

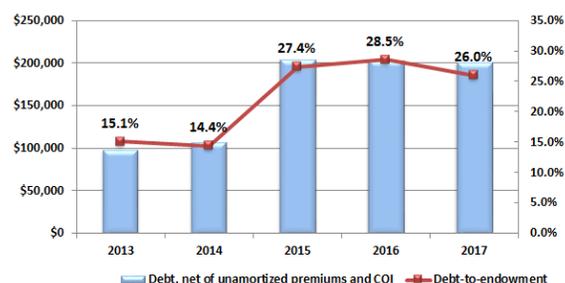
Colby enjoyed another successful year in Fiscal 2016-17. Highlights include:

- The College finished the year with an operating margin of \$12.8 million, a positive variance of \$2.6 million. This result was driven by compensation savings and unused contingency.
- The net endowment value increased by \$64 million to \$775 million at June 30, 2017, the net result of spending, gifts, and 12.2 percent investment return for the fiscal year.
- Contributions from alumni, parents, corporations, foundations, and friends totaled \$64.5 million in 2016-17, a 105 percent increase from the prior year.
- Other deductions totaled \$12.7 million, including transfers to plant and a \$1.9 million addition to the strategic investment fund, resulting in a net operating margin of \$101,000.
- Colby used its financial resources to make critical program investments in 2016-17:
 - new faculty and academic support positions;
 - significant new financial aid funding;
 - capital improvements in laboratories, classrooms, student services, athletic fields, and academic technology;
 - enhanced communications to students and alumni; and
 - staffing and operating budget increases to support a comprehensive capital campaign.

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

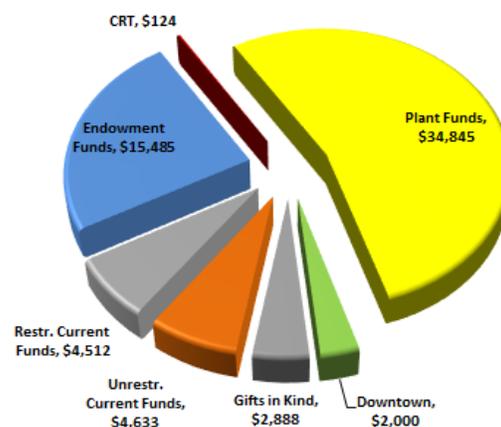
	2016-17
Revenues	181,179
Operating Expenses	168,428
Operating margin before other deductions	12,751
Perkins Loan repayment	(105)
To Plant - debt service and capitalized items	2,330
To Plant - renovation allocation	8,490
To Strategic Investment Fund	1,935
Net margin	101

2. June 30 endowment market value and return



3. Gifts received (\$000s)

Total Gifts = \$64,487



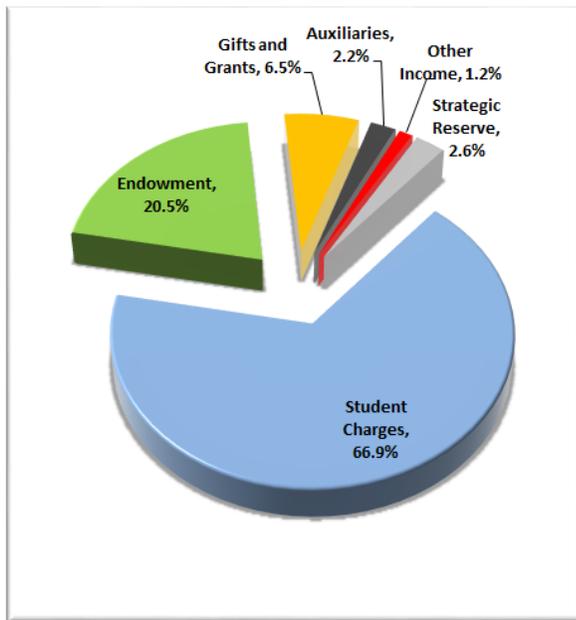
Operating Budget

Colby's fiscal 2017 budget was developed using budgeted enrollment of 1,875, 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 \$181.2 million and operating expenses of \$168.4 million, resulting in an operating margin of \$12.8 million.

Student charge revenues of \$121.2 million—including the comprehensive fee and other charges—represented the largest source of income for the College, comprising 67 percent of total revenues. Endowment support for operations of \$37 million accounted for 21 percent of total revenues; gifts and grants of \$11.8 million added 7 percent; auxiliaries of \$4 million represented 2 percent, and the strategic investment fund and other revenues contributed another 4 percent.

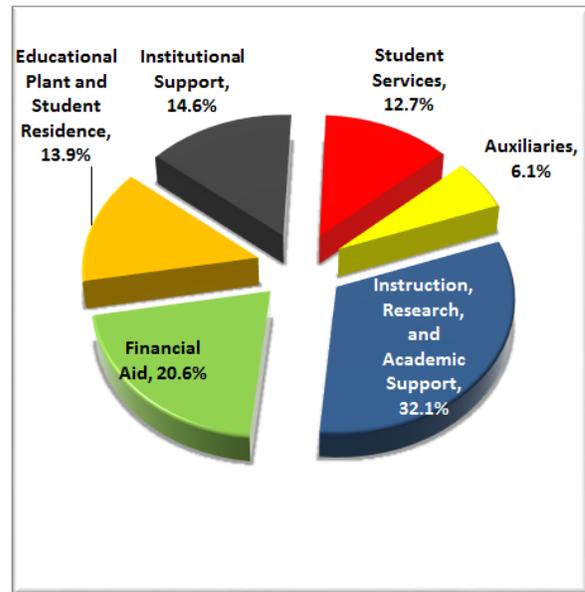
4. Revenues by Functional Category



Instruction, research, and academic support activities—the core of Colby's educational mission—represented \$54.1 million, or about 32 percent of the total operating expense. Financial aid expense of \$34.7 million represented about 21 percent, including the third 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 \$23.4 million, roughly 14 percent of total expenditures. Other major categories of expense were \$24.6 million (15 percent) for institutional support, which included \$1.2 million for direct campaign expenses; \$21.4 million (13 percent) for student services such as admissions, student affairs, athletics, and health services; and \$10.2 million associated with dining services, the bookstore, and special programs (6 percent).

5. Expenses by Functional Category



Operating revenues in 2016-17 were \$3.6 million above budget. Major positive variances included \$1.8 million in higher endowment spending for operations, \$.9 million in higher gifts and grants with off-setting expenses and \$.9 million in higher working capital and other revenues.

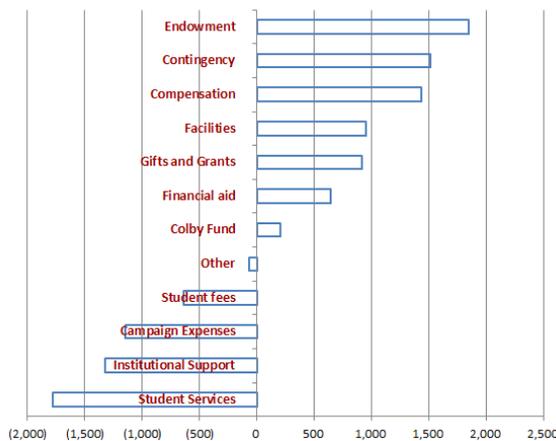
Operating expenses of \$168.4 million were \$1.0 million above budget. Positive variances included \$1.5 million of unused contingency, and \$.6 million in lower financial aid expense. Major negative variances included \$1.2 million in campaign expenses with off-setting endowment transfer, \$1.0 million for engagement, outreach and events-related expenses, \$.7 million in one-time dining services costs and other expenses and \$.2 million net all other.

The operating margin variance before other deductions was \$2.6 million. Other transfers included \$1.9 million transferred to the strategic investment fund and \$0.6 million for capitalized interest and equipment expense.

The net operating margin was \$0.1 million.

6. Operating Budget Major Variances (\$000s)

Operating variance before other deductions = **\$2,538**



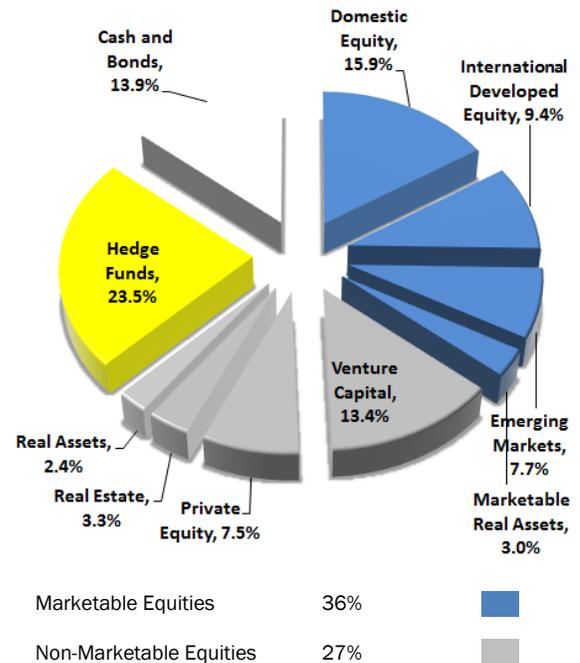
Endowment

Colby's endowment was valued at \$775 million as of June 30, 2017, an increase of roughly \$64 million from a year earlier. Endowment utilized for operations was \$37.2 million, including \$1.1 million for direct campaign expenses, based on a 5.50 percent spending rate.

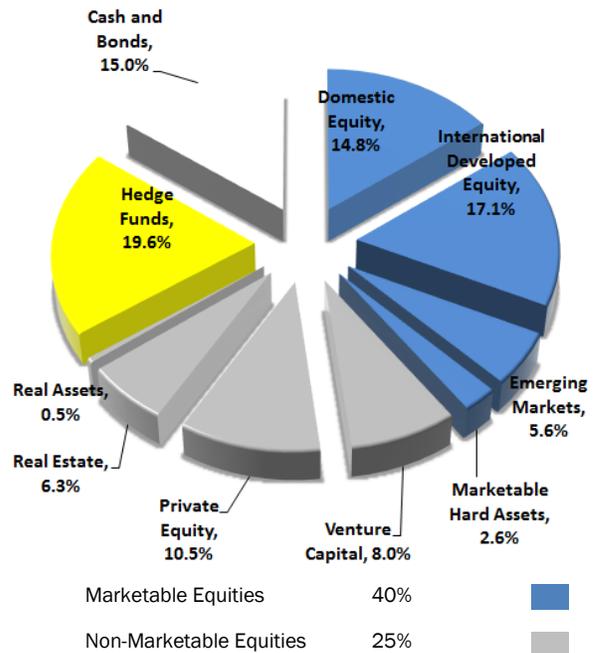
The endowment is invested in a sophisticated and diversified portfolio that seeks to achieve a long-term return of at least 6 percent real while also minimizing volatility. Investment return for 2016-17 was 12.2 percent, consistent with market returns and benchmarks.

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 6/30/2017



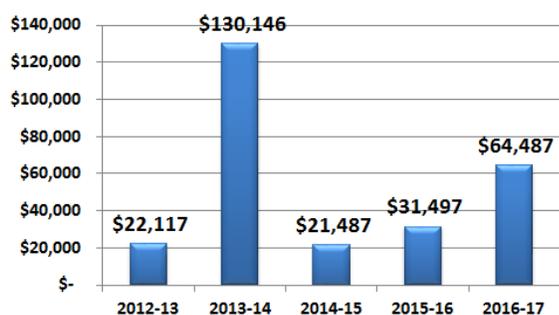
7b. Asset Allocation at 6/30/2007 (for comparison)



Fundraising

Colby received \$64.5 million in gifts in 2016-17, more than double the previous year. Gifts included \$4.6 million of unrestricted gifts for operations and \$4.5 million in restricted gifts and grants. Gifts to endowment totaled \$15.5 million and gifts for construction were \$34.8 million. The College also received \$2.0 million in gifts for Downtown Waterville initiatives and another \$2.9 million of gifts-in-kind.

8. Five Year Trend Gifts Received



Debt

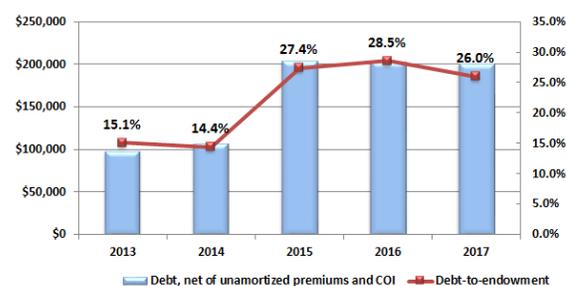
At June 30, 2017, Colby had \$201.3 million of outstanding debt, net of unamortized items. The debt-to-endowment ratio was 26.0 percent at fiscal year-end.

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 new campus facilities, Main Street revitalization efforts, and operating support. The strategic fund balance at year end was approximately \$91.6 million, with fund utilization partially offset by interest income and the year-end transfer.

The 2015 debt was a taxable issue with a bullet maturity in 2055. The College created a sinking-fund, invested with the endowment, which is expected to grow over time to fund repayment of the principal. At June 30, 2017 the market value of the sinking fund endowment was \$3.87million.

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



Facilities

The renovation and expansion of Grossman residence hall was completed this year. The facility serves as the home of DavisConnects, Colby's unique program designed to coordinate personal and career exploration and facilitate student access to universal experiences (e.g., global, research, internships). The facility includes renovated spaces for career counseling, offices, and interview rooms while the new, two-story pavilion houses an expanded resource library and meetings rooms.

The Large Scale Solar Photovoltaic Array project neared completed at year end. The 1.9 MWh array will generate about 16 percent of Colby's annual electricity use produced by approximately 5,500 solar panels installed adjacent to the storage building on Washington Street. (N.B. The array began producing electricity in September.)

Design continued through 2016-17 for the new athletics complex, led by Hopkins Architects. 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 first phase of the project entailed constructing three new fields (an artificial turf competition field, a natural turf competition field, and a natural turf practice field) to facilitate construction of the new athletics complex. The replacement fields are located on three levels surrounding the existing complex. Construction of the new facility began this summer, following approval of a site-development package by the board. Full project approval is anticipated in April following completion of construction documents. Colby has raised \$100 million towards the \$120 million fundraising goal as of June 30.

Construction began in spring 2017 on the mixed-use development project on Main Street in downtown Waterville. The five-story, 100,000 square foot facility will feature apartment-style housing for 200 students, four faculty apartments, and four staff studios, as well as classroom, study, lounge, social, and fitness spaces. The ground floor will house the Center for Civic and Community Engagement, including an inviting Community Forum space that will host both Colby events and a range of community programs (e.g., City Council meetings, non-profit organization meetings, public discussions). The ground floor will also include about 9,000 square feet of retail space.

Renovation of 173 Main Street, owned by a Colby subsidiary, was completed in July. The 100+ year-old building was identified as a strategic acquisition as part of the Waterville redevelopment framework. The four-story building will provide new ground-floor retail space, offices for Colby advancement and museum staff, and a new home for CGI (a technology firm recruited to Waterville).

A series of smaller projects were initiated during the year, including: renovations to laboratories, classroom, and offices in Arey, Mudd, Keyes, and Olin to enhance faculty teaching and research; construction of a new rugby field; conversion of an under-utilized computer laboratory to create a maker-space in Miller; renovations to Dana and Cotter Union to support the new dining services program; renovations to seven faculty-in-residence apartments; partial replacement and extension of the Bixler Drive water line; and regular investments in renewal of campus systems (e.g., roofs, windows, mechanical systems). Renovation of the Mary Low Coffeehouse was completed in 2017, with extensive input from students.

William Rawn Associates developed a conceptual design 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. A construction manager has been engaged to support further development of the project design and cost estimating in 2017-18.

Financial Projections

The Board of Trustees reviewed a proposed strategic plan designed to place Colby in an eminent position among liberal arts colleges at its August 2016 retreat. 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 board's enthusiastic endorsement of the plan resulted in major new investments to support the academic program, including new faculty and academic support positions, laboratory renovations, technology, and operating budget support. Other investments were made to build the fundraising infrastructure necessary to conduct a comprehensive capital campaign (to be launched in the fall of 2017). Other investments are being made to support the student experience through Davis Connects, civic and community engagement, and new advising deans and student support staffing.

Summary

Colby experienced another successful financial year in 2016-17. 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.

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