

St. Clement's School
2019 Annual General Meeting – October 16, 2019
Treasurer's Report

The School's results of operations and financial position continue to be strong with a 2018-2019 fiscal year excess of revenue over expenses of \$1.1 million and a strong debt-free liquidity position.

The School has received an unqualified audit opinion on its financial statements for the fiscal year ended July 31, 2019 from the School's independent external auditor. The financial statements have been approved by the Board of Governors. Key financial highlights from the financial statements for the year ended July 31, 2019 are as follows:

Statement of Operations

Total Revenues for the year were approximately \$16.9 million, comprised of the following significant items:

- Tuition of approximately \$13.8 million from the 460 students who attended SCS for the full year and the 2 students who attended for part of the year;
- Acceptance fees of \$630,000 from 83 new students;
- Donation revenue of approximately \$1.0 million (including the Powell Trust) which includes a specific donation towards the costs of the ongoing development of the Campus Master Plan ("CMP"); and
- Investment income of approximately \$723,000.

Expenses were approximately \$15.8 million, comprised of the following significant items:

- Salaries and benefits for the School's employees are the most significant individual expense, totalling approximately \$11.0 million for the year;
- Administrative expenses were \$1.2 million which includes approximately \$114,000 in costs associated with the ongoing work of our CMP which, as noted above, have been covered by a specific donation;
- Facilities operations and maintenance expenses were \$857,000 and included the cost of new furniture for various classrooms; and
- Financial assistance of \$733,000 for 39 students receiving varying levels of financial assistance demonstrating our continued commitment to support "mission-fit" qualified students.

The excess of revenues over expenses reported in the current fiscal year also exceeded the budget for the year. The key drivers of the favourable variances to budget were:

- Increased acceptance fees contributing additional revenues of \$105,000;
- Higher realized Investment income of \$523,000 resulting from stronger investment returns;
- Higher donations of \$204,000 due to the ongoing specific donation towards the CMP and increased donations from the Annual Fund and Parent's Association; and

- Lower salaries and benefits costs of \$317,000 due to strategic workload reallocations and changes in the tenure mix of faculty and operations staff and a reduction in the pension liabilities related to a legacy pension plan.

The above favourable variances to budget were offset by the following unfavourable variances:

- \$114,000 in costs associated with the ongoing work in connection with the CMP included in the general and administrative expenses.

Statement of Financial Position

The Statement of Financial Position continues to reflect a stable, strong balance sheet and the School remains debt-free.

The School's net assets as at July 31, 2019 were approximately \$18.9 million, up from \$17.7 million in the prior year.

As at July 31, 2019, the School had cash and investments totaling approximately \$18.7 million, up from \$16.5 million in the prior year. The significant increase in our cash and investment position resulted primarily from the surplus of revenue over expenses in the current year, driven primarily by increased enrolment and acceptance fees, higher investment income and lower operating expenses and an increase in donations as compared to the prior year. Additionally, the School received donations of approximately \$780,000 towards the CMP and a further \$78,000 in net proceeds from the successful Speakeasy Gala held in April 2019, which amounts have been deferred.

In the current year, we completed the previously disclosed rebalancing of our investment portfolio in accordance with the Investment policy updated in 2017/2018. The continued impact of this shift can be seen in the current financial results and has contributed to the higher level of investment income and assets in the current year. The Finance Committee and Board continue to take a conservative view of the level of investment income in any given year when setting the tuition levels and the annual budget, as these amounts are inherently difficult to predict in any given year.

The Finance and Investment Committees are working closely together to continue to consider the long-term financial needs of the School. The strong financial position and historical prudence in managing the School's financial resources have provided us with a solid foundation that allow us to explore a variety of options to utilize our existing financial resources, in collaboration with the ongoing and future initiatives of the Advancement team, to realize our CMP vision. We remain committed to balancing the long-term financial sustainability of the School while moving forward with creating a new and vibrant learning environment to support our current and future students while maintaining the unique aspects of our culture and commitment to academic excellence.

Enrolment levels, tuition and acceptance fees remain key variables in determining the annual budget. The Finance Committee and the Board consider carefully the coming year's operating requirements as well as the longer term funding needs to sustain the building and facilities and support the School's Strategic Plan and its programs when setting the tuition levels.

Donations continue to be a vital component of the funding of the School's enriched program as currently tuition and acceptance fees alone do not cover all of our annual operating expenses. The Advancement team continues to focus on ways to enhance our fundraising efforts and have seen success with its renewed focus on Alumnae donations and planned giving programs. In addition, current year Annual Fund donations exceeded both budget and prior year, and continue to be an important source of funding. Also, the successful Speakeasy Gala in April 2019 in support of the rooftop revitalization stage of the CMP and ongoing donations towards the CMP are encouraging signs of the recognition by the broader School community that donations are an important element to the School's ongoing sustainability and, in particular, the exciting potential of the CMP vision.

Overall, the financial statements reflect strong results for the year, with operating results ahead of expectations, and a healthy financial position that provides the School with a strong foundation to build upon.

The Board would like to thank Carol Ann Millington and her Finance team for their continued excellence in overseeing the financial affairs of the School. In addition, I'd like to thank my fellow members of the Finance and Investment Committees for their ongoing efforts and commitment to ensuring that the School maintains its strong financial position.

All of which is respectfully submitted,
David Bacon, Treasurer