

A CLOSER LOOK: 2022-2023

STRUCTURE FINANCE GROWTH



Founded 113 years 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, parents of alumni, and employees. This issue of *A Closer Look* provides an overview of Appleby's 2022-23 structure and finances, with a goal to answer some of the questions you may have. Looking forward we continue to explore opportunities to address longer-term issues concerning financial sustainability and our mission. As outlined in *Beacon Appleby – Our Strategic Vision*, this includes the broadening of educational offerings to a larger group of adjacent students and families, in ways that are aligned with Appleby's mission and philosophy. This involves significantly diversifying our revenue streams in order to alleviate pressure on tuition fees and provide a stronger financial foundation.

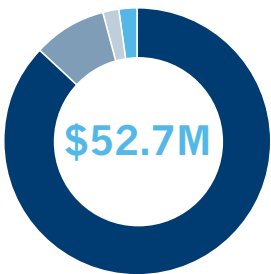
Who owns Appleby College?

Appleby College was incorporated in 1911 as a not-for-profit charity 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. 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, 2023.

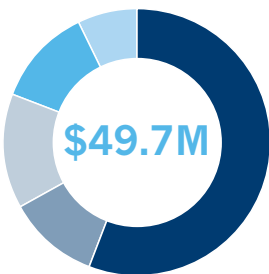
KEY 2022-23 FINANCIAL INFORMATION

ANNUAL REVENUE



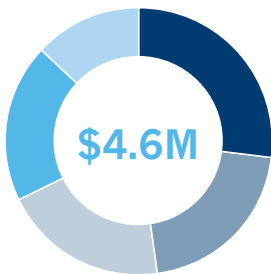
- Tuition **87%**
- Commercial Activities **9%**
- Donations for Operating Purposes **2%**
- Foundation Grant **2%**

OPERATING EXPENSES



- Salaries and Benefits **56%**
- Financial Assistance **11%**
- Programmes **14%**
- Facilities and Contract Services **12%**
- Other **7%**

CAPITAL EXPENDITURES



- Other Renovations and Maintenance **27%**
- Barn Renovations **21%**
- Chemistry Labs **20%**
- Boarding & Faculty Housing **19%**
- Technology **13%**

FINANCIAL ASSISTANCE SUPPORTED BY



- Operating Budget **77%**
- Endowment **23%**

APPLEBY COLLEGE 2022-23 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

Janice Madon

CHAIR, ADVANCEMENT COMMITTEE

Jas Brar '98

CHAIR, PROPERTY COMMITTEE

Wayne Carson

CHAIR, RISK COMMITTEE

William (Bill) Benson '79

BOARD MEMBERS

Burhana Bello-Ayorinde

Alexandra Blum

Andrew Cockwell '93

Shen Goh '91

Chris Govan

Dante Morra '91

Jane Ngobia

Cheryl Smith

CHAIR, APPLEBY COLLEGE FOUNDATION

Geoff Spidle '87*

PRESIDENT, ALUMNI ASSOCIATION

Rebecca Anas '94*

PRESIDENT, PARENTS' ASSOCIATION

Jennifer Latimer*

PRINCIPAL

Innes van Nostrand*

*Ex-Officio



Diversifying revenue streams

In keeping with our commitment to pursuing opportunities to enhance the Appleby College experience for students, employees, parents and alumni, Appleby completed the acquisition of Camp Kandalore in January 2023.

Long considered one of Canada's premier overnight camp and canoe out-tripping programmes, Camp

Kandalore furthers Appleby's efforts to extend our impact on the broader community, and to promote the growth of outdoor experiential education.

The addition of Kandalore is providing numerous benefits for Appleby. This includes enhancing our experiential education programme for students, while diversifying the school's revenues in

order to alleviate pressure on tuition fees and fund ongoing enhancements to Appleby programmes.

Appleby's existing Outdoor Education programme and its 50 years of experiential learning at the S. Bruce McLaughlin Northern Campus in Temagami continues to play essential roles in the Appleby experience.

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 while continuing to invest in programmes, people and facilities. We fund the school's programmes through a mix of tuition fees, ancillary 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.

Appleby today generates revenues annually of over \$52 million. As set out in Beacon Appleby – Our Strategic Vision – a number of innovative enhancements and new initiatives focused on the four core areas of the Appleby experience: Programme, Culture, People & Community, Business Model & Impact are underway to further strengthen Appleby as a world leader in education. This includes the transformational build of Cockwell Hall, a renewed commitment to financial assistance, programme enhancements, and building on the platform of Positive Psychology to become a hallmark in the domain of

student wellbeing. To achieve these aspirations, we require philanthropic support as the cost of these plans exceeds what we can support with our current funding model.

We are committed to also building the school's endowment, which is currently \$28 million. The endowment contributes to the total revenue of the school, primarily by supporting the school's financial assistance programme. Despite our ongoing dedication to growing the school's endowment, it continues to remain well below that of many of our peers, as reflected on the following page.

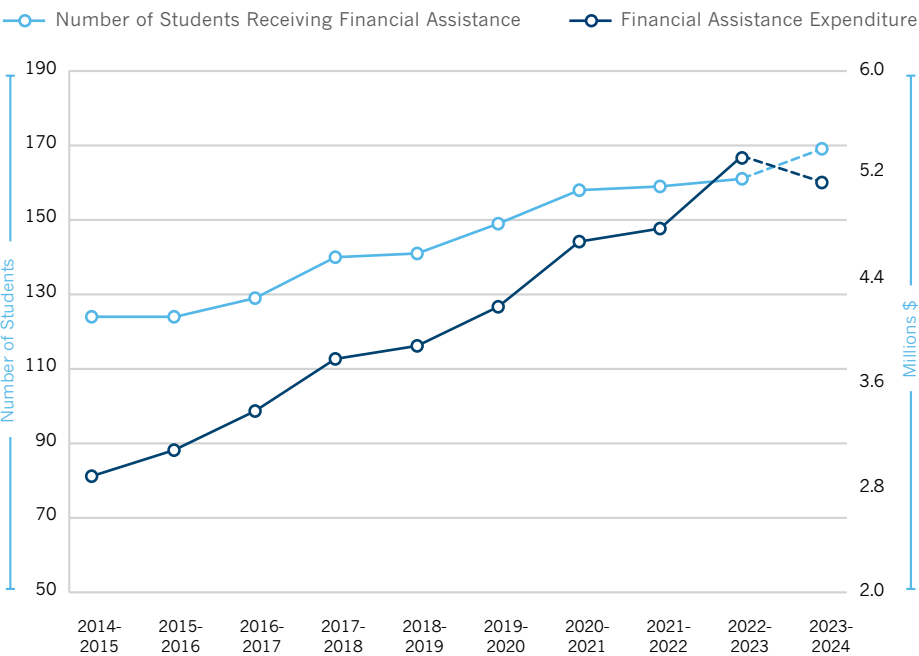
The need for financial assistance

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 2022-23, 21 per cent of students received financial assistance. We continue to work towards our goal of 25 per cent.

Compared to other leading independent schools, Appleby funds less of its financial assistance from philanthropy as approximately 77 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 23 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.

FINANCIAL ASSISTANCE

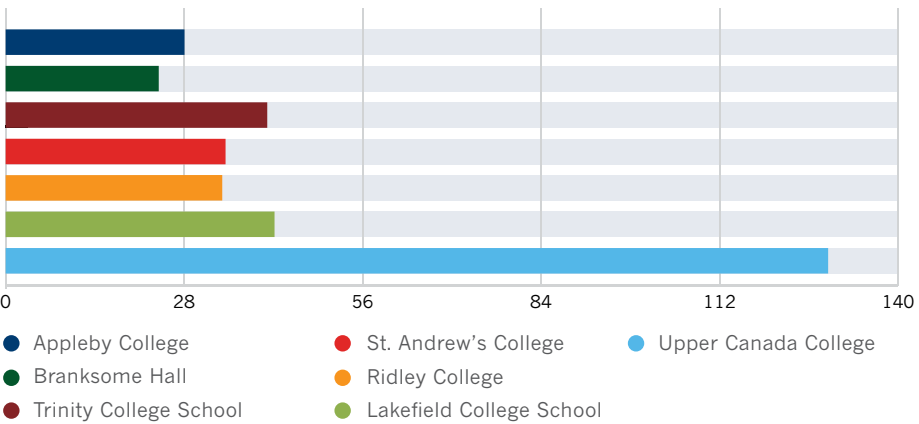


CENTENNIAL SCHOLARS PROGRAMME

Over the past 11 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 47 students (26 alumni and 21 current students). The average cost per Centennial Scholar in 2022-23 was \$55,253.

INDEPENDENT SCHOOL ENDOWMENT SIZE

2023 Endowment numbers listed in CAD\$ (Millions)



GLOBAL ACCESS PROGRAMME

For the past 15 years Appleby has welcomed students from around the globe through the school's Global Access Programme. To date, Appleby has hosted 13 students and today works with Assist Scholars – a non-profit organization that matches academically talented, multilingual international students with North American independent secondary schools for a one-year stay, helping build diplomatic relationships and cultural understanding.

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

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

In 2022-23, 87 per cent of revenues were generated by tuition, as revenues from ancillary activities (camps and other summer programmes and rentals) began to return to pre-pandemic levels.

Fee income for 2022-23 totalled more than \$45 million. These revenues must cover operating expenses and offset investments in capital infrastructure. 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 2022-23, our budget for salaries and benefits totalled over \$27 million. Each year, we must also invest in maintaining our facilities, technology and equipment infrastructure. In 2022-23, we invested \$4.6 million in capital infrastructure and technology, including the completion of the robotics lab and chemistry lab expansion, renovation of the Barn to accommodate the school's expanding administration teams, investment in our growing Boarding Life programme and faculty housing needs, as well as continued investment in technology.

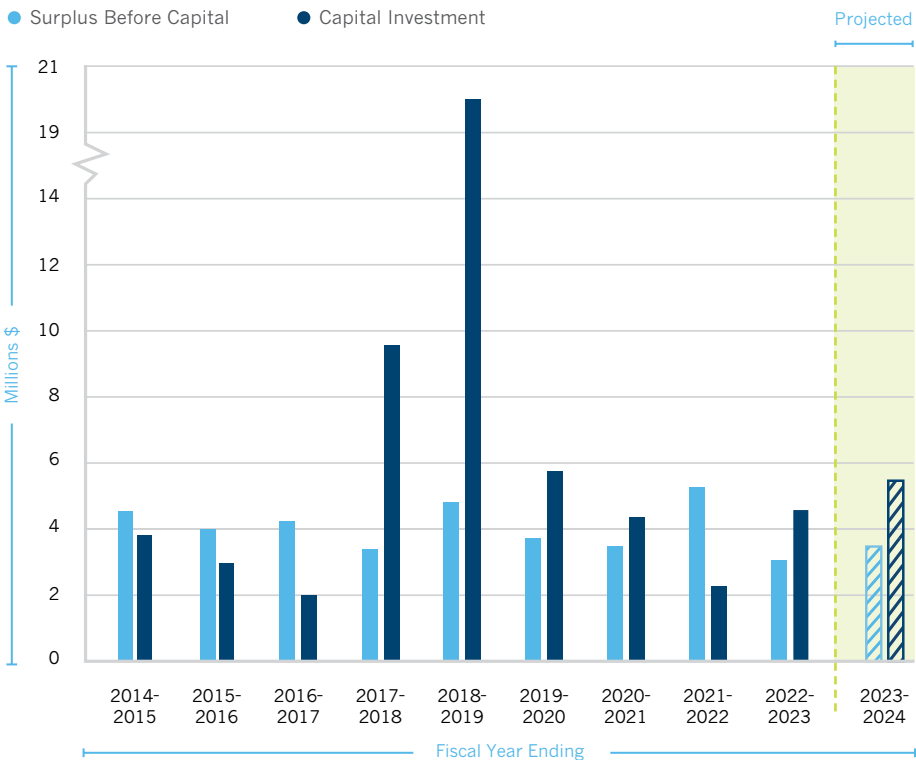
As we look out four to five years, the importance of ancillary revenue sources is an increasing priority. Appleby's future success as an innovator and leader in the sector would be enabled by boldly diversifying our revenues beyond just tuition. As a result, the school continues to explore new revenue sources, including through investment in the organic growth of existing programmes like Appleby Camps and the Summer Academy; by piloting and testing new ventures and initiatives that will expand both the school's offering and its footprint; and through the exploration of acquisitions.

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 safeguard 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.

Our operating surplus fluctuated during and post pandemic as school activities and travel, curbed initially, have resumed at much higher levels. As a result, in fiscal 2022-23 our operating surplus before capital amortization and financing costs dropped to \$3.1 million from \$5.4 million prior year. We will continue to experience a suppression of operating surplus in fiscal 2023-24 with projections of \$3.5 million. As the school resumes a more normal operating budget for fiscal 2024-25, we foresee the need to return to inflation adjusted annual surpluses in the range of \$5 million annually.

OPERATING SURPLUS & CAPITAL INVESTMENT





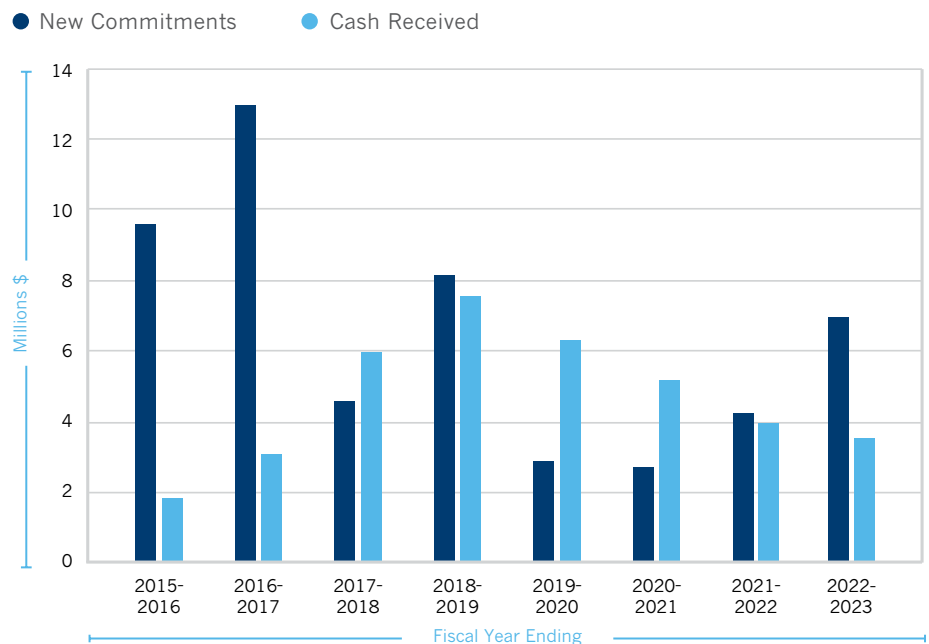
How does Appleby generate additional revenue?

Appleby relies on funding from tuition fees, grants from The Appleby College Foundation, philanthropic gifts and income from ancillary activities.

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 2022-23, the school welcomed over 650 donors with approximately \$7 million in new commitments and \$3.6 million in receipted gifts. We were grateful to see an increase in new commitments of over \$3 million over prior year.

NEW COMMITMENTS & RECEIPTED GIVING BY YEAR



Grants from endowed funds in The Appleby College Foundation currently provides Appleby more than \$1.2 million 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 approximately 80 per cent of Appleby's financial assistance programme.

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.

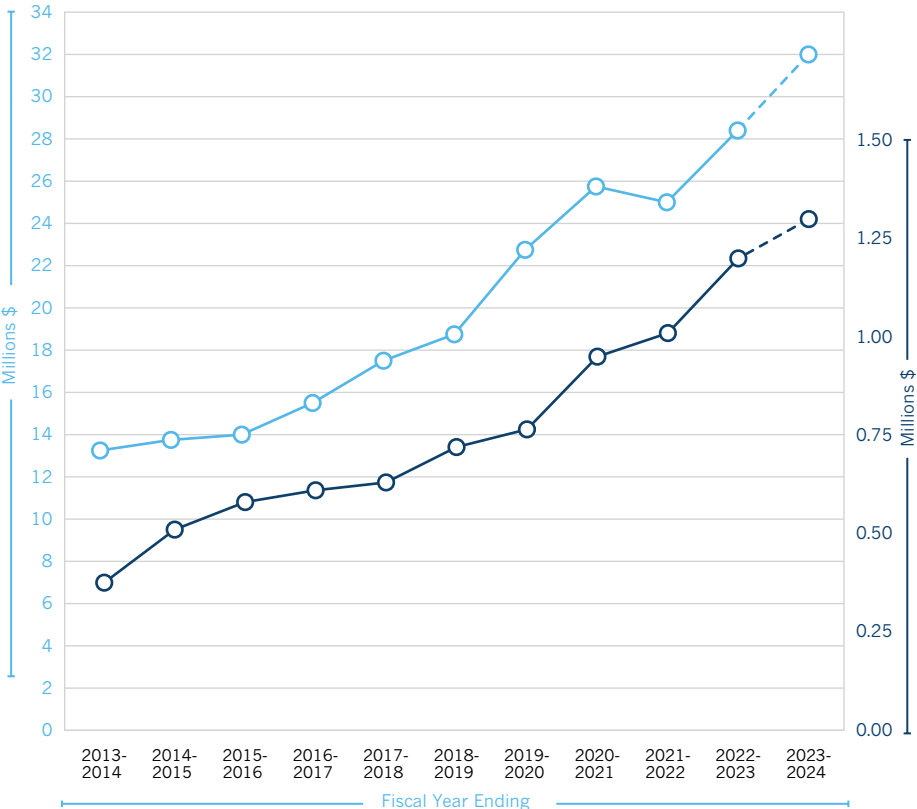
The Foundation's principal purpose is to support and encourage education at Appleby by receiving, investing, stewarding and disbursing Appleby's endowed funds. While working to increase the capital value of the school's endowment, each year, the Foundation directs a grant to Appleby for the financial 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 five per cent of its assets to the school each year. Annual growth of the endowment has averaged seven per cent over the past decade. The Foundation's endowed fund was valued at more than \$28 million at June 30, 2023, an increase over prior year of more than three million as a result of improved market conditions and resulting investment returns. By the end of fiscal year 2023, the school extended approximately \$5.3 million in financial assistance to 162 students.

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.

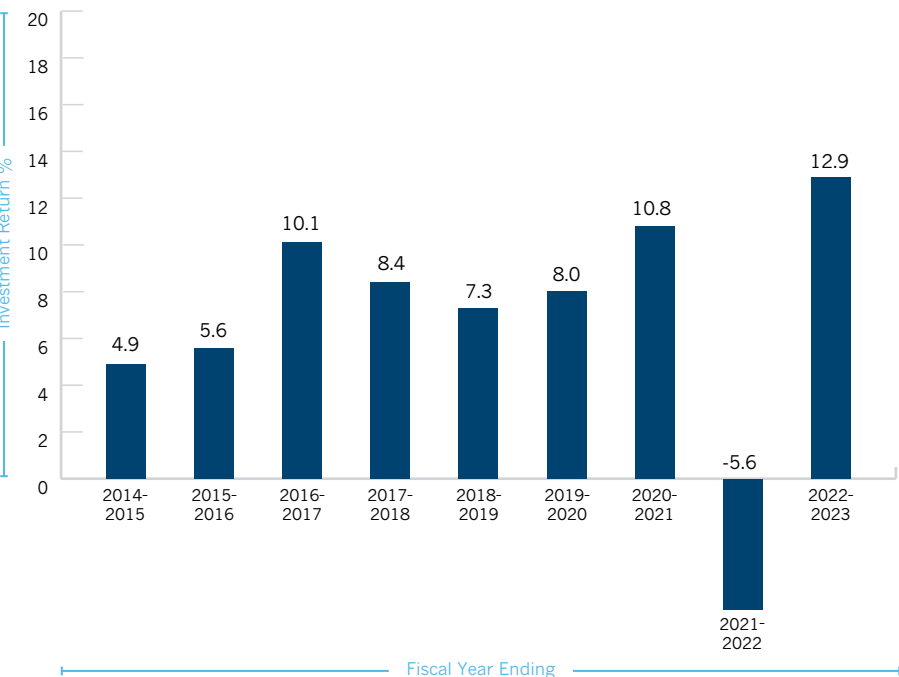
APPLEBY COLLEGE FOUNDATION

○ Foundation Assets ○ Grant to Appleby College



AVERAGE ANNUAL RETURN ON INVESTMENT (%)

* Pre-audit





Appleby College, 540 Lakeshore Road West, Oakville, Ontario, Canada L6K 3P1
www.appleby.on.ca