



**Ad hoc Business Model Committee
Report to the Board of Trustees
June 2023**

Context

- Preliminary budget for FYE 2024 anticipates a deficit of \$1.5 million (still being finalized and could change). Looking ahead, deficits could increase further given reductions in draw amounts (due to fall in endowment value in 2022 and 2023) as well as a likely increase in costs
- The Ad hoc Business Model Committee was set up to assess different options and levers to address this situation
- Committee members: Aditya Joshi, Klaus Desmet, Tom Hassan, Piotr Holysz,, Kimi Jackson, Victoria Mora and John Morris
- Approach:
 - The committee identified all the potential levers we could pull and then eliminated those levers that were already being considered in other committees/forums
 - For the remaining levers considered to be “in scope”, the committee assessed the degree to which these levers could be exercised given relevant constraints
 - While there is no “magic bullet” that will close the budget deficit, a combination of the in-scope levers can, mathematically at least, close the gap. However, there are other (non-financial) considerations that the Board of Trustees and the School leadership will need to assess further
- This document covers the approach and the results of the analysis and lays out considerations for further discussion

Scope of levers to include in the assessment

Lever		Y/N	Rationale/considerations
Headline Tuition Level (Note: tuition currently is <75% of actual cost per student)		Y	• School has discretion to set this
Size of student body		Y	• School has discretion to set this
Portion of student body receiving financial aid and amount of aid extended by the school	# of GSP students	Y	• School has discretion to set this
	# of Davis scholars, % receiving aid and avg amount of aid they receive	Y	
	# of NC students, % receiving aid and avg amount of aid they receive	Y	
Annual Fundraising		N	• Existing focus of Advancement Committee
Summer program revenue		N	• Separate efforts already underway
Cost controls		N	• Existing focus of Finance Committee and School leadership
Capital Campaign		N	• Premature to size potential impact
% draw from endowment (increase from current 5%)		N	• Fiduciary requirements preclude this lever (arguably already high at 5%)

Levers considered
“in-scope” by the
committee

Guiding principles/constraints for in-scope levers

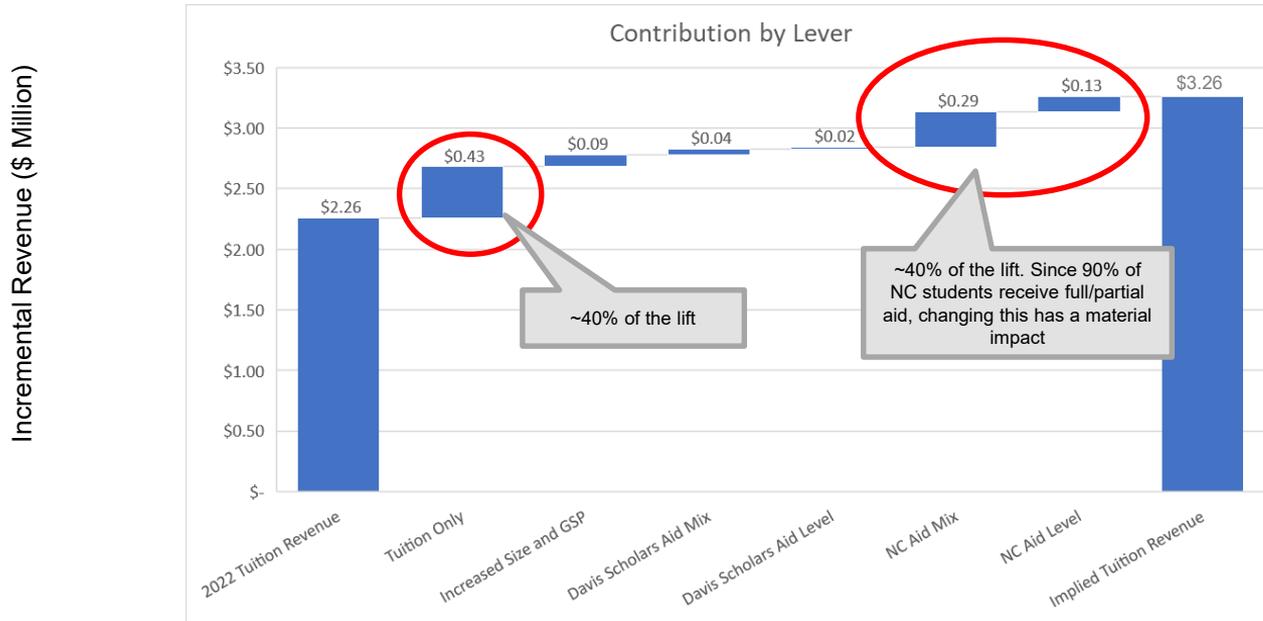
Lever	Guiding Principles/Constraints
Tuition Level (Note: Headline tuition level currently represents <75% of actual cost per student)	<ul style="list-style-type: none"> • “Market acceptance” of tuition increases – which is a function of: <ul style="list-style-type: none"> • Tuition at other UWCs • Tuition at other top-tier international boarding schools (Generally significantly higher than top end of UWCs)
Size of student body	<ul style="list-style-type: none"> • Ability to maintain quality of experience • Current infrastructure constraints
# of GSP students	<ul style="list-style-type: none"> • Availability of high-caliber candidates with ability to pay (i.e., no dilution of student quality)
Davis Scholars <ul style="list-style-type: none"> • # and % of students receiving aid • Avg amount of aid they receive 	<ul style="list-style-type: none"> • Impact on desired socio-economic and geographic mix of student body
National Committee (NC) Students <ul style="list-style-type: none"> • # and % of students receiving aid • Avg amount of aid they receive 	

Modeling Assumptions

Lever	2022 (Baseline - see pg 13)	Updated Model	Comments/Rationale
Tuition Level	\$42.5K	\$51K	Slightly lower than Pearson College but higher than Atlantic College
Size of student body (1 st years)	114	118	Max size of 235 students or ~118/class
GSP Students	11	15	100% of student body expansion is GSPs
# and % of Davis Scholars getting full aid (above the \$25K Davis scholarship)	5 (20% of Davis Scholars)	4 (15% of Davis Scholars)	Small changes in financial aid mix and level to avoid materially changing the socioeconomic diversity and caliber of this group (by skewing too much towards ability to pay)
# and % of Davis Scholars getting partial aid (above \$25K Davis sch.)	10 (40% of Davis Scholars)	9 (35% of Davis Scholars)	
Avg. tuition paid by Davis Scholars on partial aid	\$2.4K (14% of gap between tuition and Davis scholarship)	\$6.5K (25% of gap)	
# and % of Davis scholars getting no aid (over and above the \$25K Davis scholarship)	10 (40% of Davis Scholars)	13 (50% of Davis Scholars)	
% of NC Students getting full aid	34 (44% of NC students)	31 (40% of NC students)	Moderate change in financial aid mix and level – trying to strike the balance between bringing in more NC students with ability to pay at least partial tuition, while retaining the international and socioeconomic diversity of the student body
% of NC Students getting partial aid	37 (47% of NC students)	31 (40% of NC Students)	
Avg. tuition paid by NC Students on partial aid	\$18K (43% of tuition)	\$26K (50% of tuition)	
% of NC Students getting no aid	7 (9% of NC students)	16 (20% of NC students)	

Modeling summary and contribution by lever*

- The modeled combination of the in-scope levers drives incremental revenue of approx. \$1.0M per class
- This equates to \$2.0M total for both 1st and 2nd years in any given year (vs. a budget deficit of \$1.5M)



Observations (in-scope levers only)

- We cannot close the budget gap without a **material** increase in tuition levels, as well as changing the mix and aid level for NC students
- Other levers have a much more muted impact and feasibility/execution considerations may override implementation

*Numbers shown represent first years only. Need to multiply all numbers by 2 to get impact at full school level

The 2024-25 challenge

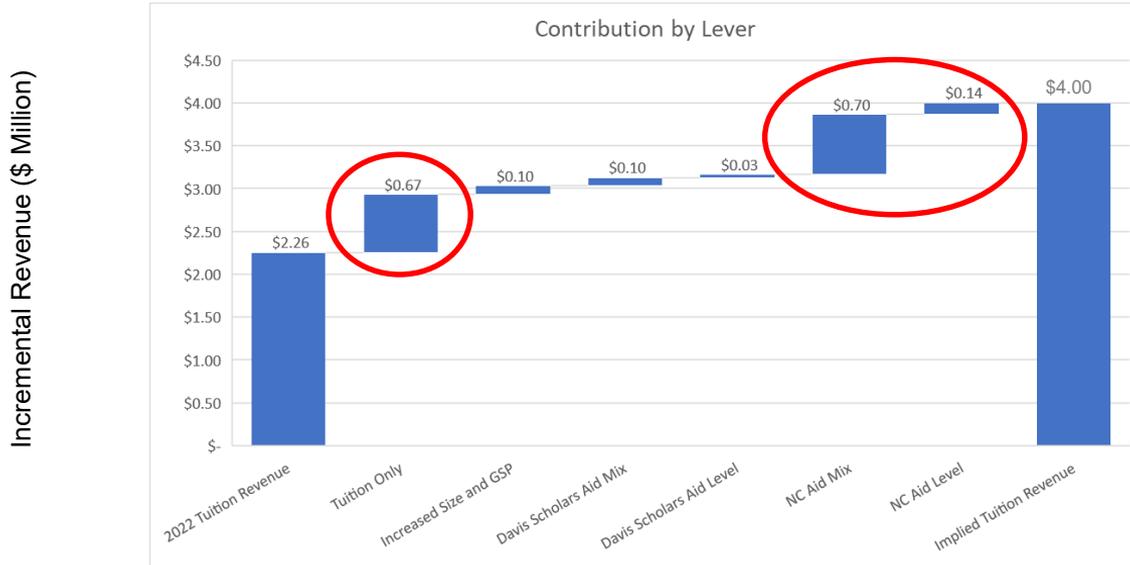
- **In a steady-state environment, the modeled combination mathematically covers the budget deficit**
- **However, any tuition increases and changes to financial aid profile and mix will only impact the incoming first years in 2024-25. Thus, we will get only 50% of the incremental modeled revenue for that year and will cover just over 65% of the budget deficit. (This problem is eliminated after 2025-26 once the changes impact the full student body)**
- **Consequently, we modeled an even more-aggressive scenario**
 - Raised tuition further – to \$55K
 - Tilted the financial aid mix even more towards less aid

More aggressive scenario (for 2024-25)

Lever	2022 (Baseline - see pg 13)	Updated Model (Steady-state)	More aggressive scenario
Tuition Level	\$42.5K	\$51K	\$55K
Size of student body (1 st years)	114	118	118
GSP Students	11	15	15
# and % of Davis Scholars getting full aid (above the \$25K Davis scholarship)	5 (20% of Davis Scholars)	4 (15% of Davis Scholars)	3 (10% of Davis Scholars)
# and % of Davis Scholars getting partial aid (above \$25K Davis sch.)	10 (40% of Davis Scholars)	9 (35% of Davis Scholars)	8 (30% of Davis Scholars)
Avg. tuition paid by Davis Scholars on partial aid	\$2.4K (14% of gap between tuition and Davis scholarship)	\$6.5K (25% of gap)	\$9K (30% of gap)
# and % of Davis scholars getting no aid (over and above the \$25K Davis scholarship)	10 (40% of Davis Scholars)	13 (50% of Davis Scholars)	15 (60% of Davis Scholars)
% of NC Students getting full aid	34 (44% of NC students)	31 (40% of NC students)	23 (30% of NC students)
% of NC Students getting partial aid	37 (47% of NC students)	31 (40% of NC Students)	31 (40% of NC Students)
Avg. tuition paid by NC Students on partial aid	\$18K (43% of tuition)	\$26K (50% of tuition)	\$27.5K (50% of tuition)
% of NC Students getting no aid	7 (9% of NC students)	16 (20% of NC students)	20 (30% of NC students)

Modeling summary for 2024-25 incoming class

- The more aggressive modeled combination of the in-scope levers drives incremental revenue of approx. \$1.7M for the incoming class vs. the projected budget deficit of \$1.5M



Observations

- \$55K tuition would make UWC-USA the highest/2nd highest costing school among UWCs. Represents ~25% increase vs. 2023 revenue
- Material changes in NC mix
 - # of NC students receiving full aid falls by 1/3 vs. 2022
 - # of full paying NC students triples vs. 2022
- Note: we could shift back to slightly more generous aid in 2025-26, once the tuition increases are implemented across full student body

Discussion

- How high can we set tuition?
- What is the impact of changes in financial aid mix and level on the socioeconomics and geographic diversity of the school?
- Should we have more Davis Scholars attend UWC-USA vs. go to other schools?
- What are the feasibility challenges of making any of the above changes?

Increasing tuition – considerations (1 of 2)

- Does the tuition increase need to be so high to cover our costs?
 - True cost per student was ~\$58K in 2022 (likely growing at >5% per year – implies \$64K cost in 2024-25)
 - This implies that even full pay students received a subsidy of ~\$15K or 25% in 2022 (\$58K less tuition of \$42.5K)
 - The \$51K tuition still implies a subsidy of ~\$13K or 20% of projected true cost of \$64K in 2024-25
 - Even with \$55K tuition in the more aggressive scenario, full-pay students would get a subsidy of \$9K or 14% of true cost
- Will there be a “Sticker stock” impact?
 - Implementing the tuition increase for the incoming 2024 class and then for future classes after that (with appropriate annual increases for inflation), means that no existing students will feel the tuition increase (*However, this 2-year mechanism for increasing tuition does cause the 2024-25 transition year problem*)
 - Tuition increases impact only full pay students on a dollar-for-dollar basis. Students on financial aid will feel a more limited/no impact depending on how we also adjust financial aid

Increasing tuition – considerations (2 of 2)

“Market acceptance” of increasing tuition: will the school still be attractive to full pay/high partial pay students?

- Comparison to tuition at other UWCs with tuition >\$40K in 2023

School	2023 Tuition (USD Equivalent @ Oct 2022 Exchange Rates)	Implied 2024 tuition at 5% growth rate	Implied % difference in 2024 UWC-USA tuition vs. other schools	% difference between UWC-USA tuition and tuition at other UWC schools in 2024	
				UWC-USA Tuition @\$51K	UWC-USA Tuition @\$55K
UWC USA	\$ 44,400	\$ 46,620	N/A	9%	18%
Schools with tuition >\$40K					
UWC Dillijan	\$ 40,000	\$ 42,000	11%	21%	31%
UWC Costa Rica	\$ 40,500	\$ 42,525	10%	20%	29%
UWC Thailand	\$ 40,757	\$ 42,795	9%	19%	29%
UWC Atlantic	\$ 42,141	\$ 44,248	5%	15%	24%
UWC Li Po Chun	\$ 46,752	\$ 49,090	-5%	4%	12%
UWC Pearson	\$ 50,105	\$ 52,610	-11%	-3%	5%
UWC Changshu	\$ 51,804	\$ 54,394	-14%	-6%	1%
UWC SEA	\$ 54,864	\$ 57,607	-19%	-11%	-5%

At \$51K tuition, UWC-USA will still be lower than Pearson, while gap vs. Atlantic College widens to 15%.

At \$55K, the school will likely be more expensive than Pearson and almost 25% more so than Atlantic College

Note: If AC and Pearson raise tuition at >5% per year, this will make our tuition increases more palatable

- Comparison to top-tier US and European boarding schools: Current UWC-USA tuition represents a 30%+ discount to these schools. While these schools likely have superior facilities/infrastructure, the unique UWC experience is arguably a differentiator. Moreover, even after the increase to \$51K, tuition at these schools will still be 20%+ higher

Fundamental question: How sensitive are fee paying families to tuition levels of ~\$47K vs. \$51K or even \$55K?

Student body composition changes - considerations

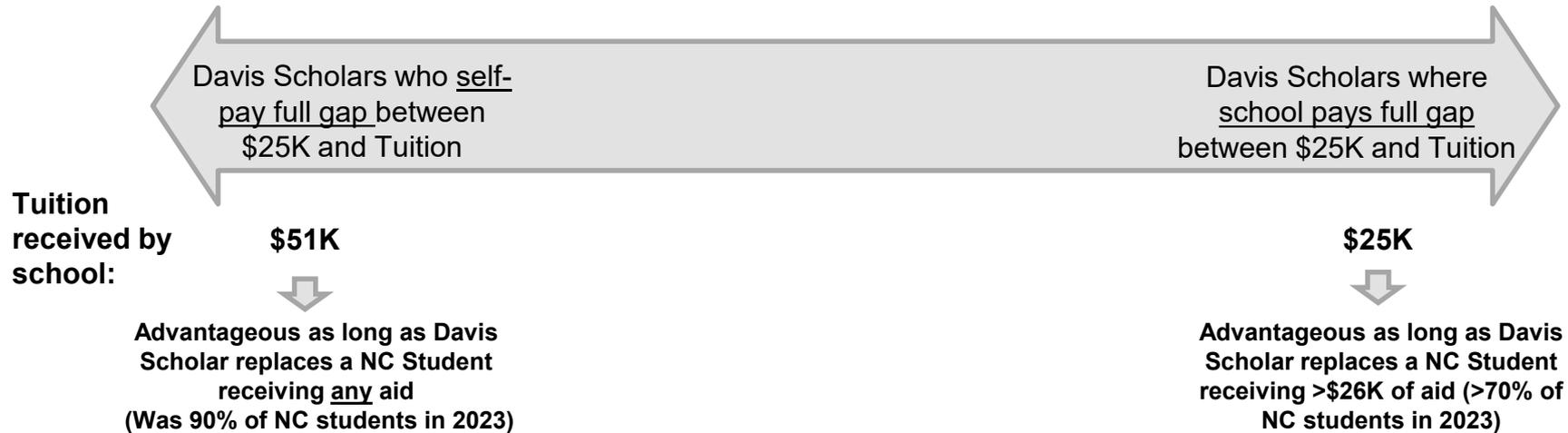
	2022 (Baseline)	Updated Model	More aggressive scenario
Size of student body (1st years)	114	118	118
GSP Students	11	15	15
# of Davis Scholars getting full aid	5	4	3
# of Davis Scholars getting partial aid (above \$25K sch.)	10	9	8
# of Davis scholars getting no aid (above \$25K sch)	10	13	15
# of NC Students getting full aid	34	31	23
# of NC Students getting partial aid	37	31	31
# of NC Students getting no aid	7	16	23
% of students receiving full aid (Full Aid Davis Scholars + Fully funded NC)	34%	30%	22%
% of students receiving partial aid (Partial Aid Davis Scholars + Partially funded NC)	50%	44%	45%
% of students receiving no aid (GSP + Unfunded NC)	16%	26%	33%

Falls by 1/3 vs. 2022

Doubles vs. 2022

Increasing the number of Davis Scholars - considerations

- Technically, we could offer a few more Davis Scholars a spot at UWC-USA (vs. spots at other UWCs)
- Assuming we are constrained in the number of total students to 118/year, and given that it would not make financial sense to replace a GSP with a Davis Scholar, the incremental Davis Scholars would replace NC students



- From a purely financial perspective, replacing a NC student with a Davis Scholar is likely to be advantageous in most situations. **However, this would impact the geographic mix of the school. Does this go against the spirit of the UWC experience? How will it impact relationships with National Committees, the IO and donors?**

Next steps

- Incorporate any feedback from today
- SLT to develop more detailed assessment, refine levers and magnitude of change as needed, and create an implementation plan

Appendix

2022 Admissions data

**From page 16
of Admissions
Deep-dive
document
shared at Feb
2023 Board
Meeting**

	Offers	Potential Revenue	Offers Accepted	Projected Revenue
National Committees (NCs) Abroad	106	\$ 1,698,000	78	\$ 967,652
Fully Funded	44	\$ -	34	\$ -
Partially Funded	44	\$ 933,900	37	\$ 670,502
Unfunded	18	\$ 764,100	7	\$ 297,150
Global Selection Program (GSP)	10	\$ 424,500	11	\$ 466,950
U.S. Selection Committee	25	n/a	25	\$ 823,650
Davis Scholarship + Full Aid	n/a	n/a	5	\$ 125,000
Davis Scholarship + Partial Aid	n/a	n/a	10	\$ 274,150
Davis Scholarship only	n/a	n/a	10	\$ 424,500
TOTAL	141	n/a	114	\$ 2,258,252

Modeling baseline