

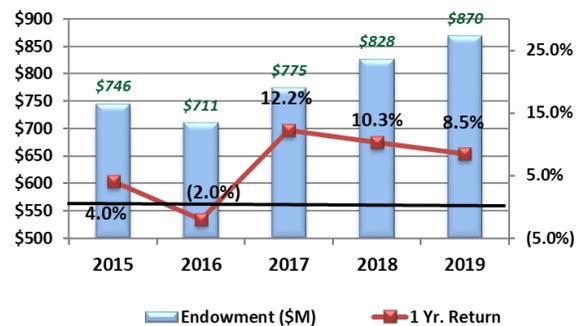
Colby enjoyed another successful year in Fiscal 2018-19. Highlights include:

- The College finished the year with an operating margin of \$16.9 million, a positive variance of \$6.7 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 \$41 million to \$870 million at June 30, 2019, the net result of spending, gifts, and 8.5 percent investment return for the fiscal year.
- Contributions from alumni, parents, corporations, foundations, and friends totaled \$90.1 million in 2018-19.
- Other deductions totaled \$16.6 million, including transfers to plant and a \$4.9 million addition to the strategic investment fund, resulting in a net operating margin of \$258,000.

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

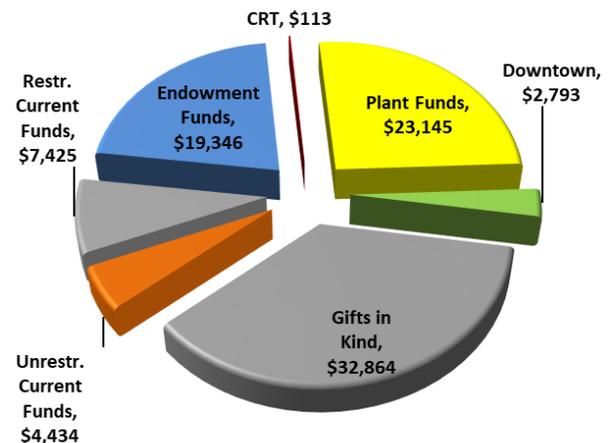
	2018-19
Revenues	208,842
Operating Expenses	191,958
Operating margin before other deductions	16,884
To Plant - debt service and capitalized items	3,353
To Plant - renovation allocation	8,375
To Strategic Investment Fund	4,898
Net margin	258

2. June 30 Endowment Market Value and Return



3. Gifts Received (\$000s)

Total Gifts = \$90,120



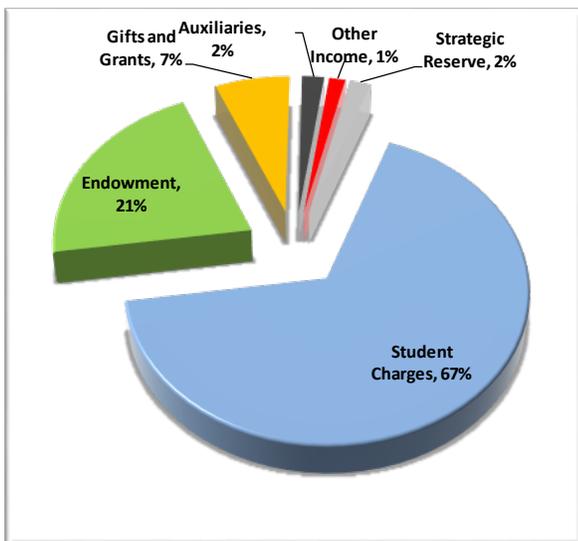
Operating Budget

Colby's fiscal 2019 budget was developed using budgeted enrollment of 1,955, a renovation allocation of 1.5 percent of estimated plant replacement value, and a \$1.5 million contingency.

Colby completed the year with \$208.8 million in operating revenues, \$191.9 million of operating expenses, and a \$16.9 million operating margin.

Student charge revenues of \$140.1 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 \$43.9 million accounted for 21 percent of total revenues; gifts and grants of \$13.8 million added 7 percent; auxiliaries of \$4.1 million represented 2 percent; and the strategic investment fund and other revenues contributed another 3 percent combined.

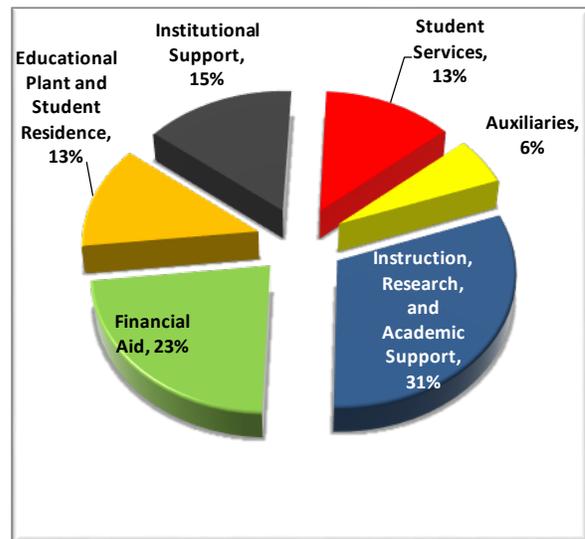
4. Revenues by Functional Category



Instruction, research, and academic support activities—the core of Colby's educational mission—represented \$59.6 million, or about 31 percent of the total operating expense. Financial aid expense of \$43.7 million represented about 23 percent, including 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 \$24 million, roughly 13 percent of total expenditures. Other major categories of expense were \$29.0 million (15 percent) for institutional support, which included \$2.7 million for direct campaign expenses; \$24.8 million (13 percent) for student services such as admissions, student affairs, athletics, and health services; and \$10.8 million (6 percent) associated with dining services, the bookstore, and special programs.

5. Expenses by Functional Category



Total revenues of \$208.8 million are \$5.3 million above budget. Major positive variances include student charges of \$2.1 million, gifts and grants of \$2.3 million with mostly off-setting expenses, and \$.9 million of higher working capital and other miscellaneous revenues.

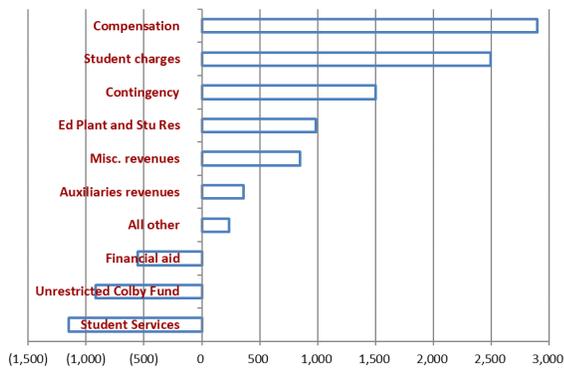
Total expenses of \$192.0 million are \$1.4 million below budget. Major positive variances include \$2.9 million in lower compensation and \$1.5 million in unused contingency. Major negative variances include gifts and grants of \$1.5 million with off-setting revenues, \$.6 million higher financial aid expense, \$.6 million in higher Waterville revitalization expense, and \$.3 million net all other.

The operating margin before other deductions variance was \$6.7 million above budget. Supplemental transfers included \$4.9 million to the strategic investment fund \$1.5 million for capitalized interest and equipment expenses.

The total operating margin was \$.3 million after all transfers.

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

Operating variance before other deductions = **\$6,709**



Endowment

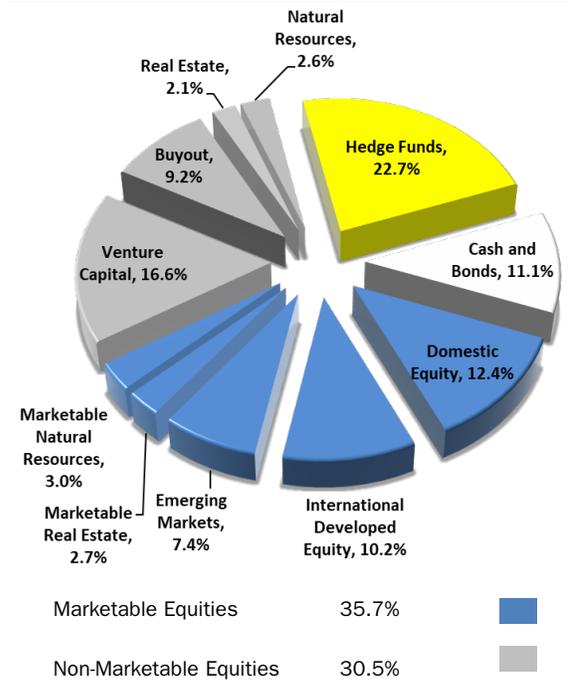
Colby's endowment was valued at \$870 million as of June 30, 2019, a roughly \$42 million increase of from a year earlier. Endowment utilized for operations, based on a 5.50 percent spending rate, totaled \$41.3 million with an additional \$2.7 million utilized to support direct campaign expenses.

The endowment is invested in a sophisticated and diversified portfolio that seeks to achieve a long-term return of at least six percent real while also minimizing volatility. Investment return for 2018-19 was 8.5 percent, consistent with market returns and benchmarks.

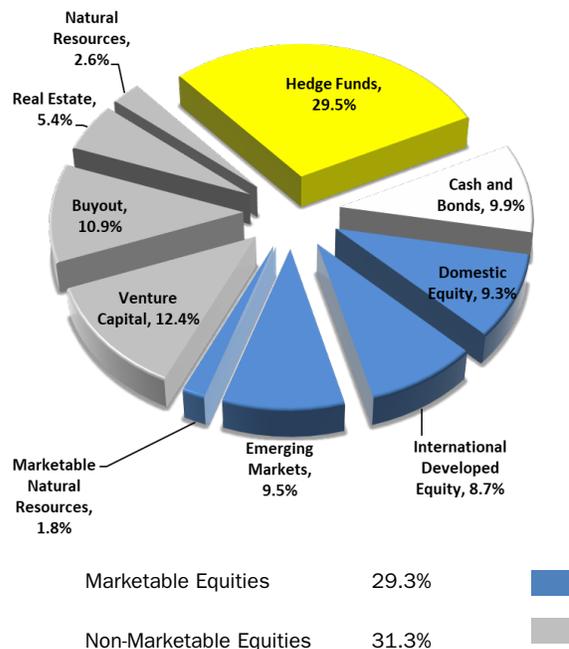
Colby's 10-year compound investment return was 9.8 percent vs. a target of 7.8 percent (CPI + 6 percent).

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 6/30/2019



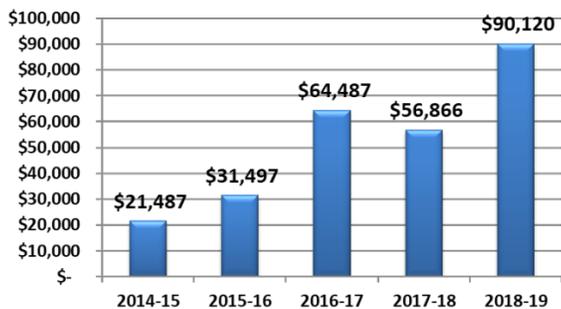
7b. Asset Allocation at 6/30/2009 (for comparison)



Fundraising

Colby received \$90.1 million in gifts in 2018-19. Gifts included \$4.4 million of unrestricted gifts for operations and \$7.4 million in restricted gifts and grants. Gifts to endowment totaled \$19.3 million and gifts for construction were \$23.1 million. The College also received \$2.8 million in gifts for Downtown Waterville initiatives and another \$32.9 million for gifts in kind.

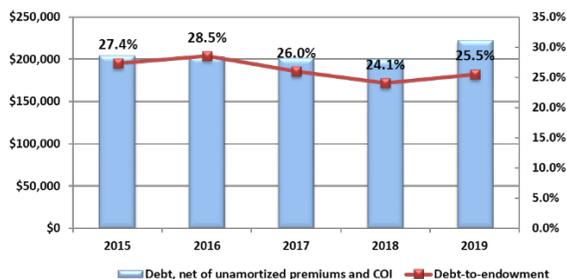
8. Five-Year Trend Gifts Received



Debt

At June 30, 2019, Colby's outstanding debt totaled \$222.2 million following the closing of \$25 million in bridge financing for the Athletics Center. The debt-to-endowment ratio was 25.5 percent at fiscal year-end. All of Colby's current debt is issued under its own credit rating at fixed rates.

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



Facilities

Design and construction of the new athletics complex continued through 2018-19. 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. Significant, visible progress was made last year, with major venues being enclosed, mechanical systems installed, and façade construction well underway. Colby raised \$105 million towards the \$120 million fundraising goal as of June 30.

Schematic Design for the Gordon Center for the Creative and Performing Arts continued progress with William Rawn Associates as the lead designer, and Consigli providing pre-construction services. The design tested possibilities for interdisciplinary potential, in conjunction with materiality and functionality to fit the gateway location and other campus adjacencies. Planning for the relocated parking and circulation is being coordinated with the implementation of the campus framework plan. Design was completed for the hotel on Main Street and the board approved an early-release package to begin construction. The project, featuring 53 rooms, restaurant, lounge, and meeting space, is anticipated for completion in fall 2020.

A broad range of renovation and renewal projects were completed or underway over the last year. Several projects to implement key components of the campus framework plan. The South Campus Utilities Renewal and Streetscape project upgraded major utilities systems and transformed Runnals Drive from a vehicular road to a pedestrian pathway and plaza. Work around the Colby Green created a connector road between two parking lots, allowing for diversion of traffic from Mayflower Hill Drive, while also enhancing a key function and gathering space. Projects at Roberts created new student patio space, green roof trays, and a connecting pathway to the new Athletics Center. Importantly, these and other projects incorporated universal access principles, greatly improving ADA access.

Academic upgrade projects included installation of a visualization wall in the Schupf Computing Center, creating an Active Learning Classroom and student study/gathering space in Olin, and conversion of an under-utilized space in Runnals to a 3-D computing lab. Student community spaces in Cotter Union and Dana were renovated and refurbished over the summer. Residence hall upgrades including new hallway flooring in Dana, renovating bathrooms in West, and full furniture replacement in Taylor. The Taylor furniture project will serve as a pilot test for newer, contemporary furniture selected with student participation.

Financial Projections

The College continued implementation of key initiatives contained in the strategic plan approved in 2016 and affirmed by the board earlier this year. 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 creative and performing arts center, laboratory renovations, technology, and operating budget support. More than 21 new faculty have been added since 2014, providing opportunities to enhance curricular offerings and, importantly, 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 \$60,000 per year and limits contributions of families making \$150,000 or less to \$15,000.

The College has completed several major facility projects, including new artificial- and natural-turf athletics fields, renovation and expansion of Grossman, and completion of the Bill and Joan Alford Main Street Commons. Other investments have been, and continue to be made, to support the student experience through DavisConnects, civic and community engagement, and new student support and athletics staffing,

The strategic plan is supported by a \$750 million comprehensive fundraising campaign that is the largest campaign in the history of liberal arts colleges. Significant investments in advancement staffing and operating support have been made to support this effort. As of June 30, commitments to the campaign totaled \$474.7 million.

Summary

Colby experienced another successful financial year in 2018-19, meeting important goals for the College's educational program while also achieving strong financial results. Significant new investments in academic programs, financial aid initiatives, student life programs, and facilities, along with new faculty and staff positions, 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 realize this vision and position the College as a preeminent liberal arts institution.