

A CLOSER LOOK: 2018

STRUCTURE FINANCE GROWTH



Over the past 100-plus years, Appleby College has become one of Canada’s leading independent schools. We have garnered an international reputation for innovation, excellence, breadth and caring – attributes that define the Appleby experience and are strengthened by 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 goals – strategic and operational.

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, 2018.

KEY 2017-18 FINANCIAL INFORMATION

ANNUAL REVENUE



- Tuition **92%**
- Commercial Activities **5%**
- Donations **2%**
- Foundation Grant **1%**

OPERATING EXPENSES



- Salaries and Benefits **62%**
- Financial Assistance **11%**
- Programme **7%**
- Facilities and Contract Services **13%**
- Other **7%**

CAPITAL EXPENDITURES



- Major Renovations (incl. A.W.B. Alumni Centre) **92%**
- Maintenance **6%**
- Technology and Programme **2%**

APPLEBY COLLEGE 2018-19 BOARD OF GOVERNORS

CHAIR OF THE BOARD
Aubrey Baillie '63

VICE CHAIR OF THE BOARD
Gordon A. McMillan

CHAIR, FINANCE COMMITTEE
Vik Sachdev

CHAIR, GOVERNANCE COMMITTEE
Allison Christilaw

CHAIR, ADVANCEMENT COMMITTEE
Geoff Spidle '87

CHAIR, PROPERTY COMMITTEE
Joanne McLaughlin

CHAIR, RISK COMMITTEE
L. Charles Keizer

BOARD MEMBERS
William (Bill) Benson '79
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
Bonnie Flemington*

PRINCIPAL
Innes van Nostrand*

**Ex-Officio*

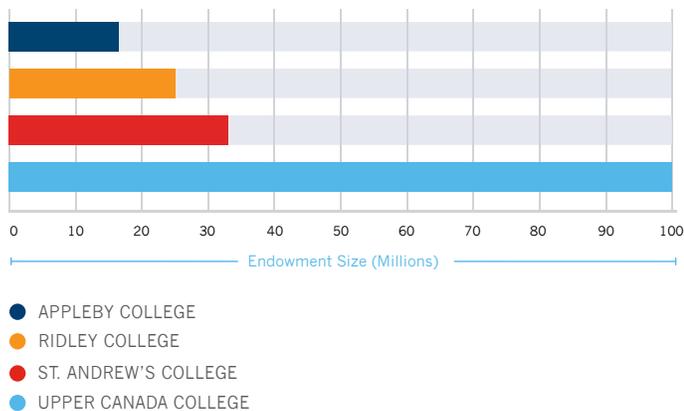
Why does Appleby need philanthropic support?

A world-class education requires exceptional faculty, programmes and facilities in a setting that is representative of its community. At Appleby, we are committed to continuously improving the breadth of experience for all of our students as we strive to keep tuition increases to a minimum, while finding creative ways to fund those programmes, bursaries, facilities and innovations that provide a margin of excellence.

Appleby today generates revenues annually of over \$41 million and has an endowment of almost \$17 million. This endowment contributes to the total revenue of the school, but it is well below that of our peers – both nationally and internationally. We have a long-range plan for campus development represented by the current build of the A.W.B. Alumni Centre for Athletics and Student Life, great ambitions for our financial assistance programme as we support a diverse socioeconomic student body, and are constantly developing our educational programme as we look to bring together the science of positive psychology with positive education. To achieve these aspirations, we require philanthropic support as the cost of these plans exceeds what we can support with our current funding model.

INDEPENDENT SCHOOL ENDOWMENT SIZE

* 2018 Endowment numbers listed in CAD\$



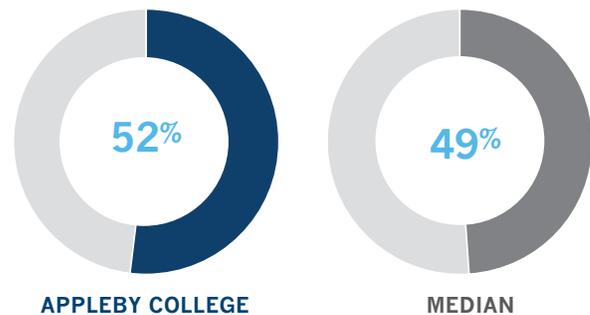
How much do student fees contribute to Appleby's operating budget?

Over 90 per cent of our revenues are generated by tuition. In 2017-18, fee income totalled approximately \$38 million, an increase of more than \$2 million over prior year. The other revenues come from a growing commercial activities portfolio inclusive of facility rentals, camps, and summer programmes, grant funding from the endowment held by The Appleby College Foundation, and philanthropic gifts. These revenues must cover operating expenses and offset investments in capital infrastructure.

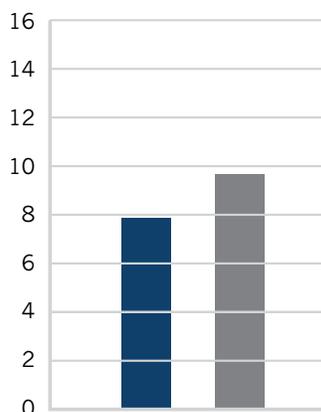
Our largest operating expense is our investment in people, and reflects an educational philosophy grounded in outstanding teaching. We offer an enriching and innovative educational and co-curricular programme which is best achieved with low student-to-teacher ratios in the classroom, and exceptional faculty, supported by strong professional development. Each year, we must also invest in maintaining our facilities, technology, and equipment infrastructure. In 2017 and 2018 we invested approximately \$9.5 million and \$12 million in capital expenditures respectively, which included significant work on the A.W.B. Alumni Centre for Athletics and Student Life and a Shoreline Protection Project to prevent further erosion along the Lake Ontario shoreline.

TEACHING SALARIES

as a % of the total salary budget



STUDENT-TO-TEACHER RATIO



The key performance indicators compare the results of Appleby College and the median values of select Canadian independent peer schools based on CAIS 2017-2018 benchmarking data.

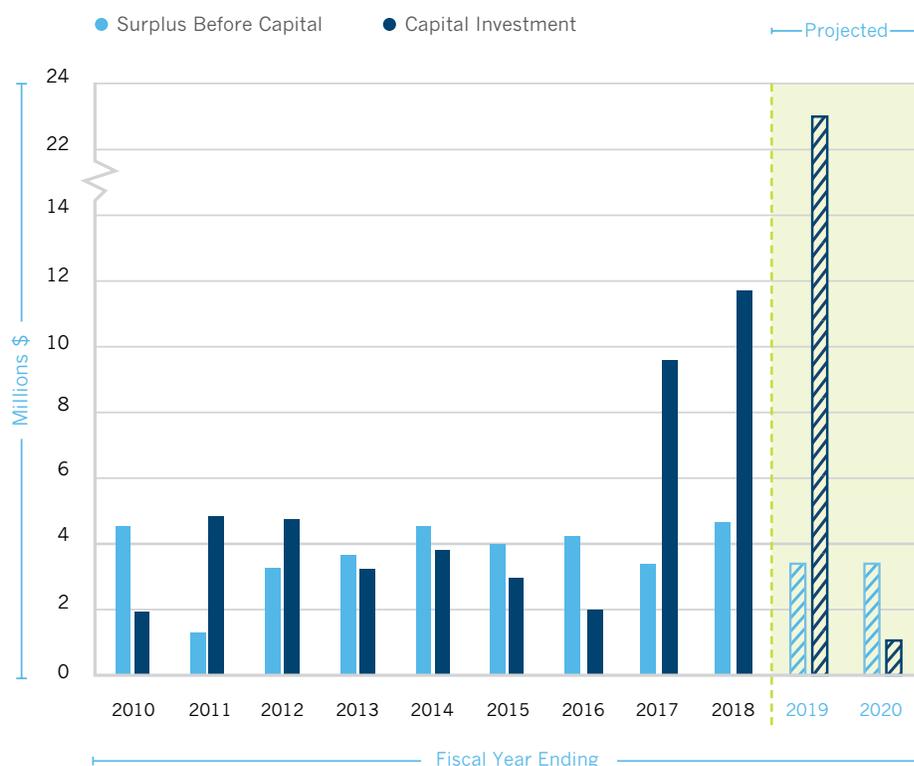


Appleby College's Shoreline Protection Project – rebuilding the shoreline that was devastated in 2017 by storms, flooding and high water levels.

Why 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. In fiscal 2017, operating surplus before capital amortization and financing costs was \$3.4 million, and \$4.7 million in fiscal 2018. Looking forward we project an annual operating surplus of \$3.5 million over the next two years as we work to lower the amount owing related to the new A.W.B. Alumni Centre for Athletics and Student Life, as well as the current Shoreline Protection Project.

OPERATING SURPLUS & CAPITAL INVESTMENT



How does Appleby generate additional revenue?

Appleby relies on four major funding streams: tuition fees, commercial activities, donations and grants from The Appleby College Foundation.

Tuition fee revenue is limited by our optimal enrollment of approximately 765 students. 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.

We believe in the value of an Appleby education and want to ensure it is accessible to exceptional students, regardless of financial status. In light of this, we're working to expand our financial assistance programme, so that between 20 and 25 per cent of students will receive some form of financial support by 2021. We are pleased to share that we are on our way to achieving this goal, as 18 per cent of Appleby families currently receive financial assistance annually.

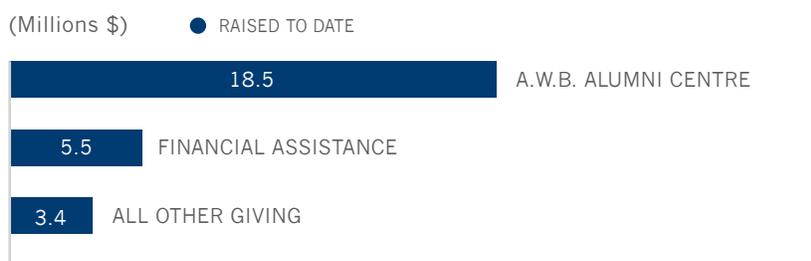
Income from commercial activities has been strategically increasing. Our world-class facilities are rented when not required for school programmes. We've also developed and operate a variety of well-recognized summer programmes, both recreational and academically focused, which we look forward to expanding with the opening of the A.W.B. Alumni Centre for Athletics and Student Life in spring 2019.

Donations are also a key source of funding for Appleby and in 2017-18 the school welcomed over 760 donors. Programmes such as Major Gifts and the Appleby Fund play an important role in furthering the school's mission and in shaping the lives of our students,

supporting important initiatives such as financial assistance and capital projects, and help to drive and support innovative programme development and delivery.

Grants from endowed funds in The Appleby College Foundation now provide Appleby approximately \$700,000 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 to fund student financial assistance.

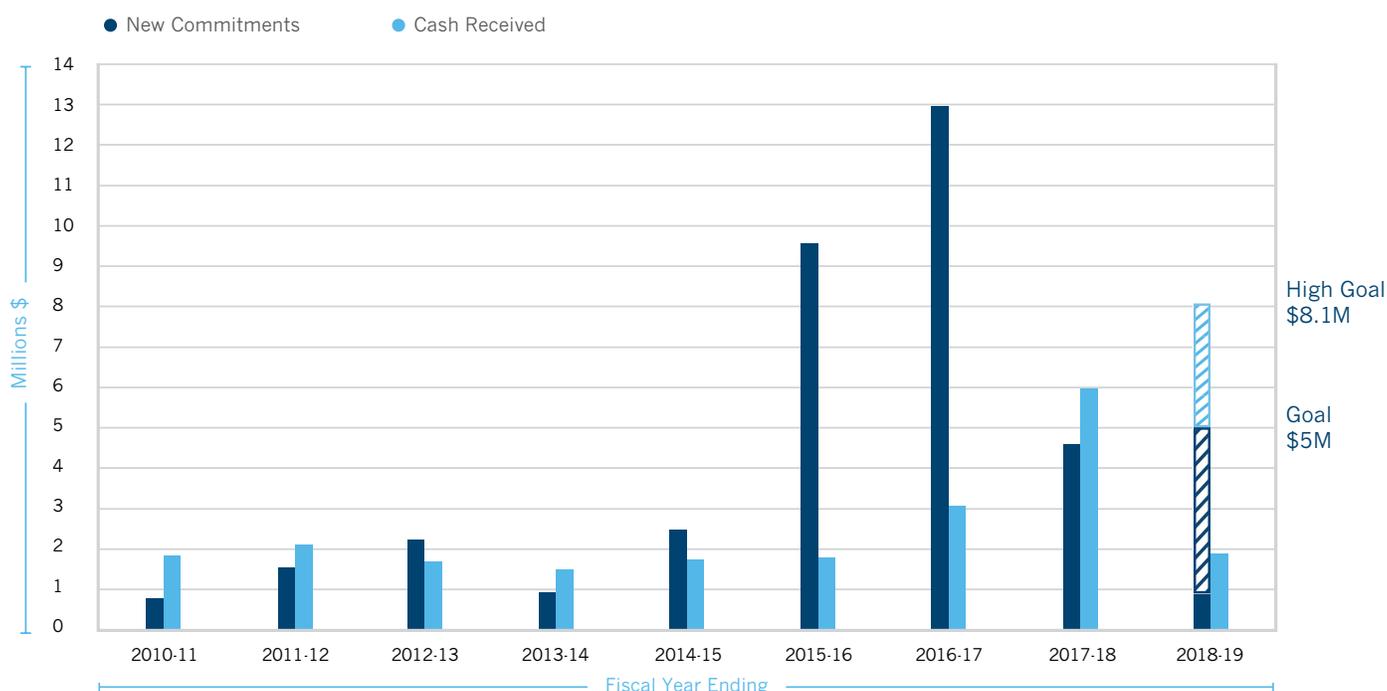
FUNDRAISING RESULTS: JULY 2016 TO OCTOBER 2018



Since July 2016, and as of October 2018, more than \$27 million has been raised to help further two key strategic goals: increasing student financial assistance and in support of the construction of the A.W.B. Alumni Centre for Athletics and Student Life.

NEW COMMITMENTS & RECEIPTED GIVING BY YEAR

as of November 8, 2018



Why is financial assistance for students important?

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 College experience that benefits the whole community.

Appleby offers a combination of need-based bursaries, loans and merit scholarships. In addition, our need-based Centennial Scholars Programme provides funding that covers the full cost of attending Appleby, awarded to students entering Middle School and continuing through to graduation.

In 2016-17 financial assistance was awarded to 129 students. In 2017-18 the number of students on financial assistance increased to 140. Thanks to generous donor support, we are excited to see this number grow as we strive to achieve our goal of 20 to 25 per cent. Over 90 per cent of Appleby's financial

assistance is provided 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 full support to recipients, including tuition costs, incidental fees and boarding costs.

Compared to other leading independent schools, Appleby funds less of its financial assistance from philanthropy. This is a consequence of our relatively small endowment and lower levels of gift support. 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.

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

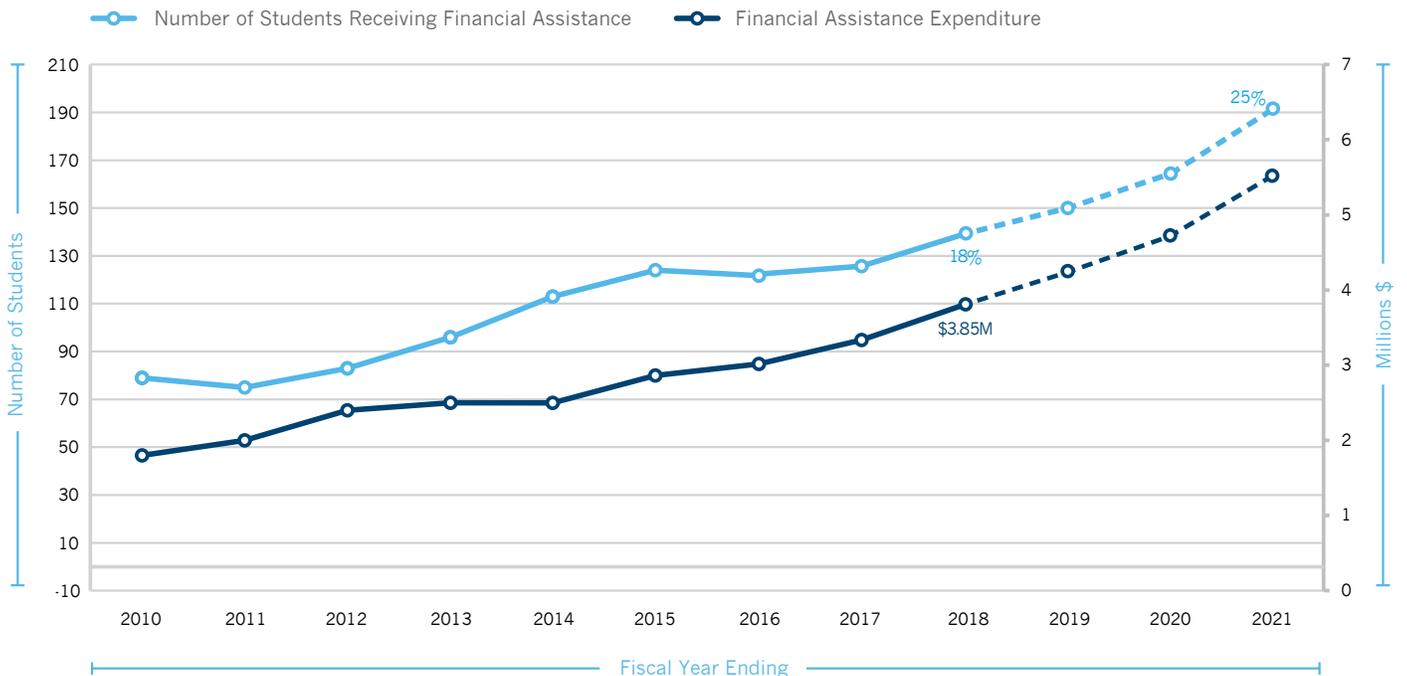
What is The Appleby College Foundation?

The Appleby College Foundation has served as the 'keeper and protector' of Appleby College's endowed funds since 1959.

The Foundation's principal purpose is to support and encourage education at Appleby by receiving, investing, stewarding and disbursing Appleby's endowed funds. 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 is currently valued at approximately \$17 million. This past year, the school's need-based scholarships have increased further to 140, and with the support of its donors, Appleby extended \$4 million in financial assistance.

FINANCIAL ASSISTANCE

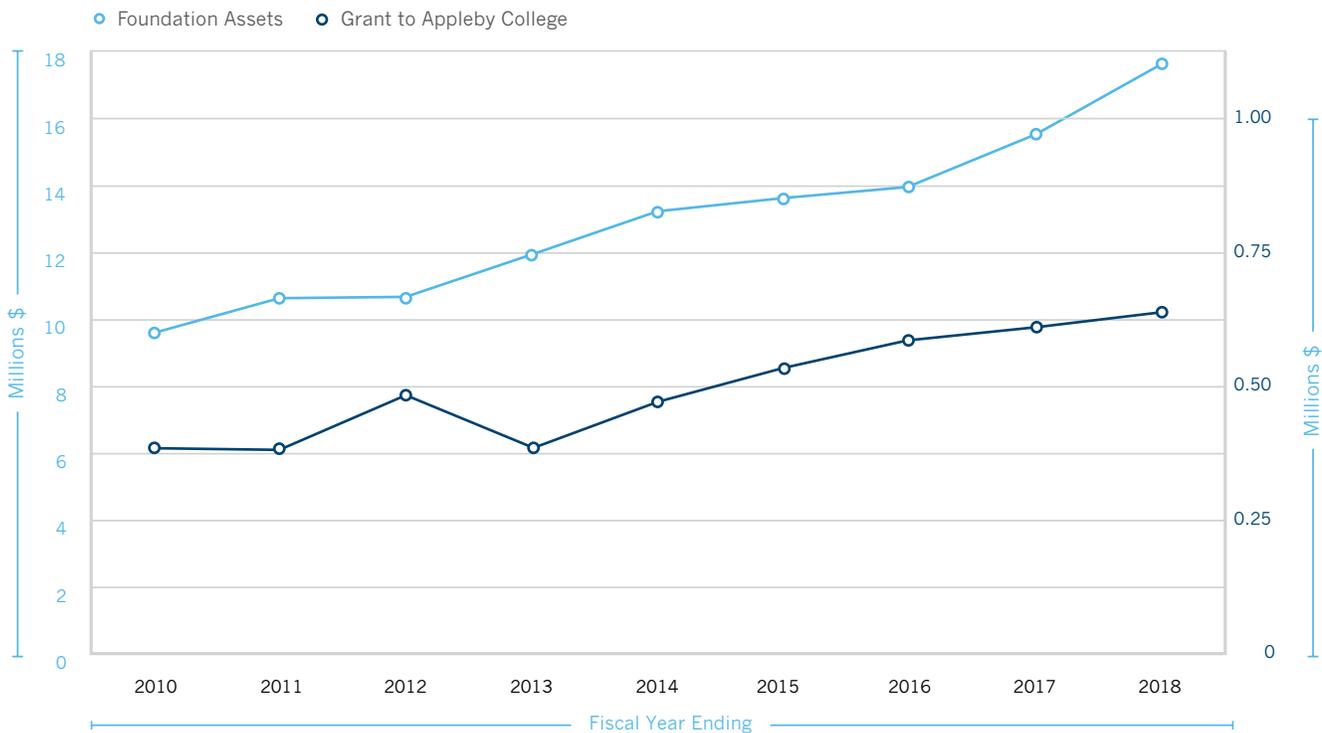


This past academic year, approximately 18 per cent of students qualified to receive financial assistance.

Last year we also saw a significant change made in the stewardship of the Foundation's investments. After an 18-month review managed by the Foundation's Investment Committee, the decision was made to transition the Foundation's assets to an outsourced investment management model.

The Foundation continues to have ambitious plans to grow this significant school priority through careful stewardship of its invested assets. An Appleby education would be out of reach for many were it not for the support provided by the Foundation. The opportunities that the Foundation provides will continue to make an exceptional education possible for students regardless of socioeconomic background.

APPLEBY COLLEGE FOUNDATION



AVERAGE ANNUAL RETURN ON INVESTMENT (%)

* Pre-audit

