Colby enjoyed another successful year in Fiscal 2015-16. Highlights include:

- The College finished the year with an operating margin of $14 million, a positive variance of $4.3 million. This result was driven by higher endowment revenues, unused contingency, savings in compensation due to unfilled positions and below-budget financial aid expense.

- The net endowment value decreased by $35 million to $711 million at June 30, 2016, the net result of spending, gifts, and negative 2.0 percent investment return for the fiscal year.

- Contributions from alumni, parents, corporations, foundations, and friends totaled $31.5 million in 2015-16, a 47 percent increase from the prior year.

- Other deductions totaled $13.8 million, including transfers to plant and a $3.5 million addition to the strategic investment fund, resulting in a net operating margin of $185,000.

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>171,266</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>157,303</td>
</tr>
<tr>
<td>Operating margin before other deductions</td>
<td>13,963</td>
</tr>
<tr>
<td>Perkins Loan repayment</td>
<td>(485)</td>
</tr>
<tr>
<td>To Plant - debt service and capitalized interest</td>
<td>2,070</td>
</tr>
<tr>
<td>To Plant - renovation allocation</td>
<td>8,680</td>
</tr>
<tr>
<td>To Strategic Investment Fund</td>
<td>3,513</td>
</tr>
<tr>
<td><strong>Net margin</strong></td>
<td><strong>185</strong></td>
</tr>
</tbody>
</table>

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

![Graph showing endowment market value and return from 2012 to 2016.]

### 3. Gifts received ($000s)

Total Gifts = $31,497
Operating Budget

Colby’s fiscal 2016 budget was developed using budgeted enrollment of 1,860, a renovation allocation of approximately 1.75 percent of estimated plant replacement cost, and a contingency of 1 percent of total revenues.

Colby completed the year with revenues of $171.3 million and operating expenses of $157.3 million, resulting in an operating margin of $14 million.

Student charge revenues of $116.5 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 $35 million accounted for 20 percent of total revenues; gifts and grants of $11.1 million added 6 percent; auxiliaries and other income of $5.3 million represented 3 percent, and the strategic investment fund contributed another 2 percent.

4. Revenues by Functional Category

Instruction, research, and academic support activities—the core of Colby’s educational mission—represented $52.6 million, or about 33 percent of the total operating expense. Financial aid expense of $31.3 million represented about 20 percent, including the second year of aid initiatives designed to support racial, geographic, and socio-economic diversity and enhance the academic strength of the entering class.

Educational plant and student residence expenses totaled $22.4 million, roughly 14 percent of total expenditures. Other major categories of expense included $22.5 million (14 percent) for institutional support; $18.7 million (12 percent) for student services such as admissions, student affairs, athletics, and health services; and $9.8 million associated with dining services, the bookstore, and special programs (6 percent).

5. Expenses by Functional Category

Operating revenues in 2015-16 were $1.8 million above budget. Major positive variances included $1.5 million in higher endowment spending for operations, $1.1 million in higher gifts and grants with off-setting expenses and $.1 million net all other. Major negative variances included $.9 million in lower unrestricted Colby Fund gifts.

Operating expenses of $157.3 million were $2.5 million below budget. The $1.0 million reserve-for-initiatives was allocated to several strategic priorities. Other positive variances included $1.7 million of unused contingency, $1.5 million in lower financial aid expense, $1.5 million lower compensation expense on turnover and vacancies, and $.6 million lower utilities expense. Major negative variances included $1.1 million in higher gifts and grants expense with off-setting revenues, $1.0 million in various expenses covered by the strategic reserve, $1.0 million for outreach and
events-related expenses, $.4 million in search-related expenses and $.3 million net all other.

The operating margin variance before other deductions was $4.3 million with an additional $.5 million from loan funds returned to the College for a total available for allocation of $4.8 million. Other transfers included $3.5 million transferred to strategic investment fund, $.8 million for capitalized interest expense, and $.3 million in additional renovation allocation to pre-fund a portion of the 2016-17 renovation allocation.

The net operating margin was $.2 million.

6. Operating Budget Major Variances ($000s)

Operating variance before other deductions = $4,273

Endowment

Colby’s endowment was valued at $711 million as of June 30, 2016, a decrease of roughly $35 million from a year earlier. Endowment spending for operations was $34.9 million, based on a 5.30 percent spending rate, and represented 21 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 six percent real while also minimizing volatility. Investment return for 2015-16 was negative 2.0 percent, consistent with market returns.

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.
Fundraising

Colby received $31.5 million in gifts in 2015-16. Gifts included $4.0 million of unrestricted gifts for operations and $6.2 million in restricted gifts and grants. Gifts to endowment totaled $15.2 million and gifts for construction were $4.8 million. The College also received $0.6 million in deferred gifts and another $0.7 million for gifts-in-kind.

8. Five Year Trend Gifts Received

![Bar chart showing five-year trend of gifts received]

Debt

At June 30, 2016, Colby had three debt issuances outstanding with a combined balance of $202.8 million. Colby’s debt-to-endowment ratio was 28 percent at fiscal year-end.

All of Colby’s current debt is issued under its own credit rating at fixed rates, with a weighted average coupon of approximately 4.13 percent.

In February 2015 Colby issued $100 million in new debt for investment in strategic initiatives, including anticipated operating support, new facilities on campus, and revitalization efforts on Main Street. The strategic fund balance at year end was approximately $99.7 million, with fund utilization being mostly offset by interest and the year-end transfer.

The Series 2015 debt was a taxable issue with a bullet maturity in 2055. Fiscal 2015-16 was the first year in which the full debt-service expense was reflected in the operating budget. The College created a sinking-fund, invested with the endowment, which is expected to grow over time to fund repayment of the principal.

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

![Graph showing debt and debt-to-endowment]

Facilities

Construction of the combined baseball/softball complex was completed in the fall of 2015, providing state-of-the-art artificial turf fields for athletics and recreation programs use by Colby and the local community.

The renovation and expansion of Grossman residence hall began last spring and the facility will serve as the home for the Center for Discovery, Global Impact, and Postgraduate Advancement. The existing building is being renovated for counseling spaces, offices, interview rooms while a new, two-story pavilion will house an expanded resource library and meetings rooms. The new facility is scheduled to open in late-summer 2017.

The College completed its feasibility study and obtained board approval for a Large Scale Solar Photovoltaic Array project. Once completed, the 1.9 MwH array would generate about 16 percent of Colby’s annual electricity use. The project entails installation of approximately 5,500 solar panels adjacent to the storage building on Washington Street and connecting the solar array to the campus electricity micro-grid. The project is now anticipated for completion in 2017, subject to final approval for the proposed utility interconnection approach. Panel installation is anticipated to start in spring 2017 with completion by fall.

In fall 2015, a team led by Hopkins Architects was selected to design a new, replacement athletics center for Colby. Major venues include a gym, field house, aquatics center with a 50-meter pool, ice arena, squash center, fitness, strength and conditioning facilities, offices, locker rooms, and support spaces. The project, to be located on the north-west section of campus, was in the schematic design phase at year end, with construction...
anticipated to begin in 2017. The board approved a fields relocation project over the summer designed to replace three sports fields (1 artificial turf competition field, 1 natural turf competition field, and 1 natural turf practice field) to facilitate construction of the new athletics complex. The replacement fields will be located on three levels surrounding the existing complex. Construction began in September.

William Rawn Associates was selected in June to develop conceptual designs for a major new arts and innovation center. The new facility is anticipated to provide purpose-built teaching, practice, and performance spaces for music, theater, dance, and cinema studies, as well as creating new, inter-disciplinary innovation spaces for use by faculty, students, and staff. The design is being informed by the program planning study conducted last year, subsequent campus deliberations about program opportunities, and further exploration of siting considerations. The design, and supporting analysis, will be reviewed with the Board of Trustees at the October 2016 meeting.

Additional planning underway in 2016 included library program planning, building conditions assessment, utility infrastructure, master plan, and academic and administrative space utilization studies.

Financial Projections

The President and Board of Trustees continued discussions of the College’s financial planning assumptions, strategies, challenges, and opportunities through the year. A comprehensive set of analyses were developed to support the board’s consideration of a strategic plan designed to place Colby in an eminent position among liberal arts colleges at its August 2016 retreat. These analyses, plus further study of fundraising strategy, capacity, and investments, will guide financial planning efforts for the upcoming year.

Summary

Colby experienced another successful financial year in 2015-16. The College made significant new investments in academic programs, admissions and financial aid initiatives, student life programs, and facilities, along with new faculty and staff positions to enhance support for current programs and increase institutional capacity for future strategic initiatives.

President Greene has advocated for 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.

With aspirational goals, thoughtful planning, focused execution, and engaged alumni, parents, and friends, Colby can achieve this vision.