. Letitia is in the process of moving the core investment function of the Investment Office to a new location in Boston. While campus leaders will miss their constant on-site presence, the move will allow our investment professionals to engage more closely and frequently with our fund managers and with peers from other colleges and universities, many of whom have also relocated their core investment function to a major city.

OPERATING RESULTS

The College's FY19 operating budget was established at $196.0 million with an expectation of balanced revenues and expenses. This budget represented an increase of 3.6 percent from the FY18 budget, and a cost-per-student of about $109,600. Budgeted spending from Amherst's endowment was $101.9 million, or about 52 percent of budgeted revenues. This represents one of the very highest rates of budgetary support from endowment of any college or university in the country. Despite this, the College's endowment spending rate as a percentage of market valuation remains a modest and responsible 4.6 percent of average market value over the last three years, and 4.3 percent of market value at the beginning of the fiscal year (two commonly used methods of spend-rate calculation). Spending rates by any measure remain well within Amherst's board-approved target range of 3.5 to 5.0 percent. Comprehensive fee revenues, net of College-provided financial aid, were budgeted at $68.5 million, or about 35 percent of budgeted revenues. The Annual Fund, other current use gifts and grants, and miscellaneous revenues provided the remaining 13 percent of budgetary support.

The College continues to emphasize financial access and affordability as one of its very highest priorities. Only four other schools match Amherst's core policies of need blind admissions, meeting full financial need of every admitted student – domestic or international – and doing so without an expectation of loans. The admitted first-year class arrived with the highest need profile in the College's history. As a result, comprehensive fee revenues, net of College-provided financial aid, grew only 1.1% from FY18, despite a comprehensive fee increase of 3.9%. Indeed, the rate of growth of net comprehensive fee revenues has grown only modestly for many years now, roughly in line with inflation, as the College has admitted more talented students regardless of their ability to pay. This has been possible through the generosity of Amherst's supporters, solid investment returns of endowment assets, and a moderation of the rate of growth of the College's expenditures.

For the full year, College revenues exceeded budget by $0.8 million as a result of larger-than-expected bequests and other current use gifts. The FY19 operating year benefitted from $10.4 million Annual Fund receipts in FY18, a slight decrease from the record $10.7 million in receipts the year before. Annual Fund receipts are utilized in the year following receipt. Expenditures were $1.1 million lower than budget, due to several position vacancies. Together, the favorable results on both the revenue and the expense side equated to an overall operating budget surplus of $1.9 million. After designating a portion of this surplus to discretionary reserves, the College ended the year with a $0.6 million transfer to the general reserve. This reserve now holds a balance of $12.0 million after growth in recent years through annual operating budget surpluses and other designations. It provides a modest measure of protection for the College against unforeseen events.

CAPITAL PROJECTS

After the successful completion and opening of the 250,000 square-foot Science Center in FY18, the College has stepped back to focus on routine maintenance and smaller renovation projects in FY19. We remain mindful of the importance of continuous re-investment in facilities to avoid an issue that is all too common in higher education: a significant backlog of deferred maintenance. The overall condition of campus facilities is very strong in both absolute terms (the actual condition of our facilities) and relative terms (the condition of our facilities relative to our peers) as a result of a concerted set of capital improvement projects and funding of those projects through gift receipts and debt proceeds. In addition, every operating budget in recent years has included an increase in annual funding for routine and recurring capital and maintenance projects, and we expect this continue into the future.

In FY19, our focus shifted from physical infrastructure to information technology investments. We have been significantly increasing our investment in technology infrastructure, equipment and software in recent years. These efforts were accelerated in February, 2019, when we experienced a college-wide network outage due to the localized failure of several on-campus servers. This incident impacted operations for several days. The outage reinforced how effective technological solutions are to our operations today. We had already identified funding for network equipment and service enhancements at the time of the outage, so the incident merely accelerated these expenditures. We have now completed a multi-million dollar overhaul of our network infrastructure, leaping several generations of technology to provide enhanced equipment and the ability to localize any future network issues so the impact can be contained.

In addition, we have made a more substantial financial commitment to an overhaul of the College's core technology system. We have launched a major project, several years in the making with several more to go, to migrate finance, human resources, student billing, course registration, and transcript activities to Workday, a cloud-based tool that provides enhanced security features and an improved user experience. We have positioned this work not simply as a technology project, but as an opportunity to simplify, streamline, and improve our underlying business processes. Many in our community – students, parents, staff, faculty, alumni, and suppliers – have expressed a desire for easier and more effective interactions with the College. While it requires an enormous effort of time and resources to get there, we are well on our way, thanks to the tireless efforts of many staff, particularly in IT, Human Resources, Finance, and IT. We expect to launch Human Resources and Finance systems and processes early in FY21, and student and registrar functionality late in FY22 or early FY23. We are very excited about the future of work at the Institution.

DEBT

As of June 30, 2019, the College held $479 million of debt. Between regular principal amortization payments and two pre-payments of principal in FY17 and FY18, the College has reduced its outstanding debt balance by $58 million over the last three years. Coupled with rising endowment valuation, Amherst's endowment-to-debt ratio has rapidly grown from 3.8-to-1 in November 2016, to 5.2-to-1 as of the end of FY19, a healthy measurement of balance sheet strength. Amherst continues to maintain excellent credit ratings from independent rating agencies Moody's (AAA Stable) and Standard & Poor's (AA+ Stable).

PHILANTHROPY

As previously mentioned, *Promise: The Campaign for Amherst's Third Century*, continues to experience great success as a result of the extraordinary generosity of the members of the Amherst community. With four years to go until the conclusion of the campaign in June, 2023, we are confident that we will achieve this ambitious target. There is generally a timing gap between commitments and gift receipts, and a majority of campaign pledges were receivables on the books as of FY19 year-end. In FY19, the College received $91.5 million in cash from its supporters, one of the highest totals in the history of the College and well higher than the $42.4 million in receipts in FY18. Annual Fund receipts totaled $10.4

million, a modest increase from the $10.3 million received in FY18. The Annual Fund is a critically important source of operating revenue, and is a meaningful way for alumni, parents and friends across a variety of economic situations to join together to support the College's highest priorities. Many of Amherst's most generous alumni began their support of the College through their participation in the Annual Fund. Although their giving now includes endowment, facilities and life-income gifts, these donors remain loyal supporters of the Annual Fund. Overall gift participation— Annual Fund and other forms of giving—fell slightly, from 50.3 percent in FY18 to 49.7 percent in FY19. While we have experienced modest declines in alumni gift participation rate in recent years, these declines have mirrored those of peer institutions as competition from not-for-profits for philanthropic support increases, and as many donors make larger gifts to fewer organizations. Despite these modest declines, Amherst's gift participation rate remains one of the very highest in higher education. In addition, gifts totaling $32.2 million were received to support current operations in such areas as instruction, research, library, scholarships and fellowships, or await designation by the donor. The College also received endowment gifts totaling $37.3 million in FY19, continuing the longstanding tradition of alumni support of the endowment to extend the benefit of their gifts to the College in perpetuity. Gifts directly designated to facilities totaled $11.7 million.

CONCLUSION

It continues to be an exciting time for the College. Thank you for your interest in the College, and your support of its wide-ranging and ambitious mission, in all of the many ways that members of the College community contribute to its success.

Kevin C. Weinman

Kevin Weinman
Chief Financial & Administrative Officer