

A CLOSER LOOK: 2021-2022

STRUCTURE FINANCE GROWTH



Founded 112 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 2021-22 structure and finances, with a goal to answer some of the questions you may have. As we look forward we continue to explore opportunities to address longer-term issues concerning financial sustainability and mission. 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.

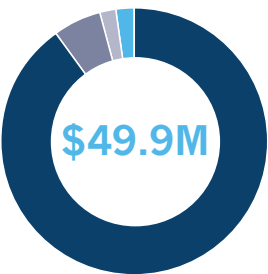
Who owns Appleby College?

Appleby College was incorporated in 1911 as a not-for-profit 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. 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, 2022.

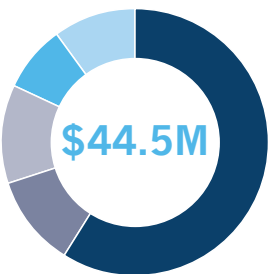
KEY 2021-22 FINANCIAL INFORMATION

ANNUAL REVENUE



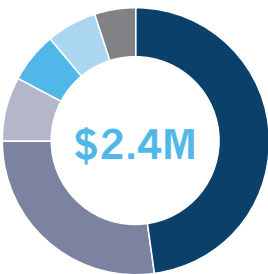
- Tuition **90%**
- Commercial Activities **6%**
- Donations for Operating Purposes **2%**
- Foundation Grant **2%**

OPERATING EXPENSES



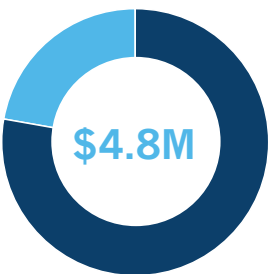
- Salaries and Benefits **59%**
- Financial Assistance **11%**
- Programmes **12%**
- Facilities and Contract Services **8%**
- Other **10%**

CAPITAL EXPENDITURES



- Other Renovations and Maintenance **48%**
- Servery Expansion **27%**
- A.W.B. Alumni Centre **8%**
- Faculty Housing **6%**
- Road Infrastructure **6%**
- Technology **5%**

FINANCIAL ASSISTANCE SUPPORTED BY



- Operating Budget **78%**
- Endowment **22%**

APPLEBY COLLEGE 2021-22 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

Burhana Bello-Ayorinde
Alix Blum
Andrew Cockwell '93
Lisa Forwell
Chris Govan
Janice Madon
Dante Morra '91
Jane Ngobia

CHAIR, APPLEBY COLLEGE FOUNDATION

Geoff Spidle '87*

PRESIDENT, ALUMNI ASSOCIATION

Rebecca Anas '94*

PRESIDENT, PARENTS' ASSOCIATION

Danny Persaud*

PRINCIPAL

Innes van Nostrand*

*Ex-Officio



Why does Appleby need philanthropic support?

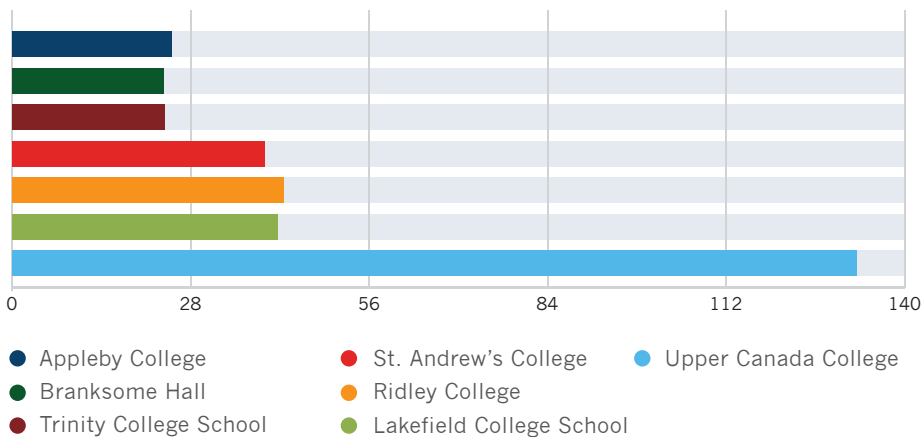
At Appleby, we are committed to continuously improving the breadth of experience for our students as we strive to keep annual tuition increases to a minimum while continuing to invest in programmes, people and facilities. We fund the school's programmes through a mix of tuition fees, commercial activities, 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 the 2021-22 school year, we continued to feel the effects of the COVID-19 pandemic, particularly in the slow comeback of commercial activities revenues. Looking forward, we continue to explore opportunities to develop and implement new strategies and ventures that will allow Appleby to change its long-term business model to one that is stronger and more sustainable, while also dramatically enhancing the impact of our mission. We are committed to building the school's endowment, which is currently \$25 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 in the chart at left.

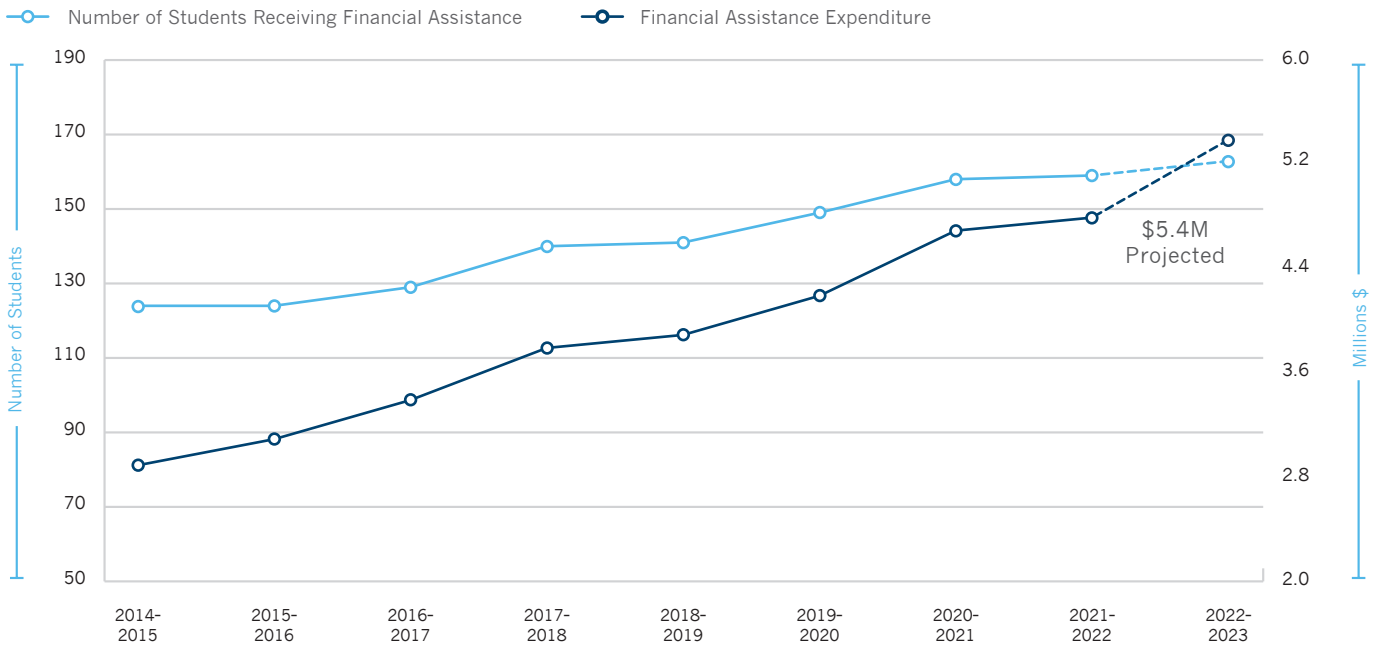
INDEPENDENT SCHOOL ENDOWMENT SIZE

2022 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 2021-22, 20 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 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 22 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 10 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 (23 alumni and 20 current students). The average cost per Centennial Scholar in 2021-22 was \$49,400.

GLOBAL ACCESS PROGRAMME

For the past 14 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, multilingual 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?

In 2020-21, 93 per cent of revenues were generated by tuition, as ancillary revenues from commercial activities (camps and other summer programmes and rentals) had not returned to pre-pandemic levels. As we begin to see an increase in ancillary revenues from Appleby Camps and rentals, in 2021-22 we were pleased to report this number come in at 90 per cent with fee income totalling approximately \$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 2021-22, our budget for salaries and benefits totalled over \$26 million. Each year, we must also invest in maintaining our facilities, technology and equipment infrastructure. In 2021-22, we invested \$2.4 million in capital infrastructure, including the completion of the server expansion, road infrastructure, investment in technology, design work in preparation for the robotics lab and chemistry lab expansion, new archives space and relocation of the student success centre.

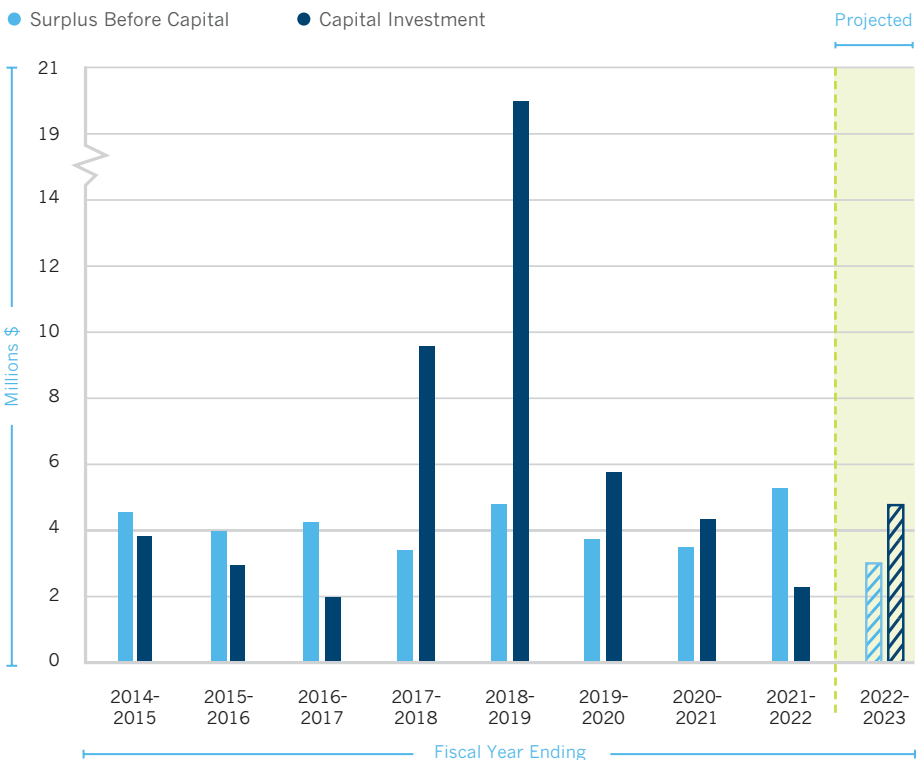
As we look out four to five years, the importance of ancillary revenue sources is an increasing priority. Appleby's future success as an innovator and leader in the sector would be enabled by boldly diversifying our revenues beyond just tuition. As a result, the school is actively exploring new revenue 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.

In fiscal 2021-22, our operating surplus before capital amortization and financing costs increased to \$5.4 million from \$3.5 million prior year. This increase was related to reduced travel costs, particularly in respect of the school's global education programme, as well as athletics and a return of ancillary activities revenues. We are on track to meet our long-term financial plan in returning to annualized operating surpluses of \$3.5 to \$4 million by 2022-23.

OPERATING SURPLUS & CAPITAL INVESTMENT





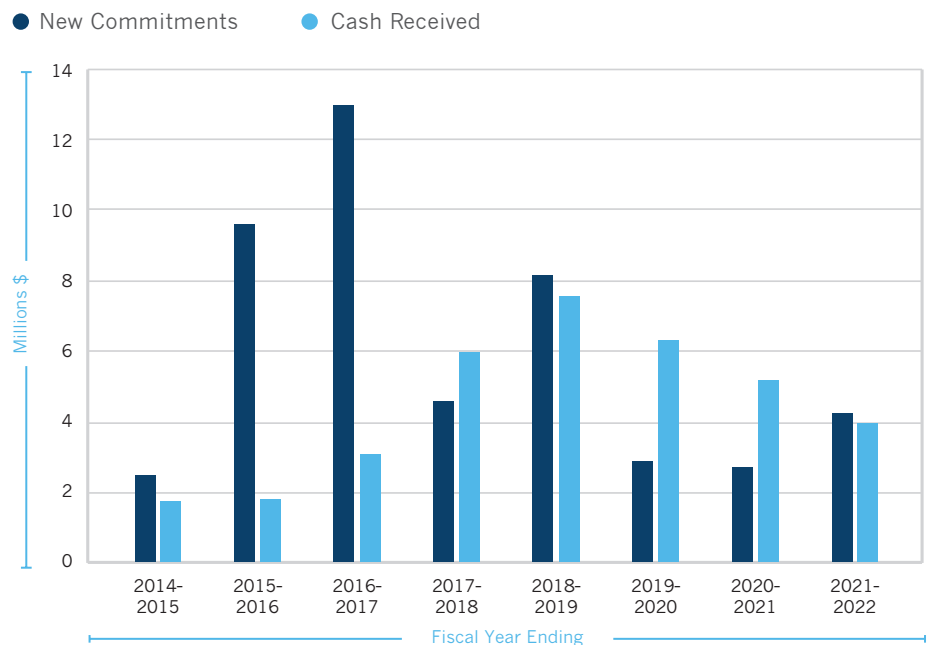
How does Appleby generate additional revenue?

Appleby relies on funding from tuition fees, grants from The Appleby College Foundation, philanthropic gifts and income from commercial 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 2021-22, the school welcomed over 760 donors with approximately \$4.1 million dollars in new commitments and slightly more than \$4 million in receipted gifts. We were grateful to see more than 100 new donors come forward in support over prior year, and an increase in new commitments over prior year.

NEW COMMITMENTS & RECEIPTED GIVING BY YEAR



Grants from endowed funds in The Appleby College Foundation currently provides Appleby more than \$1,000,000 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 approximately 80 per cent of Appleby's financial assistance programme.

What is The Appleby College Foundation?

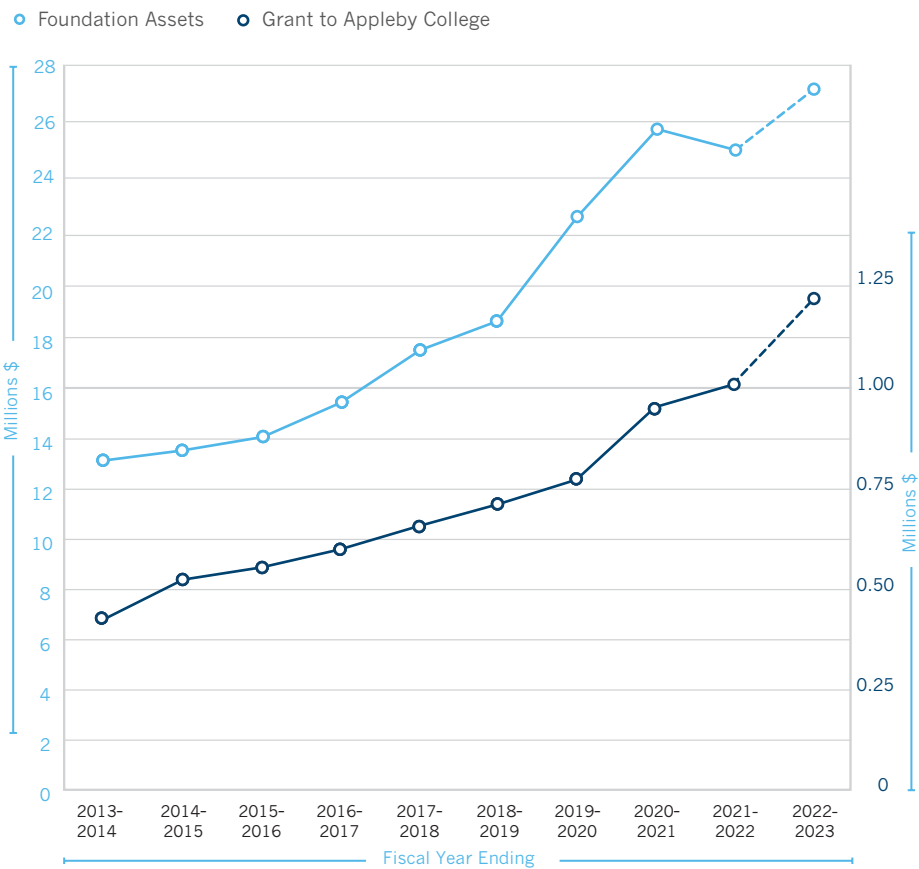
Established in 1959, The Appleby College Foundation is a registered charity, governed by its own board of trustees, to which the school's endowed funds are entrusted to be invested appropriately and disbursed to Appleby for specific purposes.

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 per new CRA requirements introduced in 2022. In previous years, the Foundation disbursed on average 4.5 per cent of its assets to the school per year. Annual growth of the endowment has averaged seven per cent over the past decade. The Foundation's endowed fund was valued at approximately \$25 million at June 30, 2022, a decrease over prior year as a result of volatile market conditions and significantly reduced investment returns. By the end of fiscal year 2022, the school extended \$4.8 million in financial assistance to 159 students. 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.

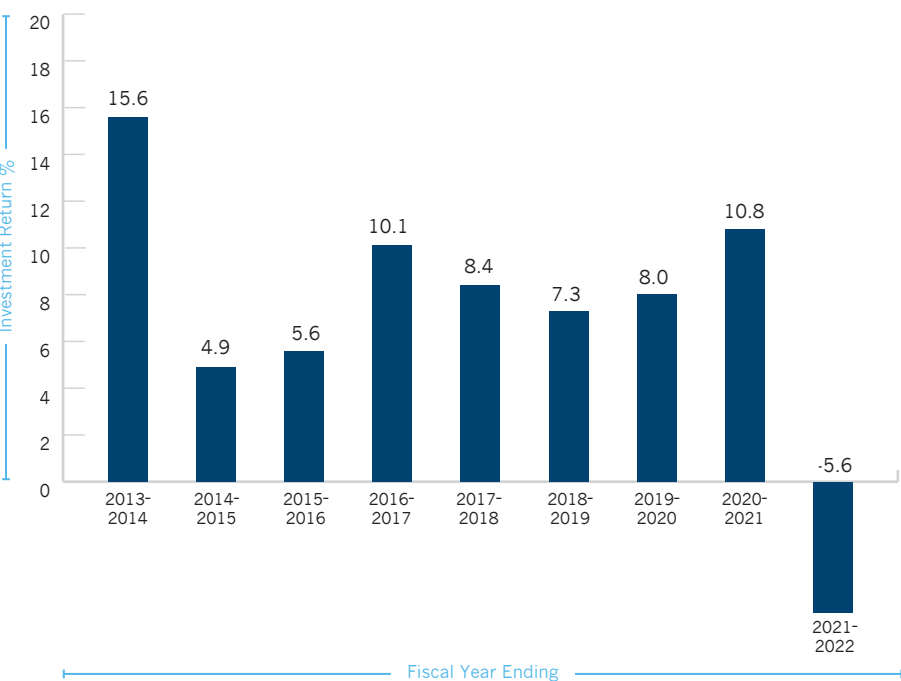
An Appleby education would be out of reach for many, were it not for the support provided by the Foundation. Philanthropic gifts designated to increasing the size of Appleby's endowment ensure continued growth of the Foundation's asset base, and thereby its annual grant to Appleby as well as decreased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

APPLEBY COLLEGE FOUNDATION



AVERAGE ANNUAL RETURN ON INVESTMENT (%)

* Pre-audit





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