

A CLOSER LOOK: 2020-2021

STRUCTURE FINANCE GROWTH



FASCINATING MINDS HAVE
FASCINATING STORIES.



Founded over a century ago, Appleby College aspires to be a beacon of learning and caring, dedicated to developing leaders of strong character thanks to our extraordinary community of students, parents, alumni and employees. This issue of *A Closer Look* provides an overview of Appleby's current structure and finances, with a goal to answer some of the questions you may have as we focus on achieving our school's mission: To educate and enable our students to become leaders of character, major contributors to, and valued representatives of their local, national and international communities.

Who owns Appleby College?

Appleby College was incorporated in 1911 as a not-for-profit organization by an Act of the Province of Ontario and is a registered charitable organization. Appleby is governed by a volunteer Board of Governors composed of alumni, current and past parents, and business and community leaders. Our Governors ensure that Appleby remains focused on its mission. Unlike some private schools in our community, we

have no shareholders or owners, so all funds are reinvested for the benefits of our educational purpose. The Principal reports to the Board.

Appleby's financial year corresponds to the academic year, with a fiscal year-end of June 30. This edition of *A Closer Look* covers financial results that correspond to the fiscal year ended June 30, 2021.

KEY 2020-21 FINANCIAL INFORMATION

ANNUAL REVENUE



- Tuition **93%**
- Commercial Activities **3%**
- Donations for Operating Purposes **2%**
- Foundation Grant **2%**

OPERATING EXPENSES



- Salaries and Benefits **63%**
- Financial Assistance **12%**
- Programmes **8%**
- Facilities and Contract Services **9%**
- Other **8%**

CAPITAL EXPENDITURES



- COVID **45%**
- Technology **29%**
- A.W.B. Alumni Centre **11%**
- Boarding Houses **6%**
- Other Renovations and Maintenance **6%**
- Servery Expansion **3%**

FINANCIAL ASSISTANCE SUPPORTED BY



- Operating Budget **80%**
- Endowment **19%**
- Gifts **1%**

APPLEBY COLLEGE 2020-21 BOARD OF GOVERNORS

CHAIR OF THE BOARD

Joanne McLaughlin

HONOURARY CHAIR OF THE BOARD

Aubrey Baillie '63

VICE CHAIR OF THE BOARD

Mark Gaskin '78

TREASURER & CHAIR, FINANCE COMMITTEE

Vik Sachdev

SECRETARY & CHAIR, GOVERNANCE COMMITTEE

Allison Christilaw

CHAIR, ADVANCEMENT COMMITTEE

Jas Brar '98

CHAIR, PROPERTY COMMITTEE

Wayne Carson

CHAIR, RISK COMMITTEE

William (Bill) Benson '79

BOARD MEMBERS

- Alix Blum
- Andrew Cockwell '93
- Lisa Forwell
- Chris Govan
- Jacqueline Jabbour
- Janice Madon
- Dante Morra '91
- Jane Ngobia

CHAIR, APPLEBY COLLEGE FOUNDATION

John Platt '78*

PRESIDENT, ALUMNI ASSOCIATION

Rebecca Anas '94*

PRESIDENT, PARENTS' ASSOCIATION

Mary Rawlinson*

PRINCIPAL

Innes van Nostrand*

*Ex-Officio



Why does Appleby need philanthropic support?

At Appleby, we are committed to continuously improving the breadth of experience for our students as we strive to keep annual tuition increases to a minimum. We fund the school's programmes through a mix of tuition fees, commercial activities, grants from The Appleby College Foundation, and philanthropic gifts. Cash receipts support operating and capital expenditures, debt repayment and the maintenance of adequate cash reserves to ensure that we are financially stable even in challenging times.

As we headed into 2020-21, our plan was to continue to pay off bank debt associated with the \$36 million build of the A.W.B. Alumni Centre for Athletics and Student Life through donor receipts and operating surpluses by mid-2022. However, like many organizations, the COVID-19 pandemic has had a negative financial impact on the school, with lost revenues to date of approximately \$10 million as a result of remote learning tuition rebates and a significant decline in commercial activities revenues. COVID-19-related capital investments of over \$3 million; and added operating expenses with increased staffing in the school's Health Centre, enhanced cleaning protocols, protective masks and COVID-19 testing supplies were also impacting factors.

Looking forward, in addition to the repayment of the school's outstanding

\$8 million debt, Appleby's number one priority continues to be building the school's endowment, which is currently \$26 million. The endowment contributes to the total revenue of the school, primarily by supporting the school's financial assistance programme.

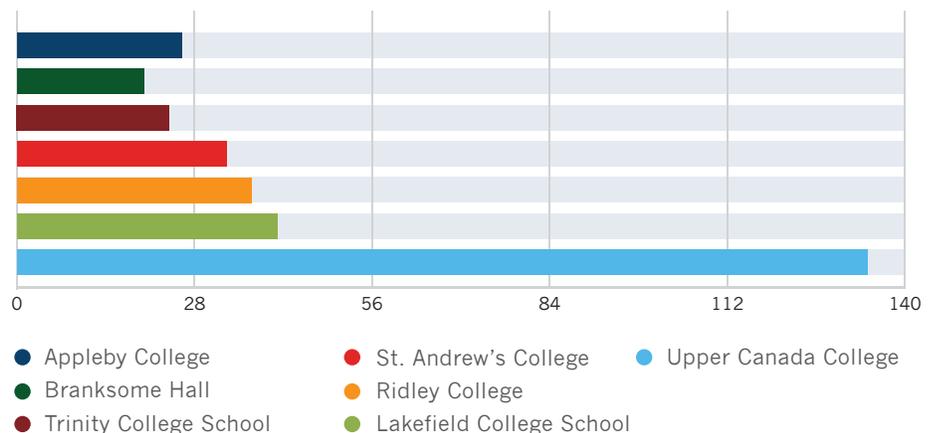
While we are happy to report growth of our endowment over prior year, it remains well below that of many of our peers as reflected in the chart below.

Despite the challenges of the COVID-19 pandemic, we continue to make enhancements to the Appleby experience for our students through our

educational programming as we continue to invest in the areas of Positive Education, wellness, and experiential and project-based learning. Longer term, as part of the school's strategic refresh process currently underway, we remain committed to delivering the optimal student experience in terms of programme and culture. We also seek to significantly enhance and diversify our non-core-tuition-related revenue to ensure a stronger, more sustainable business model for the future, in addition to expanding the range of partnerships with educational, business and not-for-profit organizations.

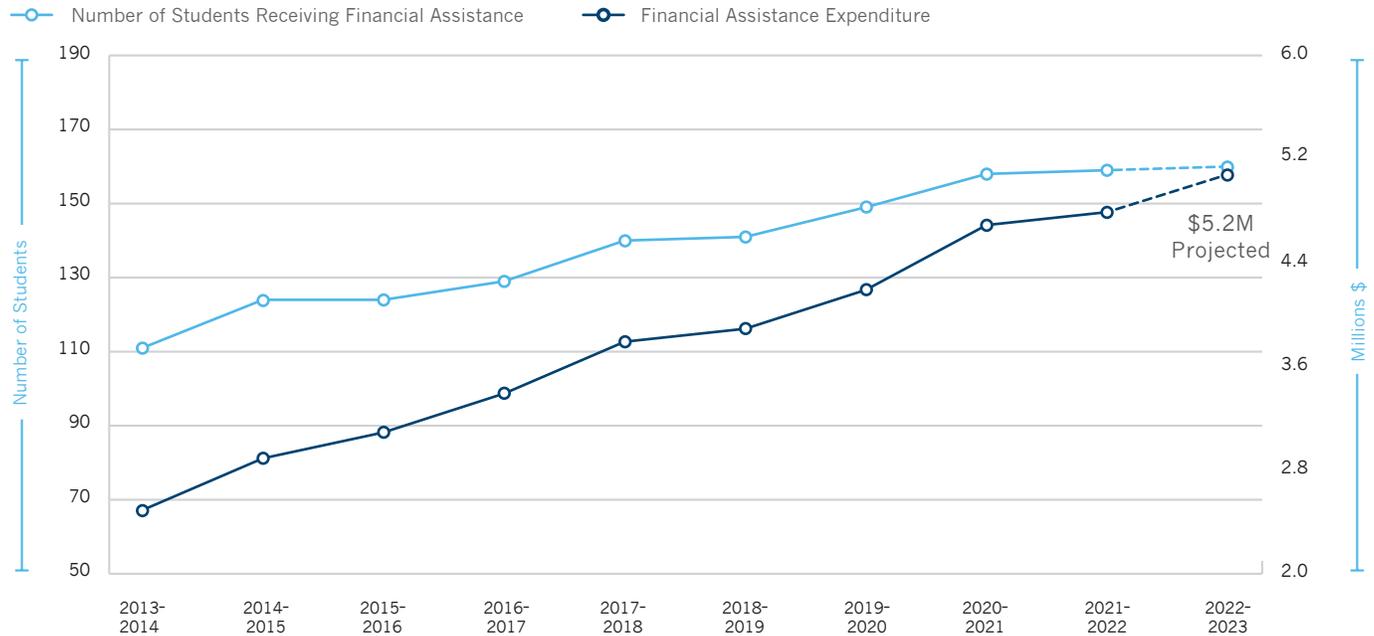
INDEPENDENT SCHOOL ENDOWMENT SIZE

2021 Endowment numbers listed in CAD\$



Sources: branksome.on.ca, lcs.on.ca, ridleycollege.com, sac.on.ca, tcs.on.ca, ucc.on.ca

FINANCIAL ASSISTANCE



The need for financial assistance

Having a talented range of students, regardless of their backgrounds, is one of the central hallmarks of great schools, and it's a vital part of the Appleby experience. A diverse socioeconomic student body benefits the whole community and is made possible through the school's needs-based bursaries, loans and merit scholarships.

In 2019-20, 19 per cent of students received financial assistance. In 2020-21 this number increased to approximately 20 per cent. We continue to work towards our goal of 25 per cent. However, due to COVID-19-related needs-based financial assistance, we are seeing this number slowly grow as the funds required per family accelerated dramatically during COVID-19.

Compared to other leading independent schools, Appleby funds less of its financial assistance from philanthropy. In fact, 80 per cent of student financial assistance is funded through the school's operating budget. This is a consequence of our relatively small endowment which makes up 19 per cent of the funding. It is our goal for an increasing proportion of financial assistance to come from donations and endowment, ensuring the sustainability and future growth of this key deliverable. Over 90 per cent of Appleby's financial assistance is directed through bursaries. The remainder are loans or scholarships. This includes two of the school's hallmark programmes – the Centennial Scholars Programme and Global Access Programme, which offer needs-based full support to recipients, including tuition costs, incidental fees and boarding costs.

CENTENNIAL SCHOLARS PROGRAMME

Over the past nine years Appleby has worked with various community organizations as part of its Centennial Scholars Programme, which provides full support to outstanding local students who are truly exceptional but experience life challenges and financial barriers to education. Since the programme was first started the school has supported 43 students.

GLOBAL ACCESS PROGRAMME

For the past 13 years Appleby has welcomed students from around the globe through the school's Global Access Programme. To date, Appleby has hosted 10 students and today works with Assist Scholars – a non-profit organization that matches academically talented, multi-lingual international students with North American independent secondary schools for a one-year stay, helping build diplomatic relationships and cultural understanding.

How much do student fees contribute to Appleby's operating budget?

Prior to the global pandemic, approximately 92 per cent of our revenues were generated by tuition. In 2020-21 this number increased to 93 per cent as ancillary revenues from commercial activities (camps and other summer programmes and rentals) were not fully realized due to COVID-19. Fee income totalled \$41 million, an increase of 2.5 per cent over prior year and an increase of 30 new students to the school was offset by COVID-related tuition rebates of more than \$3 million. Impacted by the pandemic, overall revenues, including ancillary income, philanthropic gifts and grants from the endowment held by The Appleby College Foundation has dropped by \$1.7 million, primarily due to drops in ancillary programmes.

These revenues must cover operating expenses and offset investments in capital infrastructure, both of which totalled \$44 million in 2020-21. Our largest operating expense is our investment in people, and reflects an educational philosophy grounded in outstanding teaching. We offer an enriching and innovative educational and co-curricular programme which is best achieved with low student-to-teacher ratios in the classroom, and exceptional faculty, supported by strong professional development. In 2020-21 our budget for salaries and benefits totalled almost \$26 million.

Each year, we must also invest in maintaining our facilities, technology, and equipment infrastructure. In 2020-21, we invested \$4.4 million in capital infrastructure, over half of which was in response to COVID-19 health and safety requirements. This included the introduction of Hyflex learning technology, increased investments in HVAC systems to improve ventilation, and the addition of 12 portable classrooms to support our COVID-19 response. We also began expansion of the school's servery to ensure efficient meal service for our students as we introduced a new lunch hour schedule to assist with COVID-19 social distancing requirements.

Does Appleby maintain an operating surplus?

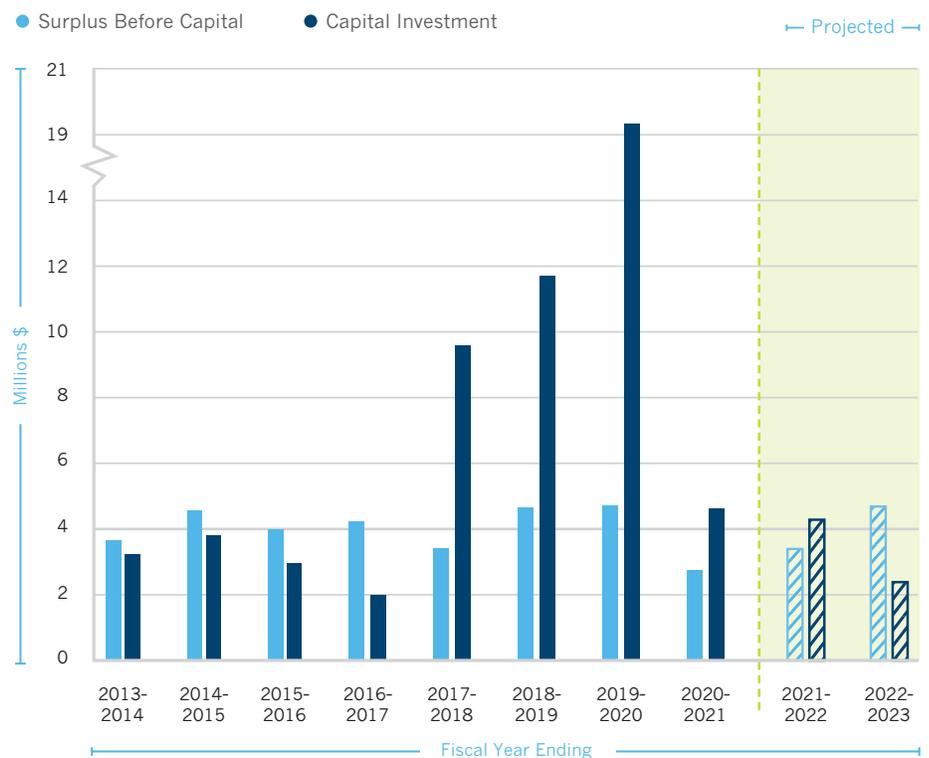
Appleby operates in an efficient and prudent financial manner, employing best business practices. Our annual budgets are set with a view to the longer term and we plan for operating surpluses to partially fund capital initiatives, repay bank debt and ensure adequate cash reserves to safe-guard financial stability through challenging periods. Prior to the pandemic, our long-term financial plan foresaw sustained operating surpluses in the \$3.5 to \$4.5 million range to pay off bank debt associated with the A.W.B. Alumni Centre in mid-2022 as well as rebuild cash reserves.

In fiscal 2020-21, our operating surplus before capital amortization and financing costs dropped from \$3.8 million in the prior year to \$3.5 million, before interest and depreciation. This drop was entirely related to the COVID-19 pandemic as a result of

summer Camp programming not operating; limited rentals in commercial activities and lost revenues from tuition rebates. These pressures were offset by reduced travel costs, particularly in respect of the school's global education programme as well as athletics. However, as COVID-19-related travel restrictions ease we anticipate a significant increase in travel costs over the next few years.

Lost revenues from tuition rebates and commercial activities have only been partially buffered by reduced expenditures on programme, while costs have increased with more families requiring financial assistance and increased expenditures on health and safety measures. Our long-term financial plan is to return to annualized operating surpluses of \$3.5 to \$4 million by 2022-23.

OPERATING SURPLUS & CAPITAL INVESTMENT



How does Appleby generate additional revenue?

Appleby relies on funding from tuition fees, grants from The Appleby College Foundation, philanthropic gifts and, prior to the onset of the COVID-19 pandemic, income from commercial activities.

Tuition fee revenue is limited by our desire to maintain student-teacher ratios at 16:1. We appreciate that the cost of an Appleby education is a considerable financial commitment for families. As a school we are committed to keeping tuition fee increases aligned with our continuous efforts to manage operating and capital expenditures as best as possible while continuing to provide our students with an exceptional educational experience.

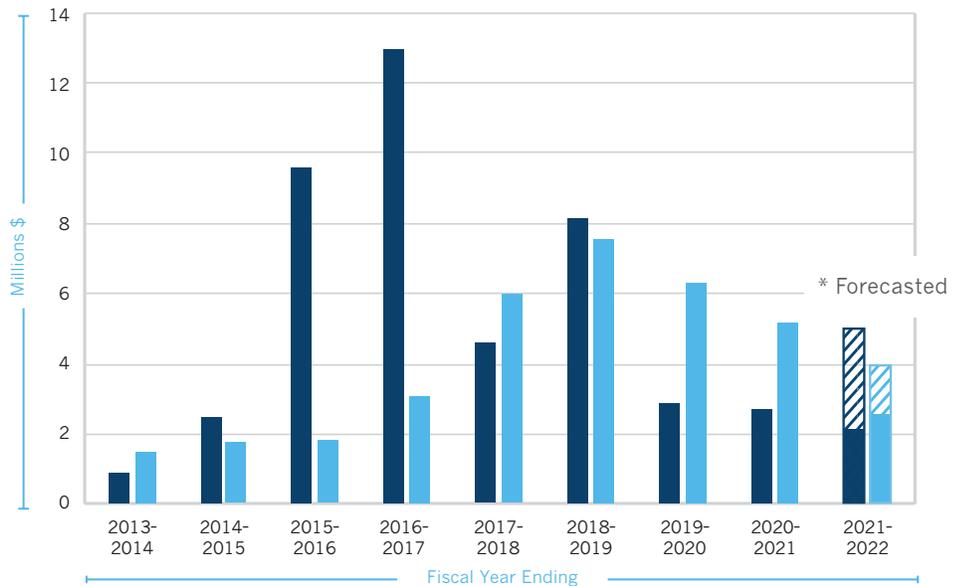
Philanthropic gifts are also a key source of funding for Appleby and play an important role in furthering the school's mission and in shaping the lives of our students. Donations via Major Gifts and the Appleby Fund are directed towards three general areas: operating revenue, capital projects and The Appleby College Foundation. In 2020-21 the school welcomed over 630 donors with \$2.6 million dollars in new commitments and \$5.2 million in receipted gifts. While donors continue to come forward in support, new commitments and gift receipts were anticipated to be down in 2020-21 when compared to pre-pandemic years.

Grants from endowed funds in The Appleby College Foundation now provide Appleby more than \$900,000 per year. These grants are funded by earnings from invested endowed funds, and primarily support the financial assistance programme. Philanthropic gifts designated to increasing the size of Appleby's endowment will ensure growth of the Foundation's asset base, and thereby its annual grant to Appleby College. This will result in decreased reliance on the school's operating budget which currently funds 80 per cent of Appleby's financial assistance programme.

NEW COMMITMENTS & RECEIPTED GIVING BY YEAR

as of February 28, 2022*

● New Commitments ● Cash Received



Prior to 2020-21, income from commercial activities had been strategically increasing. When not in use for school programmes, we actively rent our facilities. Our local day camps for summer and March Break are well recognized and we offer a range of other residential programmes in the

summer for international students. Due to COVID-19, most commercial programmes were cancelled or significantly scaled back with the resulting loss in income. While we are slowly resuming these activities, it will take several years to achieve full contribution.



What is The Appleby College Foundation?

Established in 1959, The Appleby College Foundation is a registered charity, governed by its own board of trustees, to which the school's endowed funds are entrusted to be invested appropriately and disbursed to Appleby for specific purposes.

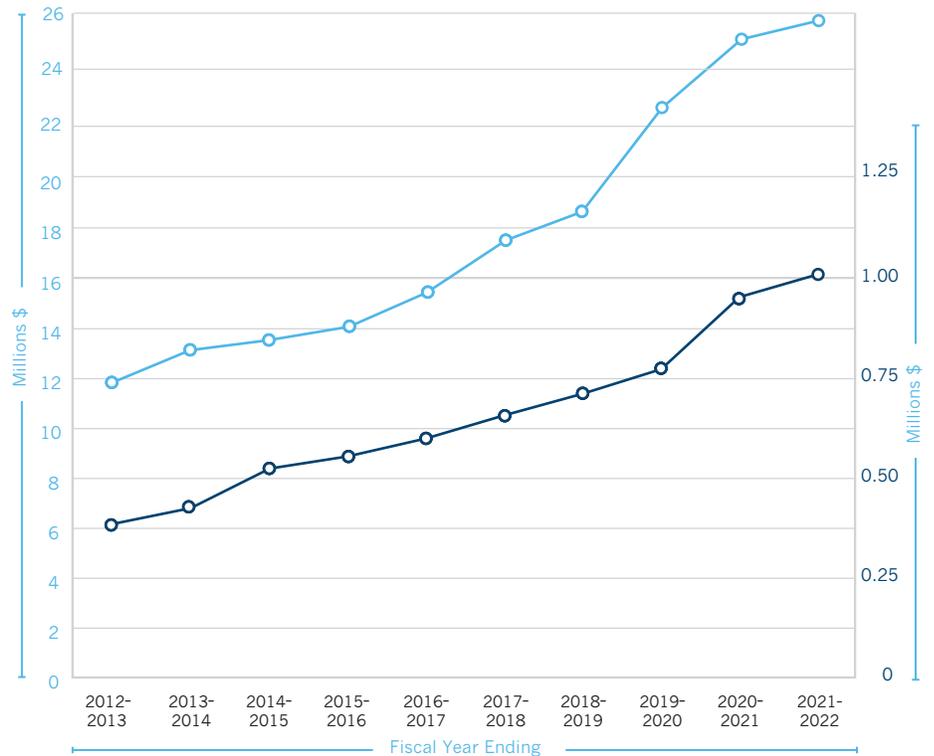
The Foundation's principal purpose is to support and encourage education at Appleby by receiving, investing, stewarding and disbursing Appleby's endowed funds. While working to increase the capital value of the school's endowment, each year, the Foundation directs a grant to Appleby for the financial assistance programme, merit-based entrance scholarships, prizes and awards, and supplementary funding to support opportunities for faculty to develop and pilot innovative and special programmes.

The Foundation disburses on average 4.5 per cent of its assets to the school each year. Annual growth of the endowment has averaged 9 per cent over the past decade. The Foundation's endowed fund was valued at approximately \$26 million at June 30, 2021. By the end of fiscal year 2021, the school's needs-based assistance increased to 158 students, with \$4.7 million in financial assistance extended. The pandemic has presented a period of challenge, increasing financial assistance needs for many of our families and we are thankful that with the support of donors we have been able to increase support.

An Appleby education would be out of reach for many were it not for the support provided by the Foundation. Philanthropic gifts designated to increasing the size of Appleby's endowment ensure continued growth of the Foundation's asset base, and thereby its annual grant to Appleby as well as decreased reliance on the school's operating budget to fund student financial assistance.

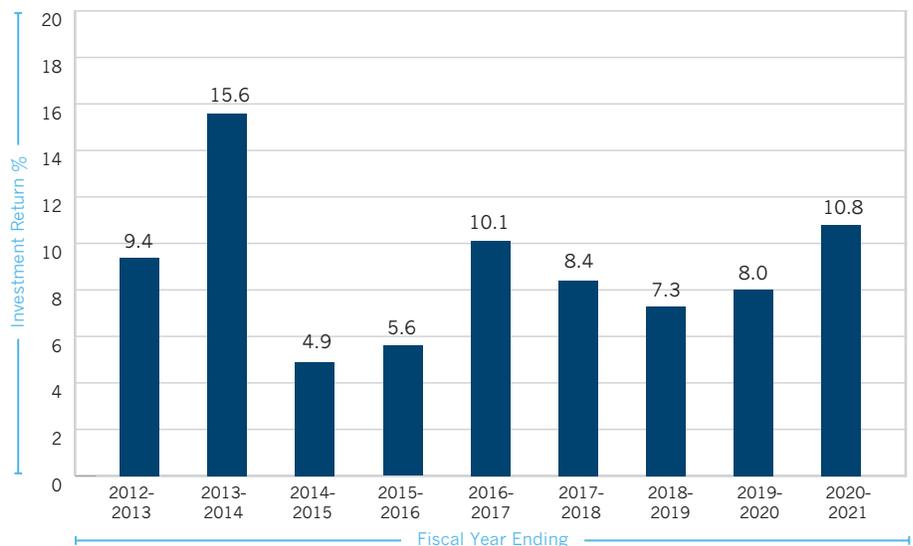
APPLEBY COLLEGE FOUNDATION

○ Foundation Assets ● Grant to Appleby College



AVERAGE ANNUAL RETURN ON INVESTMENT (%)

* Pre-audit





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