

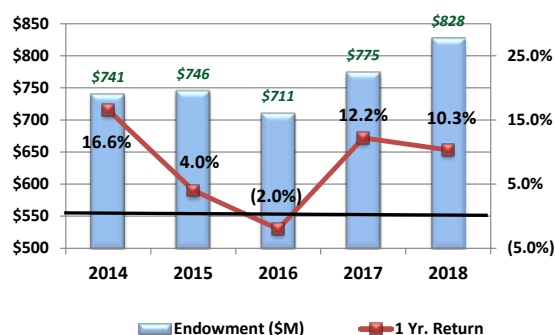
Colby enjoyed another successful year in fiscal 2017-18. Highlights include:

- The College finished the year with an operating margin of \$12.7 million, a positive variance of \$3.2 million. This result was driven largely by higher enrollment and endowment revenues, unused contingency, and savings in compensation due to unfilled positions.
- The endowment value increased by \$53 million to \$828 million at June 30, 2018, the net result of spending, gifts, and 10.3 percent investment return for the fiscal year.
- Contributions from alumni, parents, corporations, foundations, and friends totaled \$56.9 million in 2017-18.
- Other deductions totaled \$12.6 million, including transfers to plant and a \$1.8 million addition to the strategic investment fund, resulting in a net operating margin of \$95,000.

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

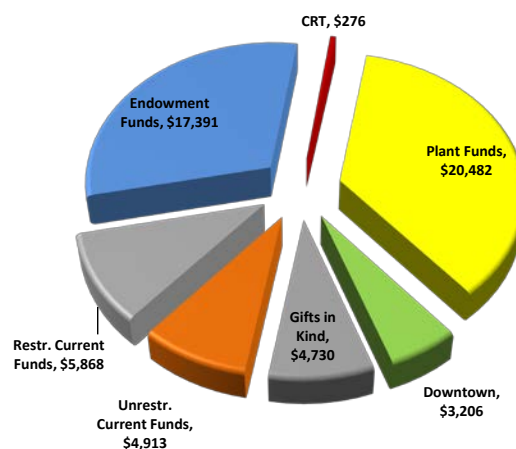
	2017-18
Revenues	194,785
Operating Expenses	182,069
Operating margin before other deductions	12,716
Perkins Loan repayment	(75)
To Plant - debt service and capitalized items	3,010
To Plant - renovation allocation	7,879
To Strategic Investment Fund	1,807
Net margin	95

2. June 30 endowment market value and return



3. Gifts received (\$000s)

Total Gifts = \$56,866



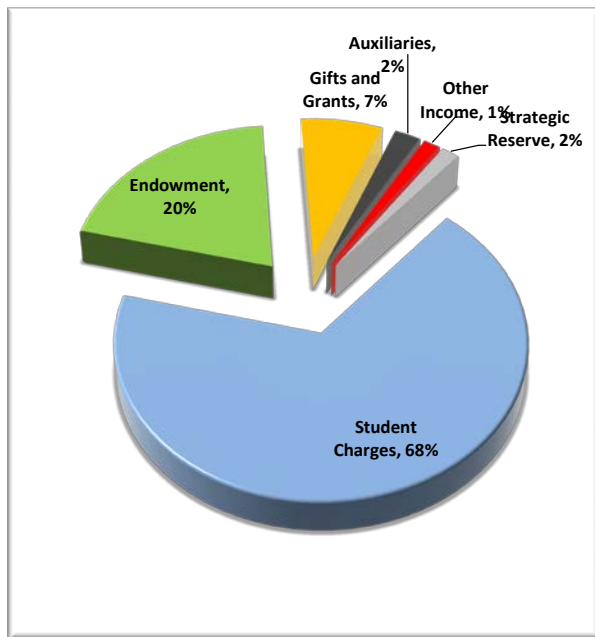
Operating Budget

Colby's fiscal 2018 budget was developed using budgeted enrollment of 1,895, a renovation allocation of approximately 1.5 percent of estimated plant replacement cost, and a contingency of \$1.5 million.

Colby completed the year with revenues of \$194.8 million and operating expenses of \$182.1 million, resulting in an operating margin of \$12.7 million.

Student charge revenues of \$130.2 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 \$38.6 million accounted for 20 percent of total revenues; gifts and grants of \$13.4 million added 7 percent; auxiliaries of \$4.3 million represented 2 percent; and the strategic investment fund and other revenues contributed another 3 percent.

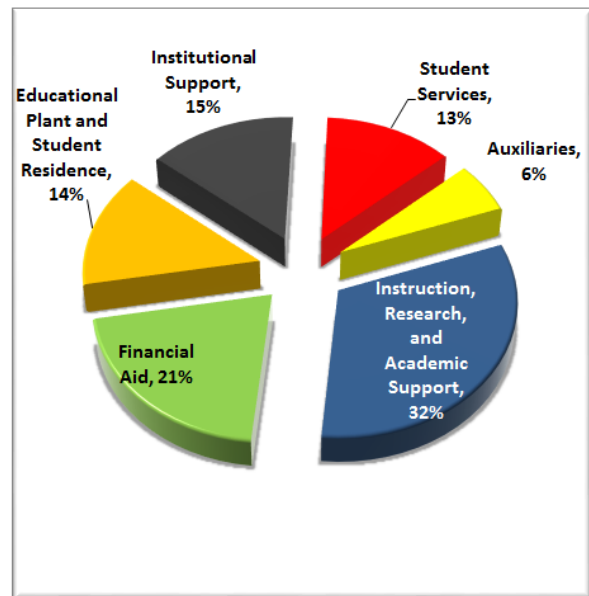
4. Revenues by Functional Category



Instruction, research, and academic support activities—the core of Colby's educational mission—represented \$56.9 million, or about 32 percent of the total operating expense. Financial aid expense of \$39 million represented about 21 percent including the fourth 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 \$23.3 million, roughly 14 percent of total expenditures. Other major categories of expense were \$29 million (15 percent) for institutional support, which included \$2.9 million for direct campaign expenses; \$23.4 million (13 percent) for student services such as admissions, student affairs, athletics, and health services; and \$10.4 million associated with dining services, the bookstore, and special programs (6 percent).

5. Expenses by Functional Category



Total revenues of \$194.8 million were \$5.0 million above budget. Major positive variances included student charges of \$1.4 million, gifts and grants of \$1.2 million with mostly off-setting expenses, \$1.0 million higher working capital and other departmental revenues, endowment utilized for operations of \$.8 million, and other revenues of \$.8 million. Major negative variances included \$.2 million net all other.

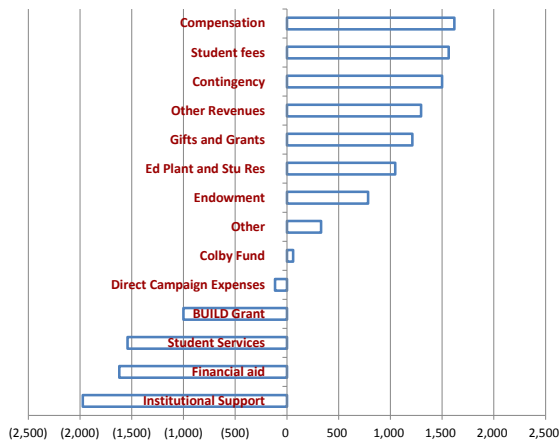
Total expenses of \$182.0 million were \$1.8 million above budget. Major negative variances include \$1.6 million in higher financial aid, \$1.2 million in higher gift and grant related expense with off-setting revenues, \$1 million in local infrastructure support expense, \$.7 million in higher career services and other student programs/support with partially off-setting revenues, and \$.4 million in higher expenses for IT hosted services and hardware. Major positive variances include \$1.6 million in lower compensation, \$1.5 million in unused contingency, and \$.2 million net all other.

The operating margin variance, before other deductions, was \$3.2 million. Supplemental transfers included \$1.8 million to the strategic investment fund and \$1.3 million for capitalized interest and equipment.

The net operating margin was \$.1 million.

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

Operating variance before other deductions = **\$3,162**



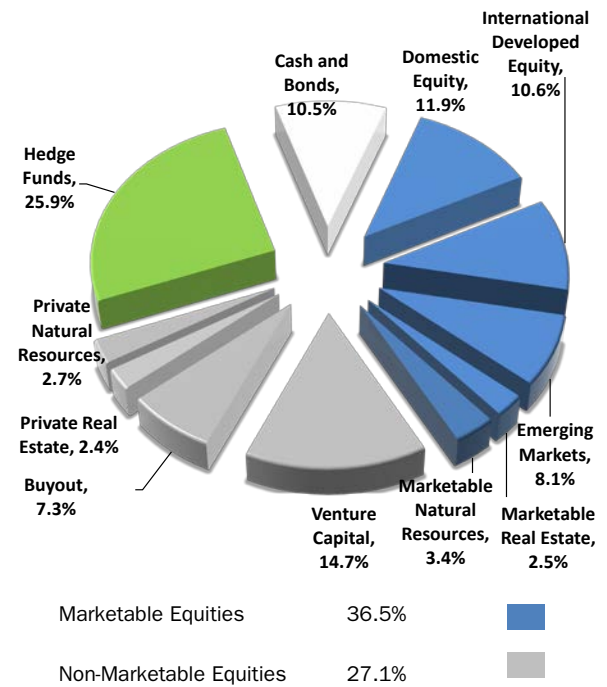
Endowment

Colby's endowment was valued at \$828 million as of June 30, 2018, an increase of roughly \$53 million from a year earlier. Endowment utilized for operations was \$38.6 million, based on a 5.50 percent spending rate, plus an additional \$2.8 million to support direct campaign expenses.

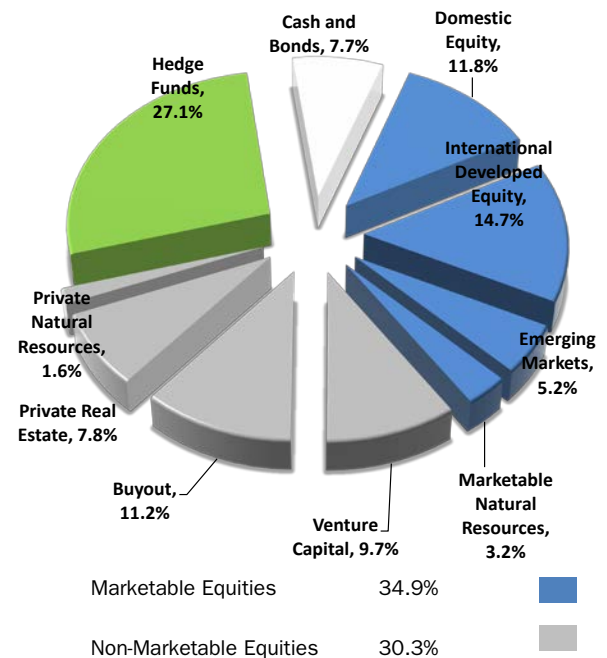
The endowment is invested in a sophisticated and diversified portfolio that seeks to achieve a long-term return of at least 6 percent real while also minimizing volatility. Investment return for 2017-18 was 10.3 percent, consistent with market returns and benchmarks.

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 6/30/2018



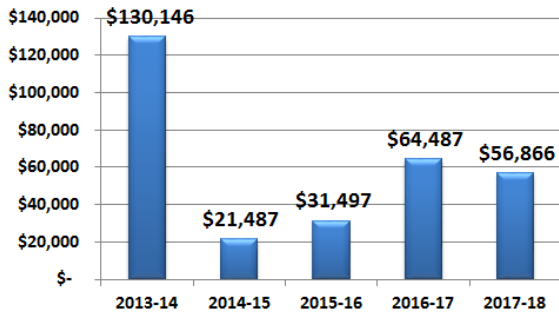
7b. Asset Allocation at 6/30/2008 (for comparison)



Fundraising

Colby received \$56.9 million in gifts in 2017-18. Gifts included \$4.9 million of unrestricted gifts for operations and \$5.9 million in restricted gifts and grants. Gifts to endowment totaled \$17.4 million and gifts for construction were \$20.5 million. The College also received \$3.2 million in gifts for Downtown Waterville initiatives and another \$5.0 million for gifts-in-kind.

8. Five Year Trend Gifts Received



Debt

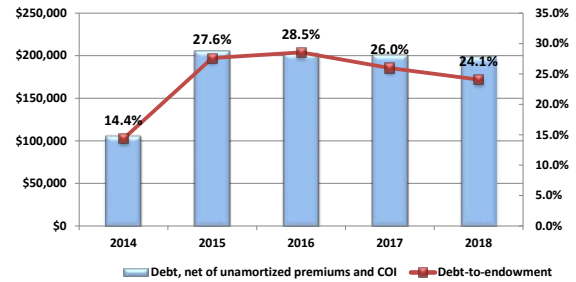
At June 30, 2018, Colby's outstanding debt totaled \$199.3 million. The debt-to-endowment ratio was 24.1 percent at fiscal year-end.

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 facilities on campus, Waterville Main Street revitalization efforts, and operating support. The strategic fund balance at year end was approximately \$92 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. 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, 2018, the market value of the 2015 bond sinking fund endowment was \$5.8 million.

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



Facilities

Construction of the Bill and Joan Alford Main Street Commons was completed in the summer of 2018 and opened for the fall semester. The five-story, 103,000 square foot facility features 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 houses the Center for Civic and Community Engagement, the Chace Community Forum (a space that will host both Colby events and a range of community programs) and roughly 9,000 square feet of commercial space, with Camden National Bank being the first tenant.

Design continued through 2017-18 for the new athletics complex, resulting in board approval for the full project at the April meeting. 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, completed in 2017, entailed constructing three new fields to facilitate construction of the new athletics complex. Construction of the new facility began last summer with site work, foundations, and steel erection well underway. Colby has raised \$100 million towards the \$120 million fundraising goal as of June 30.

Schematic Design for the Arts and Innovation Center is in progress with William Rawn Associates as the lead designer. Recent site visits by Colby stakeholders to other facilities are informing the interdisciplinary potential in the program and concept design. The site on the Mary Low parking lot—a gateway location for the arts—is expected to transform this area of campus and strengthen the connection with the community and arts downtown.

A broad range of renovation and renewal projects were completed or underway over the last year. A series of residence hall renovations included restoring student lounges, upgrading corridors and bathrooms, renovating faculty apartments, and a major refurbishment of the Dana entrance, lounge, and dining/meeting space. The renovations were designed to create more welcoming and functional student community spaces.

Other significant projects included upgrades to classrooms, labs, and offices in Keyes and Mudd. The Schupf Lab was refitted with new computers and furniture and a visualization wall will be installed this winter. These projects are part of ongoing efforts to support faculty teaching and research.

Finally, extensive renovations were made to Alford Stadium with installation of a new state-of-the-art infilled synthetic turf replacement, track surface cleaning and repair, and a new, larger videoboard. This project completes the renewal of all competition fields at the College, resulting in what is arguably the best collection of outdoor venues in NESAC.

Financial Projections

The College continued implementation of key initiatives contained in the strategic plan approved by the Board of Trustees in 2016. 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, a new arts and innovation center, laboratory renovations, technology, and operating budget support.

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 \$60,000 per year.

Other investments are being made to support the student experience through DavisConnects, civic and community engagement, new advising deans and student support staffing, construction of the Bill and Joan Alford Main Street Commons, construction of a new athletic center and outdoor fields, and residence hall renovations.

The strategic plan will be supported by a \$750 million comprehensive fundraising campaign, launched in the fall of 2017, which is the largest campaign in the history of liberal arts colleges. Significant investments in campaign staffing, events, communications, and technology have been made to support this effort. As of June 30, commitments to the campaign totaled more than \$415 million.

Summary

Colby experienced another successful financial year in 2017-18. The College made significant new investments in academic programs, 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.