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**9B17B005**

**SHAD VALLEY INTERNATIONAL: SUSTAINING THE PROGRAM WHILE MAINTAINING ACCESSIBILITY**

*Ryan Rego wrote this case under the supervision of* *Elizabeth M. A. Grasby solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

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In June 2016, Mary Hamoodi, director of finance and operations for Shad Valley International (SHAD), faced an important decision. Should registration fees for the annual SHAD program be raised in 2017? The SHAD program was a month-long summer program for high school students, offered annually during the month of July. This program took place in-residence at universities across Canada, and its content focused on STEAM (science, technology, engineering, arts, and math), innovation, and entrepreneurship.

Hamoodi was worried about SHAD’s cash flow for the upcoming year, and raising fees would alleviate some of the program’s financial strain. She thought preparing a set of cash budgets for the 2017 fiscal year would help with her decision. Hamoodi would have to present her decision to SHAD’s board of directors, and this decision would have to be in line with SHAD’s values and goals.

HISTORY, GOALS, AND MISSION

SHAD, a registered charitable organization, was founded in 1980. The first SHAD program was held at St. Andrew’s College in Aurora, Ontario, and from there, it expanded across Canada with the mission “to empower exceptional youth to make the world a better place.” In 2016, SHAD’s head office was located in Waterloo, Ontario, and the SHAD program was held at 12 university host campuses (see Exhibit 1). Since its inception, 14,800 students in Grades 10, 11, and 12 had participated in the SHAD program. SHAD’s fiscal year started on November 1 each year.

Students who participated in the SHAD program at one of the host universities were called SHADs. Participants were defined as exceptional youth who excelled academically, had demonstrated strong leadership skills, and were involved in various extra-curricular activities in their communities. SHAD’s goal was to empower these youth “to recognize their own capabilities and envision their extraordinary potential as tomorrow’s leaders and change makers.” Many SHADs had gone on to become Rhodes[[1]](#footnote-1) and Loran[[2]](#footnote-2) Scholars, to be named as Top 20 Under 20,[[3]](#footnote-3) to be accepted into programs such as the Next 36,[[4]](#footnote-4) to work with NASA (National Aeronautics and Space Administration) and similar companies, and to start companies of their own.

SHAD prided itself on the strong peer network the program it had created; however, despite having a strong brand, SHAD was not yet widely recognized. Recently, steps had been taken to promote SHAD and to make it a more recognized name.

Each year, approximately 700 students[[5]](#footnote-5) from across Canada and internationally were accepted into the program. The cost per student was roughly $8,000[[6]](#footnote-6) in 2016 for the one-month program, but participants were charged fees of only $4,500. Despite pricing the program below cost, the price point was still too expensive for many parents; however, Hamoodi believed that a student who had been accepted into the program should never be turned away for financial reasons. As a result, students from all socioeconomic backgrounds attended the program. Many students were provided with partial scholarships and bursaries from SHAD to cover their participant fees. SHAD offered an average of $50,000 annually in partial scholarships and bursaries per host campus. These funds came from donations received by SHAD (discussed later in the case).

THE program

**Recruitment**

Preparation for the next year’s SHAD program started months in advance—soon after the previous year’s program ended. Timed with the new school year in September, marketing efforts for the next year’s program began in August and continued through most of the first semester (September to January) of the school year.

If students were interested in SHAD, they applied to the program between September and the first week of December. These applications were screened by the program directors of the SHAD programs at the various campuses. Simultaneously, SHAD contacted all parents to submit any requests for financial support. SHADs were notified if they were accepted into the program by March each year, at which point a $500 deposit was required. In April, another $2,000 was paid,[[7]](#footnote-7) and the remaining amount was paid by June 1.[[8]](#footnote-8)

Program Costs

Equipment and Supplies

Equipment and supply costs averaged $7,000 for one program. Approximately 75 per cent of these expenses were paid in June, and the balance was purchased and paid for in July.

Recreation Fees

Most of the program time spent during the month was on the university campus, but SHADs often camped and participated in trips into the cities of the host universities and were also involved in activities that took place at the various sports stadiums on the university campus. These costs averaged $3,500 and were paid in July.

Transportation

Buses were rented to take SHADs on various trips, and cargo vans were rented to transport equipment at monthly charges of $2,400 and $2,000 per van, respectively. Fuel costs fluctuated substantially across Canada, and although fuel prices had been lower in 2016, Hamoodi thought it best to use 2015 fuel prices to be more conservative in her projections (see Exhibit 2). She decided to use the highest fuel costs when determining transportation costs for a single SHAD program but an average fuel cost when calculating transportation costs for the organization. A cargo van averaged eight kilometres for every litre of fuel, and each van was expected to be driven 3,000 kilometres during the month of July. Other miscellaneous transportation charges were projected to total $1,000 for one program.

All rental and fuel charges were paid in July, except for the cargo vans’ rental fee. The cargo vans were used during the entire month and were returned and paid for after the staff team moved out of the campus residences in the first week of August.

Accommodations and Meals

Room and board were provided for all staff members and SHADs during the program. These costs varied across campuses, with the highest cost of $168,000 for a single SHAD program. When projecting the costs of a SHAD program, Hamoodi wanted to be conservative, but when projecting the organization’s cash budget, she thought the historical average of $140,000 would be more suitable. Half of these costs were paid on July 1, and the other half was paid when the staff team moved out in August.

Other

Other costs associated with the SHAD program, including wages, amounted to roughly $1,200 per participant. Payment for these costs was split equally between July and August.

**SHAD Financials**

Donations

SHAD had received donations from various sources since its inception. The use of these funds was internally restricted,[[9]](#footnote-9) and they were typically used to pay for bursaries and scholarships to SHADs. Many of the funds were donated by individuals with either a previous or current association with the program. These funds amounted to $3.4 million in 2016, and were held in secure investments, such as guaranteed investment certificates, and earned an annual return of 2 per cent.

Administration Costs

SHAD incurred expenses for its alumni outreach and communications, the program’s development and evaluation, administration expenses, and bank and investment fees. These costs were paid as they were incurred.

Alumni outreach and communication expenses varied throughout the year. They were projected to be $20,000 a month in the first three months of the fiscal year (starting November 1) and $40,000 for the next three months. From May to July, alumni outreach activities would decline while the preparation and delivery of the SHAD program intensified; therefore, these expenses would average $3,000 a month during these months. In August, alumni outreach would again return to February-through-April levels for the remainder of the fiscal year.

Program development and evaluation were viewed as key to the success of the SHAD program. From November to April, this work was usually minimal because the next program was still in the planning process. Program development and evaluation expenses were typically $1,700 a month per campus during these months. For the final six months of the fiscal year, these costs increased to $5,000 a month for each campus.

Administrative expenses were expected to total $216,000 for fiscal year 2017 and would be spread evenly over the fiscal year. Bank and investment fees were $625 a month in fiscal year 2016 and were withdrawn automatically from SHAD’s bank account. These fees were expected to remain the same in fiscal year 2017.

FEE INCREASE OPTION in 2017

Most of the projected expenses for fiscal year 2017 were higher than those in previous years, and Hamoodi was curious to see how this situation would affect SHAD’s cash flow. SHAD had never been able to break even using only participant fees since these fees were always significantly lower than the program cost per student. Although this shortfall created a challenge because deficits were usually significant, SHAD had secured additional revenue in the past through donations from alumni and sponsorships from major corporations. Recently, SHAD had also secured funding through grants from the Government of Ontario and was currently receiving financial support from the Governments of Manitoba, New Brunswick, Nova Scotia, and Prince Edward Island. No provincial financial support was provided by British Columbia, Alberta, Saskatchewan, and Newfoundland, and no federal government funding had ever been secured (see Exhibit 3).

Hamoodi wondered whether participant fees should be raised to $5,500 for the SHAD program. SHAD had raised fees in the past and never had a problem filling the 700 participant slots each year (see Exhibit 4). In fact, students were often waitlisted for the SHAD program. However, Hamoodi was worried that raising fees further could be a deterrent to some students and could decrease the quality of the applicant pool. It could also make it harder for teachers to promote this program in their high schools due to the higher price point.

Hamoodi planned to prepare projected cash budgets for fiscal 2017 for a single SHAD program and for the entire SHAD organization (all 12 programs and the organization’s revenues and expenses). For the single SHAD program, she wanted to prepare one cash budget with no increase in registration fees and a second cash budget with fees of $5,500 per participant. For the entire SHAD organization, she would prepare two cash budgets, one with fees at $4,500 per participant and one with fees at $5,500 per participant. These budgets would start fiscal 2017 with the organization’s cash balance of $600,000.

Conclusion

Hamoodi strongly believed in SHAD’s goal and mission, and she knew that these targets would need to be considered when presenting her decision to SHAD’s other directors and the president. If she chose not to raise registration fees, Hamoodi would need a plan to cover any projected cash shortfalls.

Exhibit 1: Host Campuses in Canada

* + - * + Carleton University
        + Dalhousie University
        + Lakehead University
        + McMaster University
        + Memorial University of Newfoundland
        + Queen’s University
        + University of Western Ontario
        + University of British Columbia
        + University of Calgary
        + University of New Brunswick
        + University of Saskatchewan
        + University of Waterloo

Source: “Host Campuses,” SHAD, accessed January 12, 2017, http://shad.ca/campuses.htm.

Exhibit 2: Fuel Costs across Canada

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Gasoline and fuel oil, average retail prices by urban centre (cents/L) | | | | | | | |
|  | 2012 | 2013 | 2014 | 2015 | 2016 | SHAD Campuses in the Area | |
| **St. John’s** | 133.3 | 134.5 | 134.4 | 106.8 | 89.7 | 1 | Memorial University of Newfoundland |
| **Charlottetown** | 122.8 | 128 | 135.5 | 100.2 | 86.7 | 0 |  |
| **Halifax** | 132.2 | 137.5 | 135.9 | 100.1 | 86.2 | 1 | Dalhousie University |
| **Saint John** | 127.7 | 131.1 | 130.8 | 95.5 | 86.9 | 1 | University of New-Brunswick |
| **Québec** | 133.1 | 139.2 | 134.1 | 101.4 | 90.1 | 0 |  |
| **Montréal** | 137.2 | 142.8 | 137.3 | 112.0 | 98.1 | 0 |  |
| **Ottawa** | 124.0 | 128.3 | 128.7 | 98.2 | 85.1 | 2 | Carleton University, Queen’s University |
| **Toronto** | 126.3 | 130.8 | 130.6 | 101.4 | 89.8 | 3 | Western University, McMaster University, University of Waterloo |
| **Thunder Bay** | 126.6 | 127.8 | 130.6 | 106.3 | 87.1 | 1 | Lakehead University |
| **Winnipeg** | 108.6 | 114.1 | 111.7 | 89.7 | 74.7 | 0 |  |
| **Regina** | 115.9 | 117.4 | 118.6 | 93.5 | 72.5 | 0 |  |
| **Saskatoon** | 115.5 | 117.6 | 118.1 | 94.6 | 74 | 1 | University of Saskatchewan |
| **Edmonton** | 103.9 | 107.1 | 107.6 | 82.4 | 63.1 | 0 |  |
| **Calgary** | 107.3 | 110.9 | 112 | 87.9 | 73.5 | 1 | University of Calgary |
| **Vancouver** | 129.5 | 137.6 | 131.6 | 117.2 | 105.9 | 1 | University of British Columbia |
| **Victoria** | 114.4 | 123.5 | 119.7 | 103.2 | 98.1 | 0 |  |
| **Whitehorse** | 125.9 | 128.2 | 131.9 | 97.4 | 90.8 | 0 |  |
| **Yellowknife** | 138.9 | 138.9 | 138.9 | 110.2 | 96.5 | 0 |  |

Source: “Gasoline and Fuel Oil, Average Retail Prices by Urban Centre (Regular Unleaded Gasoline at Self Service Filling Stations),” Canada: Statistics Canada, last modified January 20, 2017, accessed January 12, 2017, www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ154a-eng.htm.

Exhibit 3: SHAD Supporters

|  |
| --- |
| Corporations |
|  |
| AltaGas Ltd. |
| Amgen Inc. |
| Christie Digital Systems USA, Inc. |
| Crescent Point Energy Corp. |
| Great-West Life |
| London Life |
| The Canada Life Assurance Company |
| Hatch Ltd. |
| Hibernia Management and Development Company Ltd. |
| Merck Sharp & Dohme Corp. |
| Microsoft Corporation |
| NB Power |
| Nexen |
| Nuclear Waste Management Organization |
| Ontario Power Generation Inc. |
| The Pythian Group Inc. |
| Royal Bank of Canada |
| SAP SE |
| Talisman Energy Inc. |
| ADP, LLC. |
| Annapolis Capital |
| Maplesoft |
|  |
| Foundations |
|  |
| Canada Foundation for Innovation |
| John Dobson Foundation |
| McCain Foundation |
| Michael Smith Foundation for Health Research |
| New Brunswick Innovation Foundation |
|  |
| Government |
|  | |
| Government of Manitoba | |
| Government of New Brunswick | |
| Government of Nova Scotia | |
| NSERC (Natural Sciences and Engineering Research Council of Canada) | |
| Government of Ontario | |
| Government of Prince Edward Island | |

Source: “Supporter,” SHAD, accessed January 12, 2017, http://shad.ca/Supporters-list.htm.

Exhibit 4: Application and Registration Fee History

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Number of Applications | | | | | |
| Location | 2012 | 2013 | 2014 | 2015 |
| Newfoundland | 27 | 14 | 27 | 99 |
| Nova Scotia | 19 | 15 | 32 | 18 |
| Prince Edward Island | 13 | 10 | 4 | 4 |
| New Brunswick | 50 | 38 | 43 | 58 |
| Quebec | 23 | 15 | 14 | 14 |
| Ontario | 674 | 642 | 731 | 855 |
| Manitoba | 31 | 38 | 21 | 25 |
| Saskatchewan | 7 | 4 | 12 | 20 |
| Alberta | 67 | 62 | 58 | 82 |
| British Colombia | 180 | 169 | 160 | 178 |
| Northwest Territories | 0 | 0 | 0 | 0 |
| Nunavut | 0 | 0 | 0 | 0 |
| Yukon | 3 | 0 | 1 | 4 |
| International | 21 | 19 | 22 | 13 |
| **Total** | 1,115 | 1,026 | 1,125 | 1,370 |
|  |  |  |  |  |
|  | 2012 | 2013 | 2014 | 2015 |
| **Program Fee** | $ 3,850 | $ 3,950 | $ 4,150 | $ 4,500 |

Source: Company files.

1. Rhodes Scholars were non-British students who were awarded a chance to pursue postgraduate studies at the University of Oxford. The Rhodes Scholarship was considered one of the world’s most prestigious [scholarships](https://en.wikipedia.org/wiki/Scholarship); “Welcome,” The Rhodes Trust: The Rhodes Scholarships, accessed January 12, 2017, www.rhodeshouse.ox.ac.uk/. [↑](#footnote-ref-1)
2. Loran Scholars were recipients of Canada’s largest independent undergraduate merit award on the basis of character, service, and leadership; “Contact Us,” Loran Scholars Foundation: Character Service Leadership, accessed January 12, 2017, www.loranscholar.ca/. [↑](#footnote-ref-2)
3. Those named as Top 20 Under 20 were Canadians under the age of 20 who had demonstrated a high level of innovation, leadership, and achievement in their communities and abroad. Twenty Canadians were named to this list annually; “Home: About the Top 20 Under 20 Award,” Plan: Plan Canada, accessed January 12, 2017, http://plancanada.ca/about-the-top-20-under-20-award. [↑](#footnote-ref-3)
4. The Next 36 was a program for high-potential, young entrepreneurs living in Canada. It provided them with mentorship, capital, and founder development opportunities to help launch their ventures; “The Next 36 is Now: Next Canada,” Next Canada, accessed January 12, 2017, www.thenext36org.ca/thenext36/program-info. [↑](#footnote-ref-4)
5. Each campus operated with roughly the same number of students. [↑](#footnote-ref-5)
6. All currency in Canadian dollars unless specified otherwise. [↑](#footnote-ref-6)
7. Scholarships and bursaries offered by SHAD were applied during the month of April. [↑](#footnote-ref-7)
8. If Hamoodi decided to raise fees, the increased amount would be collected in June. [↑](#footnote-ref-8)
9. Being internally restricted meant that these funds were mainly used to provide scholarships and bursaries for SHADs. [↑](#footnote-ref-9)