

A CLOSER LOOK: 2019-2020

STRUCTURE FINANCE GROWTH



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?

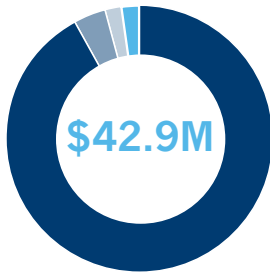
Appleby College was incorporated in 1911 as a not-for-profit organization by an Act of the Province of Ontario and is a registered charitable organization. Appleby is governed by a volunteer Board of Governors composed of alumni, current and past parents, business and community leaders. Our Governors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

private schools in our community, we have no shareholders or owners. The Principal reports to the Board.

Appleby's financial year corresponds to the academic year, with a fiscal year-end of June 30th. This edition of *A Closer Look* covers financial results that correspond to the fiscal year ended June 30, 2020.

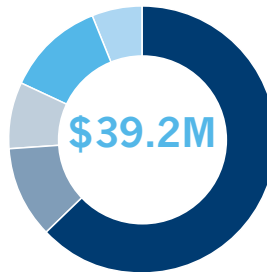
KEY 2019-20 FINANCIAL INFORMATION

ANNUAL REVENUE



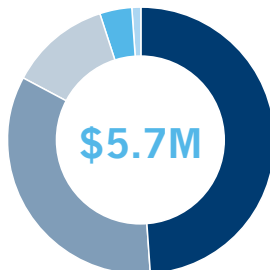
- Tuition **92%**
- Commercial Activities **4%**
- Donations for Operating Purposes **2%**
- Foundation Grant **2%**

OPERATING EXPENSES



- Salaries and Benefits **63%**
- Financial Assistance **11%**
- Programme **8%**
- Facilities and Contract Services **12%**
- Other **6%**

CAPITAL EXPENDITURES



- A.W.B. Alumni Centre **49%**
- Other Renovations and Maintenance **34%**
- Technology **12%**
- Sustainability **4%**
- COVID **1%**

FINANCIAL ASSISTANCE SUPPORTED BY



- Operating Budget **81%**
- Endowment **18%**
- Gifts **1%**

APPLEBY COLLEGE 2019-20 BOARD OF GOVERNORS

CHAIR OF THE BOARD
Aubrey Baillie '63

VICE CHAIR OF THE BOARD
Joanne McLaughlin

VICE CHAIR OF THE BOARD
Gord McMillan

TREASURER & CHAIR, FINANCE COMMITTEE
Vik Sachdev

SECRETARY & CHAIR, GOVERNANCE COMMITTEE
Allison Christilaw

CHAIR, ADVANCEMENT COMMITTEE
Geoff Spidle '87

CHAIR, PROPERTY COMMITTEE
Joanne McLaughlin

CHAIR, RISK COMMITTEE
William (Bill) Benson '79

BOARD MEMBERS
Wayne Carson
Andrew Cockwell '93
Lisa Forwell
Mark Gaskin '78
Chris Govan
Jacqueline Jabbour
Janice Madon
Jane Ngobia

CHAIR, APPLEBY COLLEGE FOUNDATION
John Platt '78*

PRESIDENT, ALUMNI ASSOCIATION
Jas Brar '98*

PRESIDENT, PARENTS' ASSOCIATION
Sarah McMillan*

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.

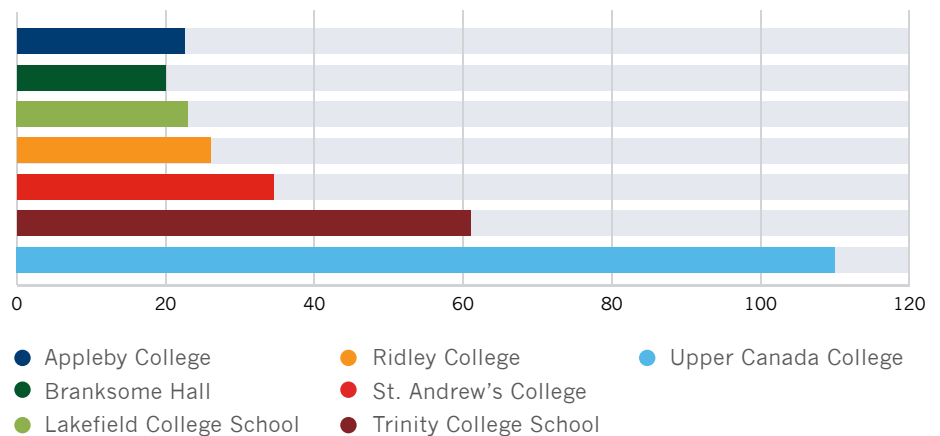
As we entered fiscal 2020, we had just completed the A.W.B. Alumni Centre for Athletics and Student Life at a cost of \$36 million, built with the support of donors and bank financing of \$8 million. Our plan was to pay off bank debt through donor receipts and operating surpluses by mid-2022. However, like many organizations, the COVID-19 pandemic has had a negative financial impact on the school with lost revenues to date of approximately \$6 million, COVID-19 related capital investments of over \$3 million and added operating expenses primarily related to staffing.

As we look to the future, aside from the repayment of the school's outstanding \$8 million debt, our number one priority will be to build the school's endowment. The endowment, which is just over \$22 million, contributes to the total revenue of the school, primarily by supporting the school's financial assistance programme. However, as reflected in the chart below, Appleby's endowment is well below that of many of our peers.

Appleby will also continue to make enhancements to our educational programming in the areas of Positive Education, wellness, leadership, experiential and project-based learning. Longer term, we continue to plan for facility improvements such as additional lab space and a dedicated performing arts space. To achieve these aspirations, we require additional philanthropic support as the cost of these plans exceeds what we can support with our current funding model.

INDEPENDENT SCHOOL ENDOWMENT SIZE

* 2020 Endowment numbers listed in CAD\$



Sources: Endowment benchmarking survey (Hillfield Strathallan College), ucc.on.ca, branksome.on.ca, lcs.on.ca

The Need for Financial Assistance

A world class education not only requires exceptional faculty, programmes and facilities, it also demands a diverse socioeconomic student body. 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 that benefits the whole community.

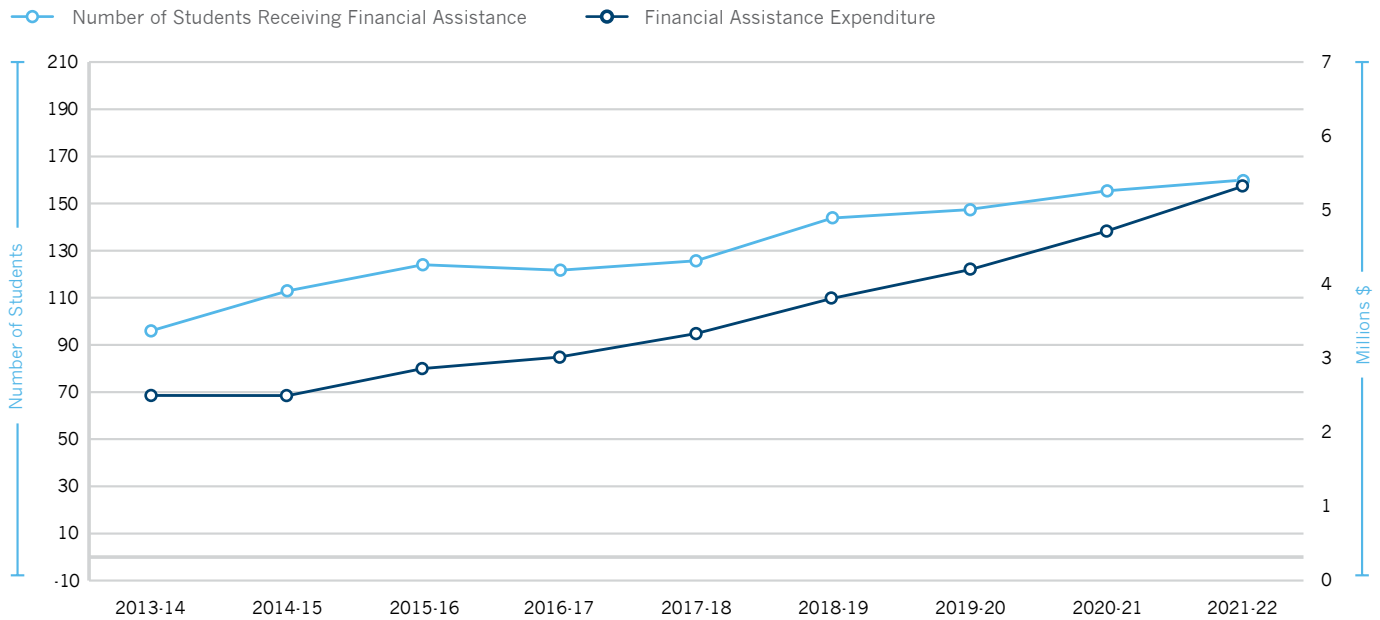
Appleby offers a combination of need-based bursaries, loans and merit scholarships. In 2018-19 more than 18 per cent of students received financial assistance. In 2019-20 this number increased to more than 19 per cent. Thanks to generous donor support, we are excited to see this number grow

annually as we strive to achieve our goal of 25 per cent while also significantly increasing our provision for immediate COVID-19-related needs-based financial assistance.

However, compared to other leading independent schools, Appleby funds less of its financial assistance from philanthropy. In fact, over 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 18 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

Working with various community organizations, Appleby’s Centennial Scholars Programme has provided full support to outstanding local students who are truly exceptional but face life challenges and financial barriers to education. Over the past eight years, the programme has supported 40 students.

GLOBAL ACCESS PROGRAMME

For the past 12 years Appleby has welcomed students from around the globe through the school’s Global Access Programme. To date, Appleby has hosted nine 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.

Appleby’s financial assistance programme changes lives, and with the continued support of parents, alumni and parents of alumni, financial assistance will continue to have an extraordinary impact on the Appleby community for many years to come.

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

Approximately 92 per cent of our revenues are generated by tuition. In 2019-20, fee income totaled nearly \$40 million, only a slight increase over the prior year as tuition increases were offset by \$1.4 million in tuition rebates related to the Spring 2020 Remote Learning Programme. Other revenues came from commercial activities, a grant from the endowment held by The Appleby College Foundation, and philanthropic gifts.

These revenues must cover operating expenses and offset investments in capital infrastructure, both of which totaled almost \$45 million in 2019-20.

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 2019-20 our budget for salaries and benefits totaled almost \$25 million.

Each year, we must also invest in maintaining our facilities, technology, and equipment infrastructure. In 2019-20, we invested \$5.7 million in

capital infrastructure, which included completion of the A.W.B. Alumni Centre for Athletics and Student Life build, purchase of new computer equipment, multiple boarding house renovations and sustainable investments in LED retrofits among many projects.

In 2020-21, we anticipate \$4.5 million in capital investments, over half of which is in response to COVID-19 health and safety requirements. This includes the introduction of Hyflex learning technology and the addition of 12 portable classrooms to support our COVID-19 response.

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 million range to pay off bank debt associated with the A.W.B. Alumni Centre in early 2022.

In fiscal 2019-20, our operating surplus before capital amortization and financing costs dropped from \$4.7 in the prior year to \$3.8 million, before interest and depreciation. This drop was anticipated as a large fundraising gala was held in the prior fiscal and additional investments were planned for educational programming and financial assistance. Our net income after interest and depreciation was \$433,000.

The impact of the pandemic on our financial position has been significant. With a fiscal year end of June 30th, the full impact will be seen in 2020-21 and beyond. 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. The above chart outlines our current and expected financial performance through 2021-22. Our long-term financial plan is to return to annualized operating surpluses of \$3.5 to \$4 million by 2022-23.

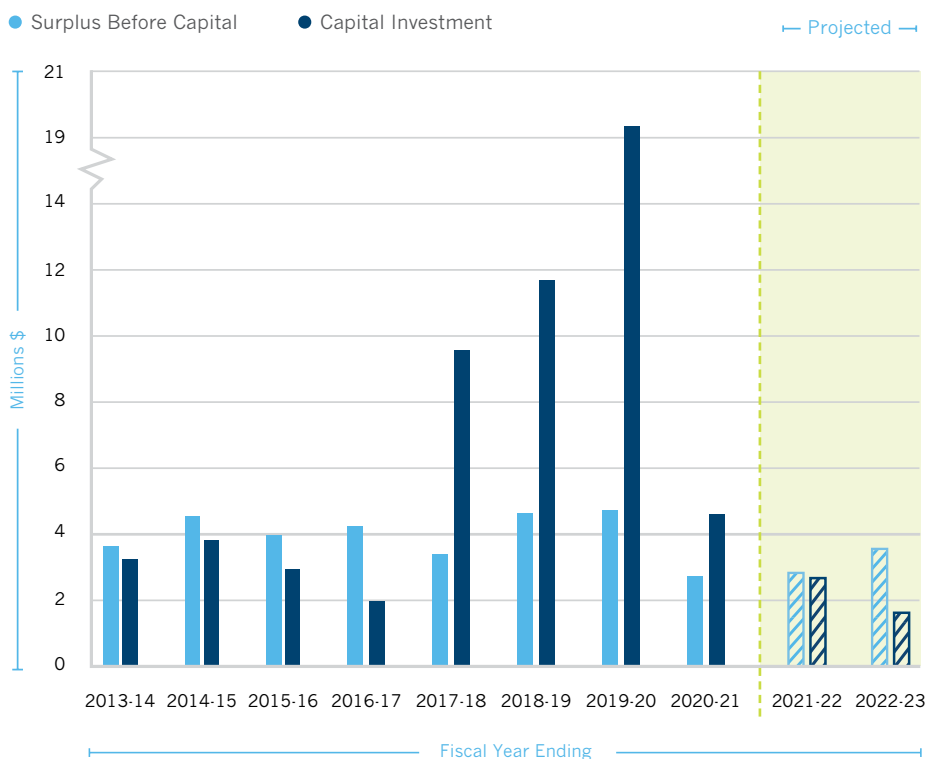
In light of the significant negative impact COVID-19 has had on the school's finances, we have made application for support under the Canada Emergency Wage Subsidy (CEWS) program. As applications are still being processed, this is not reflected in our forecasts.



STATEMENT OF OPERATIONS

	2018-19	2019-20	February 2021 Projections	
			2020-21	2021-22
Revenues	43,088	42,947	43,528	46,963
Operating Expenses	(38,330)	(39,169)	(40,728)	(44,003)
Operating Surplus	4,758	3,778	2,800	2,960
Contingency			(500)	(500)
Net Interest Income	133	(248)	(211)	(159)
Amortization of capital assets	(2,925)	(3,777)	(4,700)	(3,800)
Amortization of capital donations	506	680	900	900
Excess of Revenues over Expenses	2,472	433	(1,711)	(599)

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.

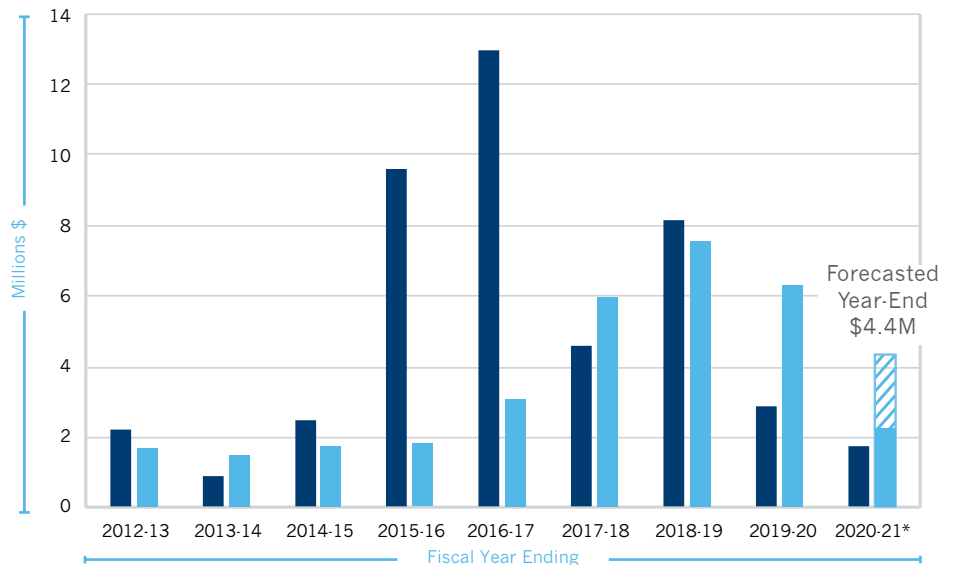
Tuition fee revenue is limited by our desire to maintain student-teacher ratios at 16:1. We appreciate that the cost of an Appleby education is a considerable financial commitment for families. As a school we are committed to keeping tuition fee increases aligned with our continuous efforts to manage 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 2018-19 the school welcomed over 1,000 donors with \$8.2 million dollars in new commitments and \$7.5 million in receipted gifts. In 2019-20 the school experienced a decrease with 603 donors and approximately \$3 million in new commitments and over \$6 million of receipted gifts. While donors continue to come forward in support, new commitments and gift receipts are anticipated to be down in 2020-21. Grants from endowed funds in The Appleby College Foundation now provide Appleby almost \$800,000 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 over 80 per cent of Appleby's financial assistance programme.

NEW COMMITMENTS & RECEIPTED GIVING BY YEAR

as of February 28, 2021*

● New Commitments ● Cash Received



Prior to 2019-20, 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. Over the course of the past decade the net income generated from these programmes has grown to over \$2 million and has been a significant supplement to support operating expenses. Due to COVID-19, most commercial programmes have been 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.

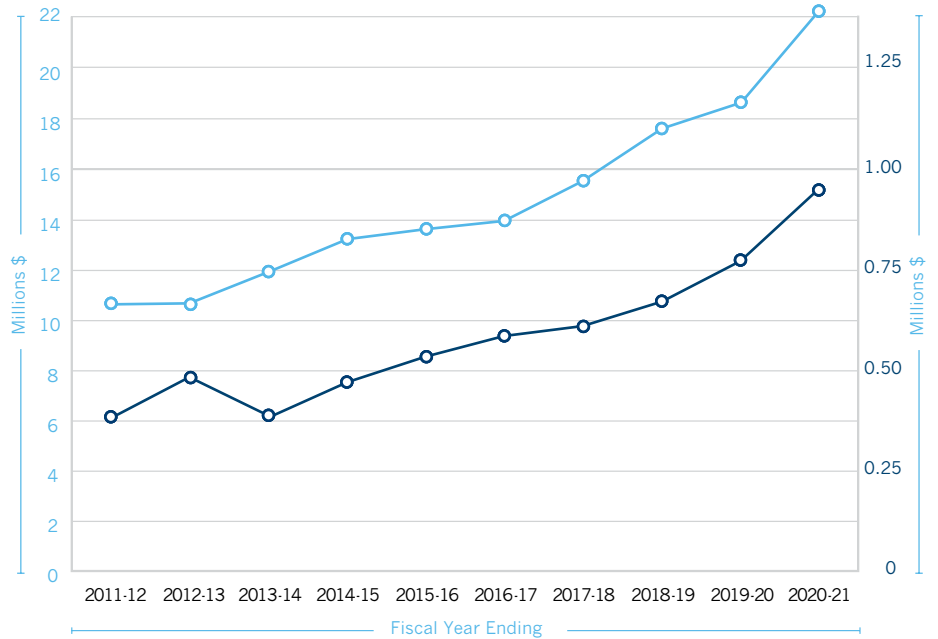
The Foundation's principal purpose is to support and encourage education at Appleby by receiving, investing, stewarding and disbursing Appleby's endowed funds. While working to increase the capital value of the school's endowment, each year, the Foundation directs a grant to Appleby for the financial 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 \$22.5 million at June 30, 2020 and reached \$25 million in March 2021.

By the end of fiscal year 2020, the school's need-based assistance increased to 149 students, with over \$4.1 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 further increase support to \$4.8 million in 2020-21 and \$5.4 million in 2021-22. 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

