



# ANNUAL REPORT 2018/2019



WE ARE **ESSENTIAL**

**FRONT COVER FROM LEFT TO RIGHT:**

**Csilla Harsasi**

Renewable energy technologist, Great Canadian Solar  
Alternate Energy Technology '18

**Jordan Jolicoeur**

CEO and president, Carvel Electric  
Electrician '10

**Carolyn Kincade**

Osseointegration technologist, Institute of Reconstructive Sciences in Medicine  
Dental Technology '07, BTech Management '17



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# ACCOUNTABILITY STATEMENT

The Northern Alberta Institute of Technology's (NAIT) Annual Report for the year ended June 30, 2019, was prepared under the Board's direction in accordance with the *Fiscal Planning and Transparency Act* and ministerial guidelines established pursuant to the *Post-secondary Learning Act*.

All material economic, environmental or fiscal implications of which we are aware have been considered in the preparation of this Report.

On behalf of the NAIT Board of Governors,



Ray Pisani  
Chair, NAIT Board of Governors  
December 10, 2019



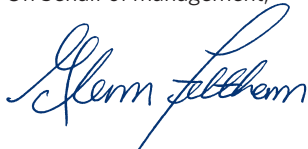
# MANAGEMENT'S RESPONSIBILITY FOR REPORTING

The Northern Alberta Institute of Technology's (NAIT) management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the Annual Report including the financial statements, performance results and supporting management information. Systems of internal control are designed and maintained by management to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized and executed in accordance with all relevant legislation, regulations and policies; reliable financial records are maintained; and assets are properly accounted for and safeguarded.

The Annual Report has been developed under the oversight of NAIT's Board of Governors' Finance and Audit Committees, as well as approved by the Board of Governors, and is prepared in accordance with the *Fiscal Planning and Transparency Act* and the *Post-secondary Learning Act*.

The Auditor General of Alberta, NAIT's external auditor appointed under the *Auditor General Act*, performs an annual independent audit of the consolidated financial statements, which are prepared in accordance with the Canadian Public Sector Accounting Standards.

On behalf of management,

A handwritten signature in blue ink, appearing to read 'Glenn Feltham'.

Glenn Feltham, PhD, MBA, LLB, FCPA, FCMA  
President and CEO

A handwritten signature in blue ink, appearing to read 'Ray Block'.

Ray Block, PhD, CPA, CGA  
Vice President Administration and CFO

# MESSAGE FROM THE PRESIDENT AND CEO

NAIT has continued to provide relevant and responsive education to meet the needs of our province.

2018/2019 was marked with significant milestones. NAIT's Productivity and Innovation Centre (PIC) was officially opened. This building was made possible in part through \$34.9 million in funding from the Government of Canada's Post-Secondary Institutions Strategic Investment Fund. PIC builds on NAIT's long history of working with industry. It is NAIT's "front door to industry," and the place industry and business come to become globally competitive.

For the past nine years, I have had the privilege of leading NAIT as its President and CEO. During this time, NAIT solidified itself as a world-leading polytechnic and an essential part of Alberta's economy. NAIT has grown both in terms of students and our campuses. Earlier this year, we secured NAIT's future with the acquisition of land at the Blatchford development site. This land is critical to allow NAIT to grow to meet the needs of students and industry partners for decades to come.

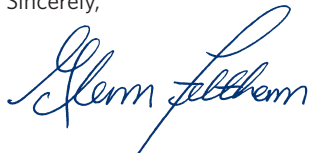
We continued to collaborate with other post-secondary institutions, including having signed an agreement with Portage College, which allows students to complete their third and fourth year of NAIT's Bachelor of Business Administration (BBA) degree on their home campuses. NAIT continues to look for ways to enhance pathways for learners in Alberta.

Inclusivity remains a priority. We celebrated the diversity of our campuses. This year marked the fifth anniversary of Pride Week, we recognized Aboriginal Culture Day and Orange Shirt Day, and we had a variety of international events. We continue to host activities to ensure we are a welcoming polytechnic to everyone.

While we have strong financial oversight and a robust balance sheet, we remain in a deficit position. The main revenue sources of grants and tuitions have not kept pace with the growth of our student population and services for our students. NAIT continues to make decisions in support of growth to ensure Albertans have access to the polytechnic education they need for a rewarding career.

As my time as President and CEO draws to a close, the future is bright for our polytechnic. NAIT is an essential part of Edmonton, Alberta and Canada. We are ready to meet the polytechnic demands of our province and beyond.

Sincerely,



Dr. Glenn Feltham, PhD, MBA, LLB, FCPA, FCMA  
President and CEO

# PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

The *Public Interest Disclosure (Whistleblower Protection) Act* facilitates the disclosure and investigation of wrongdoing in the public sector and protects employees in the public sector from reprisal for making a disclosure of wrongdoing in good faith. During the 2018/19 year, NAIT's Designated Officer: (a) received no disclosures of wrongdoing and had no disclosures referred to it by the Public Interest Commissioner, (b) did not act on any disclosures, (c) did not conduct any investigations as a result of disclosures and (d) made no findings of wrongdoing resulting from disclosures, pursuant to the polytechnic's Safe Disclosure Policy and Procedure developed in compliance with the *Public Interest Disclosure (Whistleblower Protection) Act*.



# OPERATIONAL OVERVIEW

Polytechnic institutions play a critical role in advancing our economy and creating prosperity in our province. With programs closely aligned to Alberta's economy, NAIT's graduates are making a real difference in communities across the province, with an 89% employment rate within nine months of graduating from full-time programs. In addition, 98% of employers are satisfied with NAIT graduates.

Demand for polytechnic education remains strong as people look for the skills they need for a rewarding career. NAIT has a variety of options to support learners throughout their life, whether that is enhancing skills for a current career or learning new skills for a career change. We provide the relevant and responsive education our province needs as the demands of the economy change.

We enhanced our services for international students and permanent residents to help them adapt to student life in Canada. We are focused on student retention and created more robust supports for students identified as at-risk for program withdrawal or academic probation.

We are an inclusive community with dedicated supports for Aboriginal students, including a new strategy which we launched on Aboriginal Culture Day. NAIT also celebrated the fifth anniversary of Pride Week this year.

We collaborate with other post-secondary institutions on several fronts. NAIT signed an agreement with Portage College to offer the Bachelor of Business Administration program. We signed two multi-year contracts with the Ministry of Education and Sport in Uganda to help build two centres of excellence in road construction and disciplines related to residential construction. We signed a new contract with the Heilongjiang Institute of Science and Technology for NAIT's Digital Media and IT program in China.

This year, we have deepened our relationship with industry with the opening of the Productivity and Innovation Centre (PIC). This new building has increased NAIT's capacity and capabilities to effectively serve the needs of Alberta industry through applied research, and increasing competitiveness, productivity and innovation. New applied research centres were launched in partnership with industry including the Centre for Grid Innovation, the Centre for Chemicals and Fuels and the Centre for Construction Innovation.

NAIT works with industry to enhance productivity through professional programs, workforce training and productivity coaching. Subsequent to a recent strategic partnership with GO Productivity, NAIT expanded its suite of offerings in this area. Our combined resources, expertise and ability to create customized solutions help us to be even more responsive to our clients' needs. We work with partners on adopting cutting-edge technologies and adapting to advancements that are happening at an increasing pace. From micro-level testing to large scale manufacturing, NAIT collaborates with our partners to develop and test new products and improve existing products. PIC is one of the most complete product testing and manufacturing facilities in North America.

# GOALS, PRIORITY INITIATIVES, EXPECTED OUTCOMES AND PERFORMANCE MEASURES

The following section provides a summary of the goals, priority initiatives, expected outcomes and performance measures outlined in our 2018/19 - 2020/21 Comprehensive Institutional Plan.

The metrics presented in each of the goals are collected and reported from NAIT's internal financial and administration systems, and through surveys conducted by NAIT's Department of Institutional Research.

# GOAL 1: Create a student-centred experience beyond the classroom that supports and inspires lifelong success.

## PERFORMANCE MEASURES

### SATISFACTION WITH QUALITY OF STUDENT SUPPORT SERVICES

**Description:** Percentage of current NAIT students satisfied with the overall quality of student support services at NAIT

2018/19 TARGET

90%

2018/19 ACTUAL

88%

PRIORITY INITIATIVE 1	EXPECTED COMPLETION DATE	STATUS
Develop an Aboriginal Strategy that will guide NAIT's decisions, priorities and processes in the future.	Winter 2019	Completed

ACCESSIBILITY	QUALITY	COORDINATION	ACCOUNTABILITY
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### EXPECTED OUTCOMES

- A stronger NAIT community in which Aboriginal students and staff feel fortified and supported through celebration and education opportunities
- Increased Aboriginal student success
- Increased Aboriginal student recruitment and retention
- Increased Aboriginal awareness

### 2018/19 UPDATE

- Completed the Aboriginal Strategy and launched on September 19, 2019, NAIT's Aboriginal Culture Day

PRIORITY INITIATIVE 2	EXPECTED COMPLETION DATE	STATUS
Review and revise the student conduct model.	Winter 2019	In progress

ACCESSIBILITY	QUALITY	COORDINATION	ACCOUNTABILITY
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### EXPECTED OUTCOMES

- An approach to student misconduct that is developmental, consistent and responds effectively to issues in the community

### 2018/19 UPDATE

- Developed policy and procedure for NAIT's Behaviour Intervention Support Team and are in the last stages of approval



PRIORITY INITIATIVE 3	EXPECTED COMPLETION DATE	STATUS
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Create more robust supports for students identified as at-risk of program withdrawal or probation.

Winter 2019

In progress

ACCESSIBILITY	QUALITY	COORDINATION	ACCOUNTABILITY
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#### EXPECTED OUTCOMES

- Increased student resiliency and retention
- Increased collaboration among academic advising, learning services and programs to support students at risk

#### 2018/19 UPDATE

- Initiated several activities to support student resiliency and retention including:
  - developing a communication plan for students on or at risk of being on academic warning
  - reviewing and revising the Academic Progression Policy and related procedures
  - developing interactive online math and physics resources that address foundational knowledge gaps in these two subjects
  - piloting enrolment management and progression strategies in targeted programs
- Moved to a centralized approach for notifying students on academic warning, or who are academically at-risk. Students are given a resource to assess their issue, provided with online resources and directed to in-person advising supports

PRIORITY INITIATIVE 4	EXPECTED COMPLETION DATE	STATUS
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Implement strategies to enhance education and awareness on sexual violence prevention and response.

Fall 2021

In progress

ACCESSIBILITY	QUALITY	COORDINATION	ACCOUNTABILITY
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#### EXPECTED OUTCOMES

- Students and staff are supported and aware of available resources and services
- Improved data gathering to support informed decisions, identify gaps in services, improve access to support, and develop survivor driven attitudes, practices, and structures for the NAIT community

#### 2018/19 UPDATE

- Provided education, awareness and resources for both staff and students on sexual violence prevention and response

PRIORITY INITIATIVE 5	EXPECTED COMPLETION DATE	STATUS
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Create a Diversity and Inclusion Strategy.

Winter 2020

In progress

ACCESSIBILITY	QUALITY	COORDINATION	ACCOUNTABILITY
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#### EXPECTED OUTCOMES

- Development of institutional practices that support increased appreciation for diversity and increased inclusivity on campus
- Alignment of current diversity and inclusion programs and services with a broader strategy

#### 2018/19 UPDATE

- Hired a diversity and inclusion coordinator
- Started strategy development

## GOAL 2: Enhance lifelong learning pathways and connections.

### PERFORMANCE MEASURES

#### TOTAL NUMBER OF DEGREE, DIPLOMA AND CERTIFICATE PROGRAM GRADUATES

2018/19 TARGET

2018/19 ACTUAL

**Description:** Annual count of students who have met all requirements for completion of a credit program and have been conferred a parchment

4,321

4,255

#### TOTAL NUMBER OF APPRENTICE COMPLETERS

2018/19 TARGET

2018/19 ACTUAL

**Description:** Count of all apprentices who complete their final period of apprenticeship training at NAIT

1,909<sup>1</sup>

2,516

#### TOTAL NON-CREDIT REGISTRATIONS

2018/19 TARGET

2018/19 ACTUAL

**Description:** Total number of registrations to professional development, career and recreational courses provided on a non-credit basis

32,053

38,629

PRIORITY INITIATIVE 6	EXPECTED COMPLETION DATE	STATUS
Identify and analyze barriers to student learning to create mitigation strategies to support student success.	Winter 2019	In progress

ACCESSIBILITY	QUALITY	COORDINATION	ACCOUNTABILITY
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#### EXPECTED OUTCOMES

- Increased instructor capacity to develop accessible curriculum and instructional practices using Universal Design for Learning principles
- Develop mitigation strategies to address identified barriers
- Increased student retention

#### 2018/19 UPDATE

- Piloted the expansion of Learning Services' student outreach to the Nîsôhkamâtotân Centre to support Aboriginal students. Services will be expanded to International, ESL and academic upgrading students in future years

<sup>1</sup> This target only included 4<sup>th</sup> period completers (not 2<sup>nd</sup> and 3<sup>rd</sup> period) and was therefore underestimated.

PRIORITY INITIATIVE 7	EXPECTED COMPLETION DATE	STATUS
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Develop mechanisms to connect newcomer students with targeted supports and services.

Fall 2018

Completed

ACCESSIBILITY	QUALITY	COORDINATION	ACCOUNTABILITY
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#### EXPECTED OUTCOMES

- Expanded outreach of NAIT International to include permanent residents and refugee students and all newcomers
- Improved service delivery for newcomer students through embedded resources in the International Centre
- Increased inclusion, outreach and use of student supports

#### 2018/19 UPDATE

- Expanded international engagement activities to include permanent residents and refugee students
- Embedded counsellor and learning specialist in the International Centre
- Reorganized structure to ensure events and services for international students are aligned with events and services for domestic services, thus supporting increased inclusion

PRIORITY INITIATIVE 8	EXPECTED COMPLETION DATE	STATUS
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Develop partnerships to increase access to NAIT programs.

Fall 2019

Completed

ACCESSIBILITY	QUALITY	COORDINATION	ACCOUNTABILITY
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#### EXPECTED OUTCOMES

- Exploration of additional partnership opportunities for the delivery of Bachelor of Business Administration (BBA) and Trades to Degrees pathways with additional Campus Alberta institutions, building on the Keyano College partnership
- Partnership with the Chartered Professional Accountants to deliver the Advanced Certificate in Accounting and Finance bridging credit programs

#### 2018/19 UPDATE

- Established a new agreement for the delivery of Bachelor of Business Administration (BBA) with Portage College with students starting in Fall 2019
- Reconsidered the proposed Advanced Certificate in Accounting as the Chartered Professional Accountants changed their designation options



PRIORITY INITIATIVE 9	EXPECTED COMPLETION DATE	STATUS
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Increase the number and breadth of international partnerships. | Fall 2019 | Completed

ACCESSIBILITY	QUALITY	COORDINATION	ACCOUNTABILITY
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#### EXPECTED OUTCOMES

- Additional opportunities available to provide training internationally, resulting in stronger touchpoints to the NAIT brand and financial sustainability for the institution
- Growth in international destinations and opportunities for staff and students, contributing to a more customized and relevant experience
- Become the learning institute of choice for international students

#### 2018/19 UPDATE

- Signed two multi-year contracts with the Ministry of Education and Sport in Uganda to help build two centres of excellence in road construction and disciplines related to residential construction
- Signed a new contract with the Heilongjiang Institute of Science & Technology for NAIT's Digital Media & IT program in China
- Continued to grow international numbers
- NAIT ranked first in Canada in the Canadian Bureau for International Education Survey as the campus where students feel safest
- NAIT ranked number one in Alberta for student satisfaction with their program of study and overall Canadian education experience
- Changed the way students are engaged in study abroad opportunities to ensure a customized and relevant experience

PRIORITY INITIATIVE 10	EXPECTED COMPLETION DATE	STATUS
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Review and strengthen admissions practices to support purposeful growth and operational excellence. | Fall 2019 | Completed

ACCESSIBILITY	QUALITY	COORDINATION	ACCOUNTABILITY
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#### EXPECTED OUTCOMES

- An analysis of NAIT's admissions funnel and identification of opportunities and existing barriers to supporting applicants from application to enrolment.
- A needs analysis to better understand the opportunities and challenges in supporting new growth in the schools.
- Identification of new and emerging practice to support growth and alternative admissions strategies.

#### 2018/19 UPDATE

- Introduced post-secondary admissions pathways for five programs to expand the applicant pool and support mature applicants' seamless entry into our programs
- Restructured to provide more strategic and customized support in student enrolment and progression
- Implemented alternative offers of admission to unsuccessful applicants into a like program or Academic Upgrading, supporting our ability to retain more qualified applicants into programs
- Expanded our English Language Proficiency (ELP) criteria consistent with best practice

## MAWJI CENTRE FOR NEW VENTURE AND STUDENT ENTREPRENEURSHIP

### PROMISE TO STUDENTS

# NEW SERVICE FOR STUDENT ENTREPRENEURS



**AN ENTREPRENEUR-IN-RESIDENCE PROGRAM** is the latest addition to the diverse student services offered by the Mawji Centre for New Venture and Student Entrepreneurship.

Having access to experts with a wealth of experience can make a difference for budding entrepreneurs. John and Jess Steblyk welcome the service. John, a third-year business student, and Jess, a Mechanical Engineering Technology grad, launched Revolution Ice Cream in 2017. The Entrepreneur-in-Residence Program is helping them build this unique ice cream enterprise.

"When you first start off, there's so much you have no way of knowing," says John. "Just having someone who's been there, who is there for that purpose, would be really helpful."

Students from any NAIT program with a well-formed idea and the beginning of a business plan can apply. The new program enables students to seek guidance from two Entrepreneurs-in-Residence - design consultant Howard Suissa and culinary entrepreneur Brad Smoliak. As mentors and entrepreneurs, the two local business owners review student business plans and discuss options for overcoming challenges.

Smoliak, owner of culinary studio KITCHEN and a NAIT alum (Marketing '88), credits the polytechnic for providing him with many business skills.

"I'm a big believer in giving back, and though we can't afford to donate money, we can donate our time, share our successes and failures over the years and the lessons we've learned from them."

Suissa owns Suissa Design, a design agency that specializes in user experience.

"I'm there to do the best that I can in sharing my real-world experience with students in whatever stage of business they're at."

Students who do not have a business plan in the making can take advantage of other informal mentorship opportunities.

The Centre, which is located in the JR Shaw School of Business, provides programs and events designed to help students turn their ideas into start-up businesses, and offers guest speakers, competitions, workshops and networking opportunities for students, alumni and community members.

## GOAL 3: Offer polytechnic education that enables transformative careers.

### PERFORMANCE MEASURES

#### SATISFACTION WITH RELEVANCE OF SKILLS ACQUIRED

**Description:** Percentage of NAIT graduates and final-period apprentice completers satisfied with the workplace relevance of the skills they learned at NAIT

#### 2018/19 DEGREE, DIPLOMA AND CERTIFICATE PROGRAM GRADUATES

TARGET	ACTUAL
97%	96.4%

#### 2018/19 APPRENTICES

TARGET	ACTUAL
96%	96.9%

#### SATISFACTION WITH RELEVANCE OF KNOWLEDGE ACQUIRED

**Description:** Percentage of NAIT graduates and final period apprentice completers satisfied with the workplace relevance of the knowledge they acquired at NAIT

#### 2018/19 DEGREE, DIPLOMA AND CERTIFICATE PROGRAM GRADUATES

TARGET	ACTUAL
98%	97.1%

#### 2018/19 APPRENTICES

TARGET	ACTUAL
98%	98.4%

PRIORITY INITIATIVE 11	EXPECTED COMPLETION DATE	STATUS
Implement program quality assurance processes.	Fall 2018	Completed
<div>ACCESSIBILITY</div> <div>QUALITY</div> <div>COORDINATION</div> <div>ACCOUNTABILITY</div>		
<b>EXPECTED OUTCOMES</b> <ul style="list-style-type: none"> <li>Enhanced, comprehensive quality assurance and continuous improvement processes for all NAIT programming</li> </ul>	<b>2018/19 UPDATE</b> <ul style="list-style-type: none"> <li>Implemented and refined a continuous improvement quality assurance process</li> </ul>	

PRIORITY INITIATIVE 12	EXPECTED COMPLETION DATE	STATUS
Develop a certificate program that recognizes polytechnic teaching excellence	December 2020	In progress
<div>ACCESSIBILITY</div> <div>QUALITY</div> <div>COORDINATION</div> <div>ACCOUNTABILITY</div>		
<b>EXPECTED OUTCOMES</b> <ul style="list-style-type: none"> <li>Formal recognition for instructors who develop teaching as a form of expertise</li> </ul>	<b>2018/19 UPDATE</b> <ul style="list-style-type: none"> <li>Conducted a needs analysis to better understand the needs of intended learners. This includes communication with partner institutions on current practices</li> <li>Started to compile our current curriculum to formulate a gap analysis between what is needed and what we currently offer for course content</li> </ul>	



PRIORITY INITIATIVE 13	EXPECTED COMPLETION DATE	STATUS
Develop and implement the inclusion of polytechnic enabling skills into NAIT curriculum.	Fall 2019	Completed

ACCESSIBILITY

QUALITY

COORDINATION

ACCOUNTABILITY

#### EXPECTED OUTCOMES

- Identify a critical set of broad, polytechnic skills (beyond job-specific technical skills) that will enable people throughout their career
- Integrate these polytechnic enabling skills into NAIT curriculum in accordance with NAIT's existing curriculum review and renewal process

#### 2018/19 UPDATE

- Developed curriculum for the enabling skills to integrate into program curriculum

## GOAL 4: Support growth that meets and anticipates the emergent polytechnic needs of Alberta.

### PERFORMANCE MEASURES

#### TOTAL CREDIT FILE

**Description:** The total number of full-load equivalent (FLE) students in non-apprenticeship programming and apprenticeship training attending NAIT during the academic year, validated by Alberta Advanced Education

#### 2018/19 NON-APPRENTICE

TARGET	ACTUAL
11,283	10,933

#### 2018/19 APPRENTICE

TARGET	ACTUAL
2,424	2,455

#### SATISFACTION WITH IMPROVED EMPLOYMENT OPPORTUNITIES

**Description:** Percentage of graduates and final-period apprentice completers satisfied with improved employment opportunities

#### 2018/19 DEGREE, DIPLOMA AND CERTIFICATE PROGRAM GRADUATES

TARGET	ACTUAL
92%	87.4%

#### 2018/19 APPRENTICES

TARGET	ACTUAL
92%	90.7%

PRIORITY INITIATIVE 14	EXPECTED COMPLETION DATE	STATUS
Develop new programs to respond to Alberta's emerging needs.	Fall 2019 - Fall 2021	Completed

ACCESSIBILITY	QUALITY	COORDINATION	ACCOUNTABILITY
<b>EXPECTED OUTCOMES</b> <ul style="list-style-type: none"> <li>Develop new programs in the following areas:               <ol style="list-style-type: none"> <li>Advanced Accounting Certificate</li> <li>Cyber Security</li> <li>Bachelor of Landscape Architecture</li> <li>Bachelor of Management - Health Administration</li> </ol> </li> </ul>	<b>2018/19 UPDATE</b> <ul style="list-style-type: none"> <li>Reconsidered the proposed Advanced Certificate in Accounting as the Chartered Professional Accountants changed their designation options</li> <li>Prepared a proposal for the development of a Cyber Security post-diploma certificate</li> <li>Decided not to proceed with the Bachelor of Landscape Architecture degree based on our exploration. In the future we may consider a concentration within our Bachelor of Technology degree</li> <li>Explored the Bachelor of Management - Health Administration degree resulting in a decision to meet this educational need through an allied health specific concentration within our Bachelor of Technology degree</li> </ul>		

PRIORITY INITIATIVE 15	EXPECTED COMPLETION DATE	STATUS
Optimize NAIT's physical, technological and human resource capacity to accommodate growth.	2020	In progress

ACCESSIBILITY	QUALITY	COORDINATION	ACCOUNTABILITY
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#### EXPECTED OUTCOMES

- Capacity for purposeful growth that responds to the needs of industry and student demand

#### 2018/19 UPDATE

- Opened the Productivity and Innovation Centre (PIC)
- Completed renovation enhancements to L and T Buildings
- Completed the purchase agreement for the Bus Barns and Blatchford lands
- Acquired adjacent lots to Spruce Grove Campus

# GOAL 5: Partner with industry to help increase its productivity and competitiveness.

# GOAL 6: Be a leader in polytechnic applied research and its bridge to innovation, commercialization and new ventures.

## PERFORMANCE MEASURES

### PROPORTION OF ACTIVE APPLIED RESEARCH PROJECTS THAT ENGAGE EXTERNAL PARTNERS

2018/19 TARGET

90%

2018/19 ACTUAL

99%

**Description:** Count of active applied research projects with identified external partners as a ratio of all active research projects

### APPLIED RESEARCH PORTFOLIO ALIGNMENT

2018/19 TARGET

4.5/5

2018/19 ACTUAL

4.6/5

**Description:** Demonstration of the degree of alignment of NAIT applied research initiatives with NAIT's strategic objectives

PRIORITY INITIATIVE 16	EXPECTED COMPLETION DATE	STATUS
Enhance NAIT's ability to serve the needs of industry and contribute to a vibrant Alberta economy.	2017-19	Completed

ACCESSIBILITY

QUALITY

COORDINATION

ACCOUNTABILITY

### EXPECTED OUTCOMES

- Complete NAIT's Productivity and Innovation Centre (PIC), which will allow NAIT to better serve the needs of industry through applied research, productivity and innovation
- Proposals for a number of new applied research centres in partnership with industry, which may include:
  - Centre for Industrial and Remote Rural Water Technologies
  - Centre for Distributed Power Generation and Transmission
  - Chemical Conversions Centre
  - Centre for Smart Building Technologies
  - Centre for Advanced Medical Simulation
  - Centre for Medical Imaging and Remote Sensing Technologies
- Creation of a renewed Industry Solutions model in alignment with our polytechnic mandate

### 2018/19 UPDATE (SUMMARY)

- Held the PIC grand opening in November 2018
- Launched new applied research centres in partnership with industry, as follows:
  - Centre for Grid Innovation (formerly "Centre for Distributed Power Generation and Transmission)
  - Centre for Chemicals & Fuels: industry-supported projects initiated, and alignment of industry-funded research chair position
  - Centre for Construction Innovation (formerly Centre for Smart Building Technologies): industry-supported projects defined and industrial-client networks
- Established a renewed Industry Solutions model in alignment with our polytechnic mandate with extensive internal, external and industrial consultation on its design and delivery

## GOAL 7: Maintain financial sustainability.

### PERFORMANCE MEASURES

#### NET INCOME PERCENTAGE

**Description:** A measure of the ability of NAIT to operate within its means based on its yearly operating surplus, adjusted for one-time strategic expenditures, as compared to its annual expenditures

2018/19 TARGET

5%

2018/19 ACTUAL

-4.3%

#### DEBT LEVEL PERCENTAGE

**Description:** A measure of the affordability of NAIT's debt levels. It provides the level of debt as a percentage of total revenues, excluding government grants and donations.

2018/19 TARGET

120%

2018/19 ACTUAL

88.9%

PRIORITY INITIATIVE 17	EXPECTED COMPLETION DATE	STATUS
Develop and implement financial sustainability strategies to support sustainable growth and financial stability.	Winter 2020	In progress
ACCESSIBILITY	QUALITY	COORDINATION
		ACCOUNTABILITY

#### EXPECTED OUTCOMES

- Refined staffing models for delivery of instruction and support
- Refined approach to funding infrastructure and other capital needs
- Improved industry engagement initiatives that support self-sustaining facilities
- Implemented new policies that establish financial sustainability as a pillar in all major decisions
- Improved business intelligence

#### 2018/19 UPDATE

- See Management Discussion and Analysis of the Consolidated Financial Statements section for a more complete discussion of this goal

## GOAL 8: There is demonstrable pride in the unique polytechnic advantage.

### PERFORMANCE MEASURES

#### RECOMMENDING PROGRAM TO OTHERS

**Description:** Percentage of graduates and final period apprentice completers who would recommend their program to others

#### 2018/19 DEGREE, DIPLOMA AND CERTIFICATE PROGRAM GRADUATES

TARGET

88%

ACTUAL

89.2%

#### 2018/19 APPRENTICES

TARGET

88%

ACTUAL

91.7%

PRIORITY INITIATIVE 18	EXPECTED COMPLETION DATE	STATUS
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Champion a polytechnic education model.

Winter 2020

In progress

ACCESSIBILITY

QUALITY

COORDINATION

ACCOUNTABILITY

#### EXPECTED OUTCOMES

- Identify and communicate the key components of polytechnic teaching
- Increased external and internal understanding of the difference and value of polytechnic teaching

#### 2018/19 UPDATE

- Developed a visual representation of the model that is included in our mandatory instructor and chair development courses
- Used the polytechnic education model in external meetings to promote an increased awareness of the polytechnic edge



PROMISE TO ALBERTA

# SUSTAINING ALBERTA'S BOREAL FOREST

**A SUSTAINABLE SUPPLY OF PLANTS** and shrubs native to Alberta's boreal forests is essential for reclaiming and restoring land disturbed by oil and gas sites, pipelines, utility services and resource roads.

NAIT's Centre for Boreal Research at Peace River is collaborating with multiple industry partners and Indigenous communities to ensure forest biodiversity. A \$1.75-million grant from the Natural Sciences and Engineering Research Council of Canada is enabling the Centre to apply its plant and seed technology research in response to an increased demand for native seedlings.

"With this funding, we can now become a service centre for business. We've been researching and innovating; now we want to get that information out to industry to make a difference," says Kevin Kemball, director of business development.

The Centre is working with Indigenous communities in northern Alberta and British Columbia to identify, collect, clean, store and grow native plant species.

"It's all about building capacity in the north to do this work," he noted.

As well as assisting commercial nurseries in developing protocols for native boreal seeds, scientists at the Centre are applying nanotechnology to improve germination. While nano-coated seeds are used in farming, this initiative is a first for use in Alberta's boreal forest.

"These nanoparticles can penetrate the seed coating and allow water to get into the embryo. We did a pilot project and saw a significant increase in germination," says Dr. Jean-Marie Sobze, Applied Research Chair – Plant and Seed Technologies at the Centre.



# FINANCIAL AND BUDGET INFORMATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

*(financial data expressed in thousands unless otherwise noted)*

This Management Discussion and Analysis (MD&A) should be read in conjunction with the Northern Alberta Institute of Technology (NAIT) consolidated financial statements and accompanying notes. The MD&A and audited financial statements are reviewed and approved by NAIT's Board of Governors on the recommendation of NAIT's Finance and Audit Committees. NAIT's consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards.

NAIT ended the year with its third year of an operating deficit after many years of operating surpluses. As described in greater detail below, many factors have contributed to this deficit, including the health of the Alberta economy, decreases in apprenticeship training, and other government grants, and tuition revenues have not been keeping pace with inflation. NAIT has strategies discussed in greater detail below to adapt to new funding realities and position itself well for new growth as the Alberta economy improves. Using its financial strength, NAIT is balancing meeting its vision, pursuing growth and other priorities of a world-class polytechnic while implementing financial sustainability strategies that will bring the polytechnic back to balance.

The following is an overview of the consolidated financial results achieved in the fiscal year ended June 30, 2019 by NAIT and the NAIT Foundation. It provides a discussion and analysis of the following:

1. Operating Environment and Overview
2. Financial Health Indicators
3. Financial Risks and Implications
4. Detailed Financial Results

### OPERATING ENVIRONMENT AND OVERVIEW

NAIT's vision is to be the most relevant and responsive post-secondary institution in Canada and one of the world's leading polytechnics. This has led NAIT to continue to invest in expanding learning opportunities, growing our campuses and building on our strong ties to industry partners.

NAIT has continued to grow despite several years where the main sources of revenue of grants and tuition have not kept pace with the growth in the numbers of students and services provided. Growth has been slowed by the downturn in the Alberta economy, which has significantly lowered the number of students accepted in apprenticeship programs. NAIT's degree, diploma and certificate programs continued to grow, and some of the apprenticeship numbers are expected to recover in line with the improvement in the Alberta economy.

## HIGHLIGHTS FROM OUR YEAR-END RESULTS

There are four key highlights in our 2018/19 financial results, and looking into the future years:

### 1. NAIT had a deficit for the third straight year

NAIT ended the year with our third consecutive operating deficit, although this year's \$5.6 million deficit is lower than last year's deficit of \$12.2 million. We were able to reduce this year's deficit due to NAIT's ongoing efforts to transform operations and commitments to financial sustainability. This will be a continual challenge as traditional funding sources decline.

### 2. Our financial strength allows strategic, long-term planning

Prior to the last three years of operating deficits, NAIT had several straight years of operating surpluses that provided us with the financial resources to act strategically, plan long-term, and continue to make investments in a period when we have had operational deficits. Our balance sheet remains healthy; however, NAIT must transition to an operational surplus to keep our balance sheet healthy, as this maintains our ability to be strategic rather than reactionary.

### 3. Stable government funding remains critical

NAIT has taken a balanced approach to adjust for the large reductions and constraints on the traditional funding sources of government grants and tuitions. We continued to grow, looked to diversify revenue sources and transformed our operations to be more efficient. Stable funding is critical for future growth and the path to a balanced budget.

### 4. We're still awaiting the land transfer grant for Blatchford

As was the case last year, the one-time land transfer grant for our Blatchford expansion did not take place this year. This grant is contingent on the province selling land in south Edmonton and providing the proceeds to NAIT. We expect the sale to be completed in 2019/20.

## PURPOSEFUL GROWTH

NAIT is on a path of growth to meet the needs of Alberta as presented in *NAIT 2021+*. Underlying this vision are demographics that point to careers needed to fuel Alberta's future growth. Growing new programs in emerging careers will be a focus, as new technology transforms career opportunities. NAIT's vision of growth is tied to the Government of Alberta's projections for graduates in all four areas of technology-based education: Energy, Environment and Bio Economy; Health; Construction and Trades; and Business and Entrepreneurship.

NAIT continues to make changes to be more efficient to allow for growth. At some point soon, however, this will be threatened if funding for growth is not part of an updated funding model. This is especially true given the fact that tuition revenue is in the fifth year of a tuition freeze, and NAIT's tuition rates are low compared to other comparable post-secondary institutions. Recently, the Alberta government commissioned the MacKinnon Report that is recommending increases in tuition levels. NAIT will assess the impact of increasing tuition levels going forward.

NAIT continues to challenge all our leaders to provide services more efficiently and effectively as traditional revenue sources have declined. Change is the nature of the environment we live in, where new technologies, customer expectations, changing products and competitors occur rapidly. Our business processes must adapt, and transforming our operations is part of this change. Looking at transformation of activities has been a central focus of all NAIT schools and business units to ensure we are adapting to the expectations of tomorrow's students and industry.

NAIT, with its close relationship with business and industry, has grown its capacity to serve industry. Services (branded as Industry Solutions) are generally funded by the revenues associated with providing those services and not the Campus Alberta grant that funds students' education. This is a critical mission of a polytechnic.

Growing the capacity to provide services to industry provides two important benefits. First, it helps improve the competitiveness, productivity and innovation of industry in our province. Secondly, it helps diversify NAIT's revenues, which will help in maintaining financial sustainability.

## REVENUE STREAMS

NAIT focuses on developing new revenue streams to move away from our reliance on government grants and student tuitions. NAIT is strengthening its model to provide a wider range of services to industry. The Productivity and Innovation Centre provides a dedicated space for Industry Solutions. It delivers:

- Training and certification
- Business innovation
- Conference and events.
- Applied research
- Product innovation

In 2018/19, the department of Corporate, International Training and Continuing Education increased revenues by 18% exceeding targets by 11%, largely due to significant growth in international contracts. NAIT's Applied Research and Innovation revenues grew by 18% but fell short of targets. Revenues in these areas are expected to increase as NAIT's Industry Solutions model develops and evolves.

Through sound fiscal management, NAIT accumulated a significant investment portfolio, the earnings of which help provide funding for annual operations. At June 30, 2019, NAIT had cash and net investments totaling \$102 million (\$100 million – 2018) excluding investments offset by debt or reserved for endowments. This amount decreased over the last several years as NAIT strategically invested in transformative projects, such as the Productivity and Innovation Centre, and the refurbishments to the L and T Buildings.

Despite efforts to grow other revenue streams, NAIT is highly dependent on Government of Alberta capital and operating grants, which accounted for approximately 57% of total revenues for 2018/19 and regulated tuition revenues, which were approximately 16% in 2018/19.

Further, the Ministry of Advanced Education has changed the way it funds operations of new facilities, or "lights-on funding". This funding for new buildings to make ongoing operations sustainable is no longer provided. In 2018/19, NAIT received \$4.2 million less (\$4.8 million in the previous year) funding for "lights-on" costs for the Centre for Applied Technology (CAT). NAIT's original business case for CAT relied on this funding to recover these costs. In effect, this grant reduction more than offsets the 2% increase in operating grants.

The current funding model does not provide additional funding to those institutions that are growing in the number of students they serve. Funding for apprenticeship student numbers has been reduced as other non-apprentice programs grow. The model presents a significant constraint as tuition does not cover the delivery costs for the majority of programs. This is particularly challenging for institutions such as NAIT with comparatively low tuitions prior to the tuition freeze. In some programs with large capital needs or smaller numbers of students due to the nature of training, tuition revenues support substantially less of the expenditures needed to provide these courses.

## EXPENSES

NAIT's two largest expenses are for staffing and capital.

Any future agreements with staff will be negotiated based on balancing the need to be financially sustainable with the need to attract and retain the talent required to grow and maintain NAIT. The ability to align increases to staffing costs and government grants is critical to financial sustainability. In an attempt to contain salary growth, NAIT implemented a hiring chill in 2017/18 and continues an approval process for new hires. Negotiations are underway with the Alberta Union of Provincial Employees (AUPE) and the NAIT Academic Staff Association (NASA).

Many of the capital projects required to reach the vision of *NAIT 2021+* were completed in recent years with the acquisition of Blatchford lands, opening of the Centre for Applied Technology (CAT) and the Productivity and Innovation Centre (PIC), and renovations to the L and T Buildings. These new buildings and renovations make NAIT more efficient and effective in meeting the needs of students, staff and industry partners. Future plans include building a collegiate, student housing and a Skills Centre. The Skills Centre will consolidate NAIT's skilled trades training across three campuses and modernize this training to better meet Alberta's industry needs and help elevate industry to more competitive practices that increase its competitiveness.

## FINANCIAL HEALTH INDICATORS

(financial data expressed in thousands unless otherwise noted)

NAIT views its financial health in terms of its accumulated Net Asset position and its yearly Operating Deficit/ Surplus. Both are described below.

### HEALTH OF NET ASSET POSITION - ACCUMULATED SURPLUS

NAIT ended the 2018/19 fiscal year with a total accumulated surplus of \$270,042 (2017/18: \$270,752), including the accumulated remeasurement gains of \$10,911 (2017/18: \$7,226). It includes \$142,614 (2017/18: \$146,806) related to amounts invested in capital assets and \$45,779 (2017/18: \$44,511) held for endowments, which continue to grow. Of the remaining \$81,649 of accumulated surplus, \$19,345 is reserved for Main Campus renovations, \$9,843 for student housing, and \$1,197 for other capital priorities. NAIT has targeted \$7,273 to priority operational activities such as course redevelopment, Industry Solutions and development of strategic initiatives.

The best indicator of NAIT's financial strength is its accumulated operating surplus that has not already been spent on capital or committed to future expenditures. At the end of 2018/19, this amount was \$43,991 (2017/18: \$30,499), or approximately 11.6% of NAIT's annual operating expenses. The prior two years' operating deficits did not negatively impact the accumulated operating surplus as they were almost fully covered by an \$18 million operating reserve previously set up to support temporary deficits. This reserve has been fully depleted, so the current operating deficit has reduced NAIT's accumulated operating surplus. Note 12 to the financial statements contains a more complete picture of NAIT's accumulated surplus.

### HEALTH OF YEARLY OPERATING DEFICIT/SURPLUS

NAIT ended 2018/19 with an operating deficit of \$5,638 (2017/18 deficit: \$12,213). Much of the deficit related to a decline in revenues including: a drop in funded apprenticeship seats and their related tuitions, costs associated with the delivery of apprenticeship were not able to be reduced at the same rate, and the loss of the "lights-on" funding as described in Revenue Streams.

Also contributing to the deficit was one-time severance related to the reduction of apprenticeship seats. However, through efforts taken by NAIT leaders and implementation of a hiring chill, there were savings in many of the business units to help partially offset the revenue decline. NAIT continues to look for ways to transform our operations to be financial sustainable into the future.

### FINANCIAL SUSTAINABILITY - LOOKING FORWARD

With the current funding and tuition models and economic conditions in the province, NAIT faces challenges in balancing its budget. NAIT has incurred extra staffing and capital costs (buildings, information technology, and equipment) over the past couple of years to support its growth. Ultimately, returning to a balanced budget and maintaining financial health will depend on the success of several actions and transformations.

The main pillars of NAIT's financial sustainability strategy are as follows:

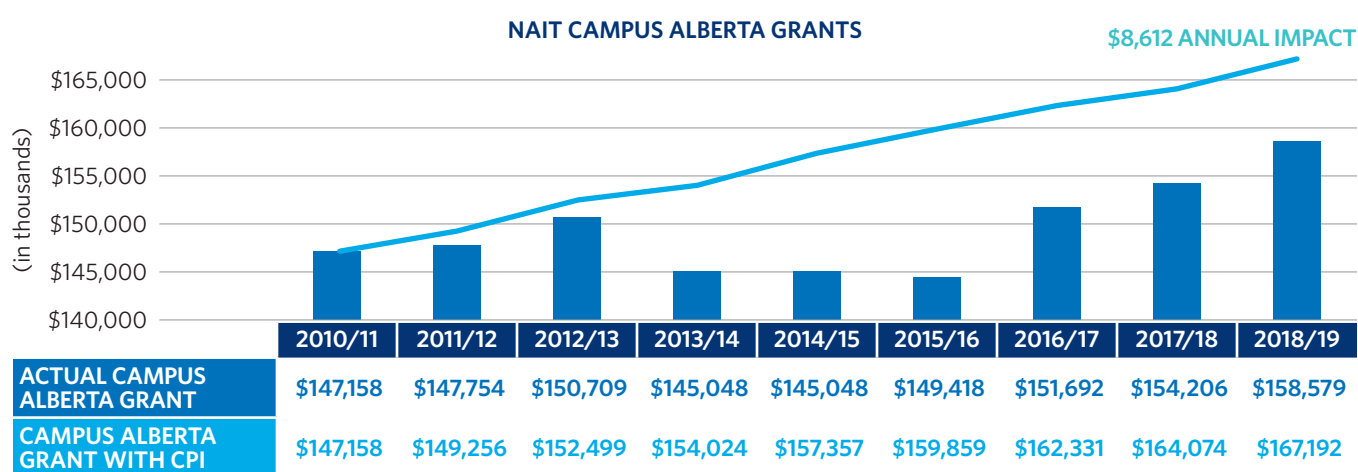
- Grow earned revenues through developing a robust Industry Solutions model (including the opening of the Productivity and Innovation Centre) and growing our continuing education revenue.
- Grow credit program revenues in a way that maximizes existing resources (instructors and classrooms), so net new growth creates greater tuition revenue and limits extra costs associated with this growth where possible.
- Advocate for sustainable funding and tuition models that consider outcomes and support growth.
- Negotiate labour agreements with the appropriate balance of affordability and ability to recruit the necessary staff to achieve *NAIT 2021+*.
- Continue to pursue and refresh the Capital Plan based on affordability and efficiency (efficient use of space, consolidation to one Main Campus) and provide space to meet NAIT's long-term vision.
- Optimize the use of resources to ensure they are being used as efficiently as possible.
- Continually assess services offered and ensure they continue to be important to the *NAIT 2021+* vision.
- Improve the productivity of our information technology and other systems and processes.

## FINANCIAL RISKS AND IMPLICATIONS

As a large institution with significant growth potential, NAIT deals with many risks and opportunities. The following items comprise NAIT's significant financial risks.

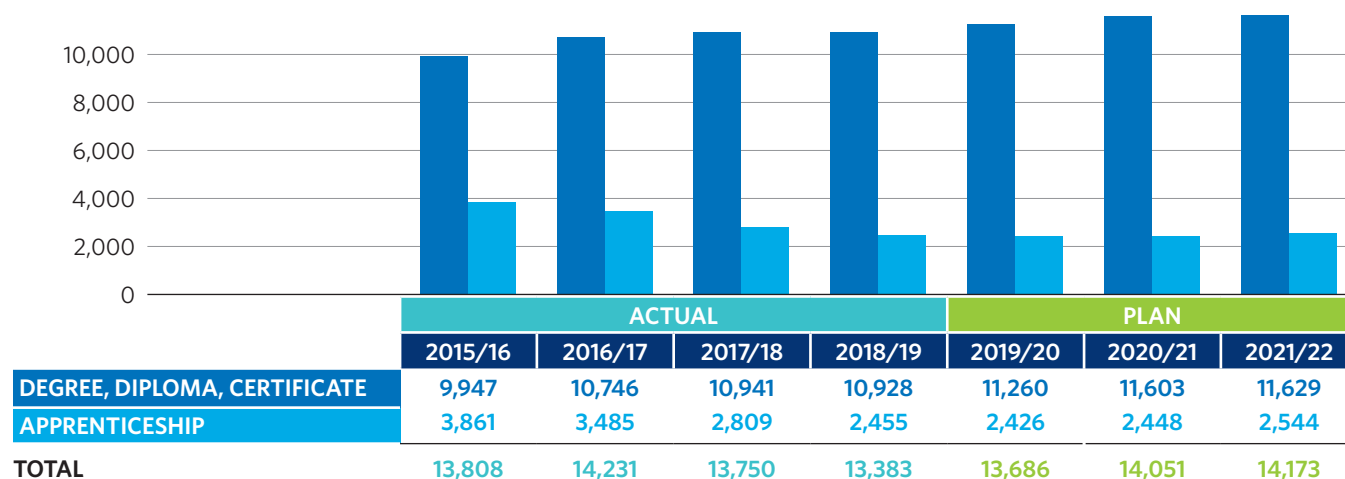
- 1. Government Funding** – Government funding is tied to the health of the economy and emerging fiscal pressures; therefore, long-term stability remains a risk. NAIT is mitigating this risk as discussed above. It was not until recent years that our government grants have been adjusted for inflation. Several years included either decreases in grants, or grants staying at the same level that impacted NAIT's ability to absorb rising costs. The government increased operating grants for 2018/19 by 2%; however, other grants such as "lights-on funding" for new facilities were discontinued more than offsetting the 2% increase. Most recently, the government commissioned the MacKinnon Report on Alberta's finances that suggests government should assess funding models going forward, and further grant decreases may occur. NAIT is adapting to this new funding reality, in part, by taking steps to increase efficiency and effectiveness.

The following chart shows how the Campus Alberta Grant would have been calculated if it were increased for inflation using the annual Alberta Consumer Price Index (CPI). Starting with 2010/11, this graph depicts the actual Campus Alberta Grant in 2018/19 as compared to what it would have been had it been adjusted for Alberta inflation each year since 2010/11. The tuition freeze adjustment has been removed in the chart below to reflect the true inflationary growth in the Campus Alberta Grant.



- 2. Private Sector Competition for Staff** – Payroll is the largest expense and must be carefully managed. NAIT needs to take prudent steps when negotiating labour agreements, or financial sustainability will be at risk. Prudent steps balanced with attracting staff will allow NAIT to fully achieve *NAIT 2021+*. Many of the skills NAIT teaches, and which the polytechnic requires to operate are in high demand. While this demand has lessened with the downturn in the Alberta economy, demand persists subject to cyclical economic trends.
- 3. Enrolment Growth Funding** – NAIT's plan, as outlined in *NAIT 2021+*, forecasts continued growth in student enrolment. Growth in full-load equivalents (FLE) in degree, diploma and certificate programs increased from 10,746 FLE in 2016/17 to 10,928 in 2018/19 and plans to increase to 11,260 in 2019/20. Contrasting this, funding for apprenticeship programs declined as fewer seats are required by government and funding is reduced for many of the programs where seats have decreased. Apprenticeship FLE were 2,455 in 2018/19, down from 2,809 in 2017/18 and are expected to drop further to 2,426 in 2019/20 then level off and start to recover.

### NAIT - FLE TREND



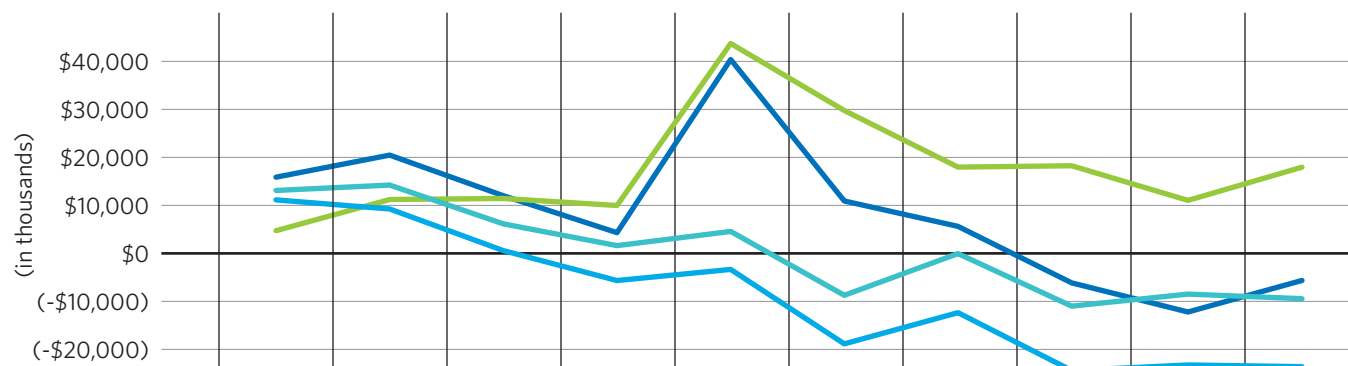
There is no mechanism to increase the Campus Alberta Grant for the general growth NAIT expects over the next several years. This is a substantial risk: at some point, it will limit NAIT's ability to grow. This risk is especially prevalent for high-cost programs, even if these programs are the ones that the Alberta economy demands. NAIT continues to advocate for a new funding model that recognizes student growth and parity of tuition across the sector.

4. **Increasing Student Supports and Services** – As a polytechnic, NAIT has placed a strong emphasis on developing students' academic understanding and technical skills in targeted program areas. A more holistic student focus that emphasizes student health (both physical and mental), safety and additional wrap-around supports, such as student housing, continues to be developed in line with NAIT becoming a world-class polytechnic institution. These additional student supports and services come at a cost to NAIT. In some instances, such as mental health initiatives, there is targeted funding from the Ministry of Advanced Education. NAIT will continue to develop and analyze data on the nature and needs of students to fully understand the specific types of supports and services required.
5. **Facilities Development and Maintenance** – With capital grants from government constrained, it is challenging for NAIT to construct new facilities and upgrade and maintain existing facilities to support growth potential. NAIT's traditional high utilization rate of existing space has impacted programming growth and resulted in less-than-optimal facilities being maintained in service. The construction of the Centre for Applied Technology relieved some pressure on utilization, allowed for overall growth in enrolments, and is helping NAIT proceed with the Campus Development Plan to refurbish Main Campus, thereby reducing maintenance costs. Renovating the L and T Buildings is an example where NAIT has increased the efficiency and effectiveness of existing buildings, further reducing this risk. To continue to achieve the growth in student enrolments ultimately set out in *NAIT 2021+* and in the Government of Alberta projections on labour needs, NAIT requires a combination of new development and updated existing space.
6. **Investment Revenues** – Sound financial management has allowed the institute to accumulate a sizable investment portfolio, which has produced revenue that helped sustain operations and produce operating surpluses in past years. Investment revenues, by their nature, are subject to unstable returns. The investment market has produced very good returns, exceeding budget expectations for several years.

By using some of its existing investments to fund institutional capital priorities, NAIT will have lower investment revenues to support operations. Much of these investments have been made, and NAIT intends to keep a sizeable investment balance in its long-term investment fund to support endowments and other institution priorities. Notes 5 and 6 to the Financial Statements contain more complete information on NAIT's investments and risk mitigation actions.

The following chart shows the flow of NAIT's deficit/surplus over time. It shows the overall deficit/surplus and what the results would be if adjusted for normal (budgeted) investment revenues, or no investment revenues. It is meant to demonstrate NAIT's reliance on a volatile revenue source.

# NAIT ANNUAL SURPLUS (DEFICIT) ADJUSTED FOR INVESTMENT INCOME



	2009/10 ACTUAL	2010/11 ACTUAL	2011/12 ACTUAL	2012/13 ACTUAL	2013/14 ACTUAL	2014/15 ACTUAL	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ACTUAL
OPERATING SURPLUS (DEFICIT)	\$15,873	\$20,475	\$12,016	\$4,318	\$40,390	\$10,911	\$5,629	(\$6,146)	(\$12,213)	(\$5,638)
ADJUSTED OPERATING SURPLUS (DEFICIT) WITH NO INVESTMENT INCOME	\$11,146	\$9,253	\$580	(\$5,659)	(\$3,338)	(\$18,851)	(\$12,347)	(\$24,399)	(\$23,253)	(\$23,599)
ADJUSTED OPERATING SURPLUS (DEFICIT) WITH BUDGETED INVESTMENT INCOME	\$13,107	\$14,234	\$6,151	\$1,615	\$4,573	(\$8,734)	(\$42)	(\$10,993)	(\$8,483)	(\$9,437)
INVESTMENT INCOME	\$4,727	\$11,222	\$11,436	\$9,977	\$43,728	\$29,762	\$17,976	\$18,253	\$11,040	\$17,961



# DETAILED FINANCIAL RESULTS

## CONSOLIDATED STATEMENT OF OPERATIONS

(financial data expressed in thousands unless otherwise noted)

### REVENUE

NAIT's total revenue increased by \$6,745 (1.8%) this year, from \$368,172 in 2017/18 to \$374,917 in 2018/19.

The distribution of total revenue between revenue sources for 2018/19 is presented in the chart below. The comparative percentage for the previous year is shown in brackets.



#### NAIT REVENUE

**2018/19: \$374.9 MILLION** (2017/18: \$368.2 million)

**52.0% GOVERNMENT OF ALBERTA OPERATING GRANTS** (2017/18: 54.4%)

**24.0% STUDENT TUITION AND RELATED FEES** (2017/18: 24.0%)

**10.5% SALES, RENTALS AND SERVICES** (2017/18: 10.2%)

**6.2% EXPENDED CAPITAL RECOGNIZED AS REVENUE** (2017/18: 6.2%)

**4.8% INVESTMENT INCOME** (2017/18: 3%)

**1.6% DONATIONS AND OTHER CONTRIBUTIONS** (2017/18: 1.6%)

**0.9% FEDERAL AND OTHER GOVERNMENT GRANTS** (2017/18: 0.6%)

Highlights of the revenue increases are noted below:

#### GOVERNMENT OF ALBERTA GRANTS

Government of Alberta operating grants, which includes the Campus Alberta Grant and several conditional and one-time grants, decreased from the prior year by \$5,657 (-2.4%).

- Campus Alberta Grant as a proportion of total revenue is 43.4% compared to the previous year's level of 42.7%. Overall, the base grant increased by \$5,428 (+3.4%) from \$157,423 in 2017/18 to \$162,851 in 2018/19, which related to a \$1,661 increase for inflation, additional funding of \$1,055 to cover the amount estimated to be lost from the tuition freeze, and a portion of the conditional growth target grant was rolled in of \$2,712 representing the programs where the targets were met.
- However, the conditional targeted enrolment grant decreased by \$2,712 when it was rolled into the Campus Alberta Grant.
- Apprenticeship grant funding decreased by \$4,664 (-23.5%) from \$19,827 to \$15,163 as NAIT was funded for 1,587 fewer apprenticeship seats with 10,434 in 2018/19 from 12,021 in 2017/18. Some of the larger changes in seats were in Automotive (+192), Electrician (-426 seats), Welder (-210 seats), Millwright (-200 seats), Plumber (-168 seats), Boilermaker (-144 seats), Steamfitter (-120 seats), Machinist (-80 seats), Powerline Technician (-72 seats), Heavy Equipment Technician (-72 seats), and Iron Worker (-72 seats). Other smaller increases and decreases were seen across all other trades.
- The discontinuation of lights-on funding for CAT meant NAIT also received \$4,245 less in Government of Alberta grants in 2018/19.

## INVESTMENT REVENUE

Investment revenue increased by \$6,921 (62.7%) mainly due to capital gains recognized from repositioning the portfolio and the liquidation to repay the Alberta Capital Finance Authority loan.

The portfolio investment balances dropped by \$35,715 (-11.3%), from 2017/18 of \$315,241 to \$279,526 in 2018/19. This decrease reflects the continued investment into capital, specifically related to the Productivity and Innovation Centre construction and renovations of older facilities during 2018/19.

Further information on cash and portfolio investments are in Notes 4 and 5 to the consolidated financial statements.

## FEDERAL AND OTHER GOVERNMENT GRANTS

Federal and other government grants increased by \$1,122 (49.5%), from \$2,267 in 2017/18 to \$3,389 in 2018/19. This increase is a direct result of increased government funding for applied research activity that aligns with the vision of NAIT 2021+. Examples of recently funded project include the Culinary Innovation Centre and Centre for Innovative Media. Additional increases in applied research revenues are captured in Government of Alberta grants and sales, rentals and services revenue categories.

## STUDENT TUITION AND RELATED FEES

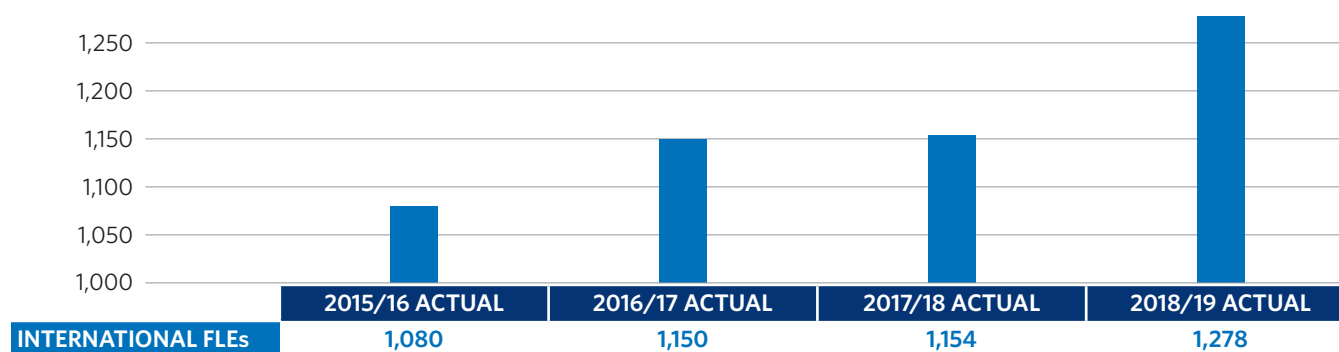
Student tuition and related fees revenue increased by \$1,809 (10.6%) from \$88,338 in 2017/18 to \$90,147 in 2018/19. Most of the increase was due to international students paying a higher surcharge over last year. Student tuitions and fees represent 24.0% of NAIT's overall revenue, remaining constant with the 2017/18 revenue proportion.

- Several factors influence the average tuition per FLE, such as individual course mix, full-time versus part-time student mix, and the average number of courses per student. While a given increase or decrease in FLE will explain most of the change in tuition dollars, it will not necessarily yield the exact same percentage change for the above noted reasons.
- Degree, diploma and certificate program revenues decreased by \$196 (-0.4%), from \$52,499 in 2017/18 to \$52,303 in 2018/19. Tuition fee rates remained frozen at 2014/15 levels as directed by Alberta Advanced Education regulations. NAIT had a decrease in enrolments of 13 FLE (-0.1%) from 10,941 in 2017/18 to 10,928 in 2018/19.
- Student tuition and related fees from apprenticeship training decreased by \$1,188 (-13.0%), from \$9,160 in 2017/18 to \$7,962 in 2018/19. This change was directly related to the decrease in funded apprenticeship seats, which was the equivalent of -354 FLEs (-12.6%) decreasing from 2,809 in 2017/18 to 2,455 in 2018/19.

FLE TREND	ACTUAL				CHANGE	PLAN	VARIANCE
	2015/16	2016/17	2017/18	2018/19	2017/18	2018/19	2018/19
DEGREE, DIPLOMA, CERTIFICATE	9,947	10,746	10,941	10,928	(13)	11,260	(332)
APPRENTICESHIP	3,861	3,485	2,809	2,455	(354)	2,426	29
<b>TOTAL</b>	<b>13,808</b>	<b>14,231</b>	<b>13,750</b>	<b>13,383</b>	<b>(367)</b>	<b>13,686</b>	<b>(303)</b>

- Revenue from the international student surcharge increased from the prior year by \$3,163 (23.7%), from \$13,353 in 2017/18 to \$16,516 in 2018/19. The international surcharge is the portion of tuition charged to international students above the domestic rate, which is meant to cover the full cost of the program.
- General growth of international student FLEs continues, increasing from 1,154 in 2017/18 to 1,278 in 2018/19 (10.7%). In addition to the volume growth, there is a higher proportion of new students at the new 3.15 surcharge rate versus continuing students at the old 2.35 surcharge rate, resulting in higher overall surcharge dollar amounts.

## INTERNATIONAL FLEs



## SALES, RENTALS AND SERVICES REVENUE

- Ancillary operations revenues decreased \$611 (-2.5%), from \$24,477 in 2017/18 to \$23,866, resulting from the decrease in apprenticeship students and lower student purchases. Ancillary operations consist of:
  - shop AT NAIT* (Bookstore) operations – 40% of ancillary revenue \$9,626, decreased \$861 (-8.2%) from prior year.
  - eat AT NAIT* – 34% of ancillary revenue \$8,045, decreased \$293 (-3.5%) from prior year.
  - Parking – 21% of ancillary revenue \$5,069, increased \$221 (4.5%) from prior year.
  - Conferences and Events – 5% of ancillary revenue \$1,117 increased \$632 (49%) from similar operations last year.
  - one AT NAIT* (One Card) and Athletics make up the balance of ancillary revenue.
- Training contracts increased \$3,419 (53%), up from \$6,452 in 2017/18 to \$9,871 in 2018/19. While domestic training contract growth remains flat, there were large increases in international contracts, specifically from contracts in Uganda and Northern China.
- Other sales, rentals and services revenue includes NAIT's share of PanGlobal management fees, locker rentals, conference room rentals, event revenues, and one-time revenues such as gain on disposal of assets, insurance proceeds, etc. This revenue decreased by \$1,076 (-16.3%) from \$6,586 to \$5,510 due mainly to one-time insurance proceeds received in 2017/18 for fire damages incurred in 2016/17.

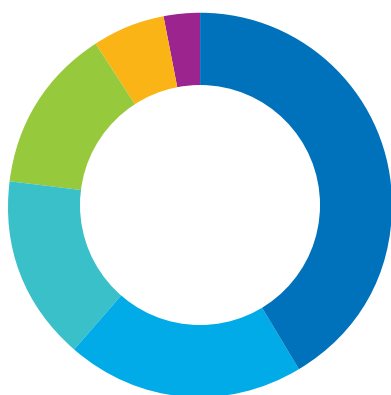
## DONATION AND OTHER CONTRIBUTION REVENUE

Donation and other contribution revenue include the amount of revenue that is necessary to cover the fundraising costs of projects by the Department of Advancement, gifts-in-kind that are expensed, scholarships, bursaries and other expenses funded by donations. Donation revenues raised in a given year are not recognized as revenue until they are spent, so the financial statements only reflect those donations that were spent this year. The recognized donation and other contributions increased by \$224 (3.8%) from \$5,894 in 2017/18 to \$6,118 in 2018/19. Revenue was still higher than the planned \$5,418 in 2018/19. All fundraising activity (including cash, in-kind and amounts not yet recognized) totaled \$17,992 above the target of \$10,000.

## EXPENSES

Total actual expenses increased by \$170 (0.0%), from \$380,385 in 2017/18 to \$380,555 in 2018/19.

The distribution of total expenses by function for the 2018/19 fiscal year is presented in the following chart along with the comparative percentage for the previous year, shown in brackets.



### NAIT EXPENSES

**2018/19: \$380.6 MILLION** (2017/18: \$380.4 million)

**41.5% INSTRUCTIONAL DELIVERY** (2017/18: 42.3%)

**20.0% FACILITIES OPERATIONS AND MAINTENANCE** (2017/18: 18.9%)

**15.7% ACADEMIC AND STUDENT SUPPORT** (2017/18: 16.2%)

**13.8% INSTITUTIONAL SUPPORT** (2017/18: 13.4%)

**6.2% ANCILLARY SERVICES** (2017/18: 6.3%)

**2.8% APPLIED RESEARCH** (2017/18: 2.9%)

**0% FUNDRAISING** (2017/18: 0%)

The key expense highlights compared to prior year are as follows:

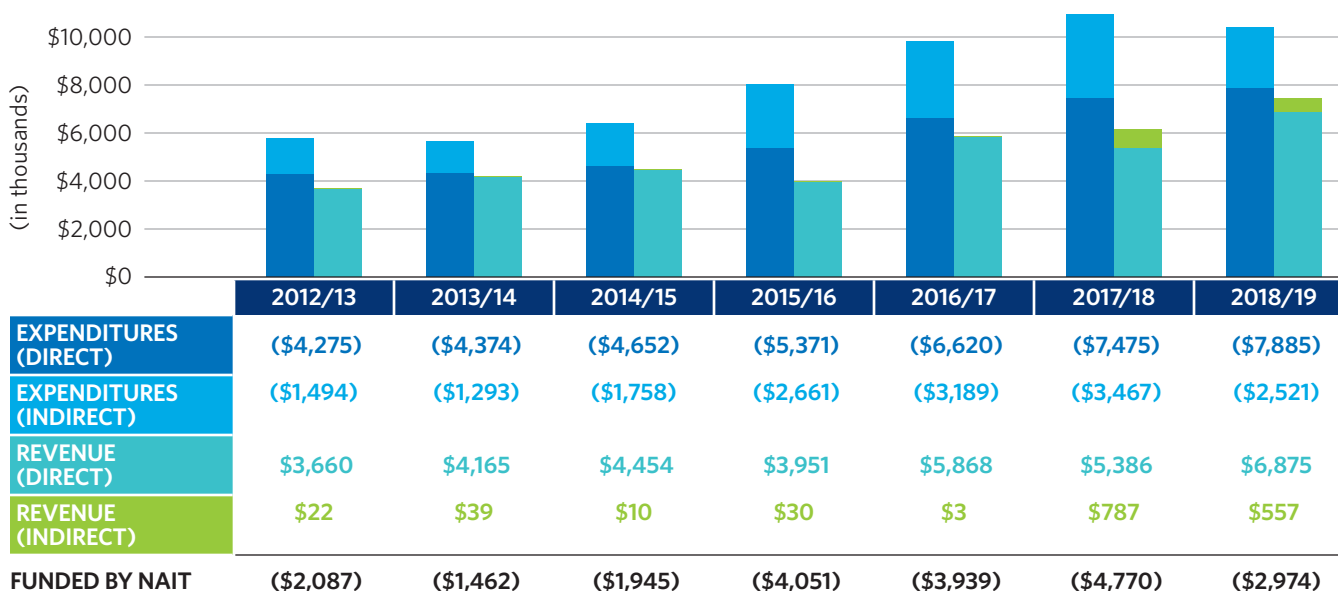
### INSTRUCTIONAL DELIVERY

Instructional delivery, which includes both credit and non-credit programs, decreased by \$2,582 (-1.6%), from \$160,638 in 2017/18 to \$158,056 in 2018/19. The largest decreases were in the School of Skilled Trades, where staffing levels were reduced by 39 FTE amounting to \$4,680. The severance expense in 2018/19 was \$2,899 lower than what was expensed in the prior year. These savings were offset by step increases for NAIT Academic Staff Association (NASA) members and increased contract staffing for non-credit programming.

### APPLIED RESEARCH

Applied research expenses decreased by \$656 (-5.9%) from \$11,161 in 2017/18 to \$10,505 in 2018/19 due to delays in some projects. However, as part of the vision of *NAIT 2021+*, applied research is forecasted to grow significantly over the next few years as part of the Productivity and Innovation Centre and NAIT's Industry Solutions model. NAIT's contribution to applied research activities is expected to decline and will be supported by increased funding for indirect research costs into the future.

### APPLIED RESEARCH & INNOVATION REVENUES AND EXPENDITURES



## FACILITIES OPERATIONS AND MAINTENANCE

Facilities operations and maintenance expense, while lower than planned, increased over the prior year by \$4,195 (5.8%), from \$71,736 in 2017/18 to \$75,931 in 2018/19. The increase is mainly due to higher amortization costs of \$3,512, which is a direct result of the construction of PIC. Maintenance spending was also higher than expected by \$963, which was funded by an infrastructure renewal grant.

## ACADEMIC AND STUDENT SUPPORT

Academic and student support expenses decreased by \$1,953 (-3.2%), from \$61,641 in 2017/18 to \$59,688 in 2018/19. The decrease was due to reduced staffing levels in the prior year in Campus Life and Learning and Teaching Commons and lower severance costs this year.

## INSTITUTIONAL SUPPORT

Institutional support increased by \$1,572 (3.1%) from \$51,110 in 2017/18 to \$52,682 in 2018/19. This increase mainly relates to scaling up Industry Solutions by \$939, one-time severance costs in Information and Technology Services of \$201, and higher insurance premiums of \$265.

## ANCILLARY SERVICES

Ancillary operations consist mainly of parking, eat AT NAIT (food services), and shop AT NAIT (bookstore) operations. Expenses decreased by \$403 (-1.7%), from \$23,994 in 2017/18 to \$23,591 in 2018/19 as is a direct result of lower sales volumes.

## OPERATING RESULTS COMPARED TO BUDGET

The Consolidated Statement of Operations reports an operating deficit of (\$5,638), which arises from actual revenue being less than budgeted by \$12,634 (-3.4%). This partially offset actual expense being less than budgeted by \$323 (-0.1%), as follows:

	BUDGET 2018/19	ACTUAL 2018/19	DOLLAR VARIANCE	PERCENTAGE VARIANCE
<b>Total Revenue</b>	\$387,551	\$374,917	(\$12,634)	-3.4%
<b>Total Expense</b>	\$380,878	\$380,555	(\$323)	-0.1%
<b>OPERATING SURPLUS (DEFICIT)</b>	<b>\$6,673</b>	<b>(\$5,638)</b>	<b>(\$12,311)</b>	

The overall actual revenue was below budget for the following reasons:

- The budgeted revenue included the original estimate of \$14,000 expected for a land transfer grant from the Government of Alberta that did not occur in 2018/19 but is expected to occur in 2019/20.
- Student tuition and related fees were below plan by \$4,278 as degree, diploma and certificate tuition revenues, although higher than last year, were less than planned by \$1,763 (-3.3%) due to lower than planned student FLEs by 332 (-3%). Tuition for non-credit training was lower than planned by \$2,518 due to lower student enrolment than anticipated.
- Training contract revenues were higher than planned by \$3,567 mainly due to the Uganda training contract.
- Investment revenue was above plan by \$3,799 (28.6%) due to capital gains realized from repositioning long-term investment funds \$2,512, and capital gains from partial liquidation of long-term investment funds required to refinance debt of \$3,353, which was offset by a higher rate of return on investment portfolio applied to endowments by \$1,771.
- Retail sales were lower than planned by \$775 (-3.2%) due to the decline in the number of apprenticeship students and lower average student purchase volumes, which were offset by a higher rate of return on investment portfolio applied to endowments.
- Applied research revenues were above the prior year, but below growth plans by \$2,192, offset by lower than planned costs.

The major variances between actual and budgeted expenses are as follows:

- Lower than planned spending on applied research by \$2,687 as some major projects were delayed.
- Facilities operations and maintenance spending was below budget by \$2,746 due to lower than planned maintenance costs of \$2,935 and lower than planned utilities costs of \$1,238, offset by higher than planned amortization for the PIC of \$1,068.
- Academic and student support was below plan by \$1,968, primarily due to temporary staff savings resulting from vacant positions and delayed hiring.
- Instructional delivery costs were \$6,673 above plan due to program growth in Digital Media and Information Technology of \$705 and English as a Second Language of \$960. Additional international recruitment commissions of \$238 increased international student enrolments. There were additional costs associated with increased project spending that were funded through donation revenues of \$519. Total NAIT severance costs of \$3,699 were higher than estimated by \$895.
- As part of the financial sustainability strategy, NAIT leaders have undertaken reviews of their business units to find efficiencies and create savings. However, there were stretch target savings in staffing that were not yet achieved of \$1,800, with this focus continuing into next year. Overall expenses were reduced by \$2,582 from prior year levels.
- NAIT leadership continued with the hiring chill resulting in many vacant positions remaining unfilled.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NAIT's Consolidated Statement of Financial Position gives a snapshot of the financial health of the institute in the Net Assets section. A few of the key changes in assets and liabilities demonstrate NAIT's investment in growth to meet the vision of *NAIT 2021+*. Key changes in net assets are described below.

### CASH AND CASH EQUIVALENTS/PORTFOLIO INVESTMENTS

The total cash and cash equivalents and portfolio investments (non-endowment) decreased by \$37,930 from \$271,025 in 2017/18 to \$233,095 in 2018/19. This decrease reflects the continued investment into capital, specifically related to refinancing and partial debt repayment for construction during 2017/18. While the above non-endowment fund balances decreased year over year, the endowment funds continued to grow, increasing by \$4,592 from \$53,126 in 2017/18 to \$57,718 in 2018/19. Further information on cash and portfolio investments are in Notes 4 and 5 to the Consolidated Financial Statements.

### ACCOUNTS RECEIVABLE

The accounts receivable balance is made up of amounts owing from students, government and government agencies and industry partners. There was an increase of \$475 in accounts receivable from \$7,648 in 2017/18 to \$8,123 in 2018/19.

### INVENTORIES FOR SALE

The majority of the inventory of goods held for sale is at shop AT NAIT and includes smaller inventory balances for eat AT NAIT. The overall inventory decreased by \$113, from \$2,926 in 2017/18 to \$2,813 in 2018/19, due to lower sales levels that required lower inventory levels.

### ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

NAIT's accounts payable and accrued liabilities include outstanding vendor invoices, construction holdbacks, payroll remittances and amounts set aside to pay employees who are currently on self-funded leaves.

### EMPLOYEE FUTURE BENEFIT LIABILITIES

Employee future benefit liabilities include supplemental retirement plans, long-term disability, vacation entitlements and employee self-funded future leaves. The employee future benefit liabilities increased by \$143 due mainly to actuarial assumptions used in valuing these future liabilities.

## DEBT

NAIT has two outstanding sources of debt: \$20,054 for the construction of the parkade, which matures in 2042, and \$111,000 for the construction of the Productivity and Innovation Centre and the purchase of Blatchford land, which matures in 2049. The major decrease of \$39,549 was due to the refinancing of \$111,000 of the original \$150,000 Centre for Applied Technology loan and is offset by a decrease in our portfolio investments.

## UNEARNED REVENUE

Unearned revenue includes amounts collected in advance from students for future terms or courses. Tuition is reported as unearned revenue, until revenue is recognized in the period in which the classes are offered. Unearned revenue increased by \$1,945 (13%) from \$15,081 in 2017/18 to \$17,026 in 2018/19.

## DEFERRED CONTRIBUTIONS

Deferred contributions are targeted amounts received, intended for specific purposes that will be spent in the future. These include endowment interest, conditional grants, research grants and restricted donations. The increase of \$10,175 is primarily increased donations that will be recognized as they are spent and capital and facility infrastructure grants within the year. Further details about Deferred Contributions can be found in Note 9 to the Consolidated Financial Statements.

## TANGIBLE CAPITAL ASSETS

The overall decrease in the value of the capital assets of \$11,418 is primarily due to amounts capitalized of only \$27,465 being lower than amounts amortized of \$38,446. Further information on tangible capital assets is disclosed in Note 10 to the Consolidated Financial Statements.

## SPENT DEFERRED CAPITAL CONTRIBUTIONS

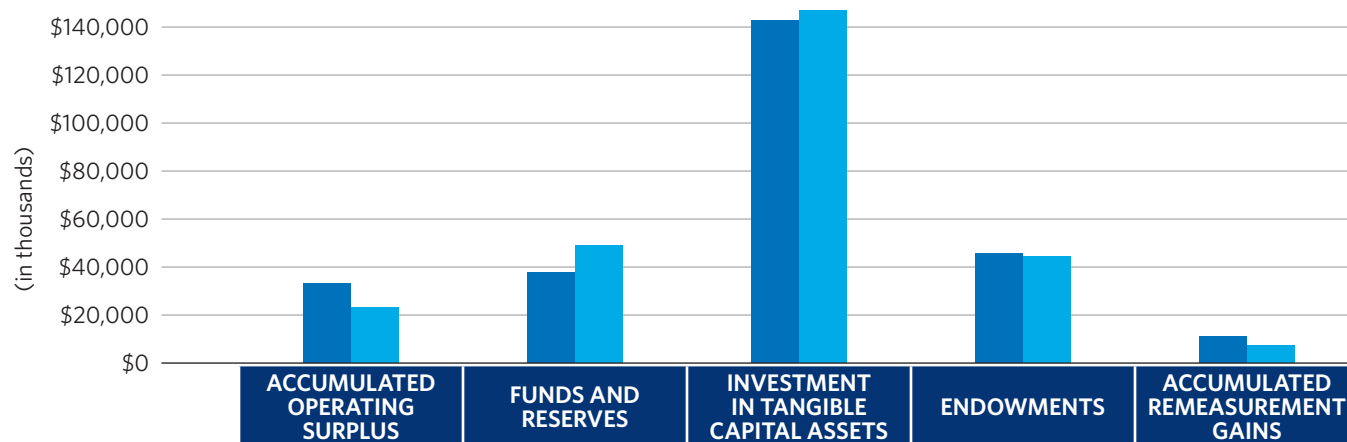
This category represents amounts spent on capital assets that have not yet been recognized as revenue. Much of the balance of \$331,921 in 2018/19 (\$345,064 in 2017/18) relates to donations and grants that have been spent on the construction of CAT and PIC, which will be recognized over the life of the buildings as they are amortized. Details are disclosed in Notes 9 and 11 to the Consolidated Financial Statements.

## NET ASSETS

Net Assets are comprised of accumulated operating surplus, funds and reserves, investments in tangible capital assets, endowments and remeasurement gains. These are described in Note 12 to the Consolidated Financial Statements. The Net Assets decreased by \$710 (0.3%) from \$270,752 in 2017/18 to \$270,042 in 2018/19 as follows:



## NET ASSETS



	2018/19	2017/18	INCREASE (DECREASE)	% CHANGE
ACCUMULATED OPERATING SURPLUS	\$33,080	\$23,273	\$9,807	42.1%
FUNDS AND RESERVES	\$37,658	\$48,936	(\$11,278)	-23.0%
INVESTMENT IN TANGIBLE CAPITAL ASSETS	\$142,614	\$146,806	(\$4,192)	-2.9%
ENDOWMENTS	\$45,779	\$44,511	\$1,268	2.8%
ACCUMULATED REMEASUREMENT GAINS	\$10,911	\$7,226	\$3,685	51.0%
<b>TOTAL</b>	<b>\$270,042</b>	<b>\$270,752</b>	<b>(\$710)</b>	<b>-0.3%</b>

### ACCUMULATED OPERATING SURPLUS

The accumulated operating surplus is the net result of past operating surpluses of NAIT which have not been designated for specific purposes through funds and reserves or invested in tangible capital assets.

### FUNDS AND RESERVES

Total funds and reserves decreased by \$11,278 as a result of the use of the capital reserves of \$7,408 for campus renovations and CAT, as well as a decrease in operating reserves of \$3,870 primarily due to the unappropriation of the Academic Development Fund. The details of the changes in Funds and Reserves can be found in Note 12 to the Consolidated Financial Statements.

### INVESTMENT IN TANGIBLE CAPITAL ASSETS

The tangible capital assets of \$547,869 are funded by the following sources:

	2018/19	2017/18
Internally funded (invested in tangible capital assets)	\$ 142,614	\$ 146,806
Externally financed (debt)	73,334	67,417
Externally funded (expended capital contributions)	331,921	345,064
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 547,869</b>	<b>\$ 559,287</b>

The internally funded portion of \$142,614 in 2018/19 represents NAIT's internally funded portion of its assets. This decreased by \$4,192 from \$146,806 in 2017/18, as the investment in new capital assets slowed and did not exceed the amortization of existing assets. See Note 10 to the Consolidated Financial Statements for additional information on tangible capital assets.

## ENDOWMENTS

Endowments have increased by \$1,268 from \$44,511 in 2017/18 to \$45,779 in 2018/19. The increase is due to new contributions from donors to the endowments and additional investment income earned from the endowments held to support inflation, proofing the endowments for future spending. The details of changes to endowments can be found in Note 12 to the Consolidated Financial Statements.

## ACCUMULATED REMEASUREMENT GAINS

NAIT's investment portfolio continues to have remeasurement gains. Remeasurement gains are an instrument to adjust the investment portfolio to fair market value. As at June 30, 2019, the investment portfolio had a net remeasurement gain of \$15,596 (\$10,564 in 2017/18), of which \$4,685 was allocated to endowments (\$3,338 in 2017/18) and recorded in deferred contributions; the remaining \$10,911 was recorded as accumulated remeasurement gains (\$7,226 in 2017/18). The effect of the remeasurement gains are disclosed in the last table in Note 5 to the Consolidated Financial Statements.

## DETAILED FINANCIAL INFORMATION

The following provides information on NAIT's 2018/19 key operating indicators, leading to the calculation of the tuition revenue and net program cost per Full Load Equivalent (FLE) student for the degree, diploma and certificate programs; apprenticeship training programs; and other programs and services.

	Note	Degree, Diploma and Certificate Programs - full-time and part-time studies	Apprenticeship Training Programs	Other Programs and Services	TOTAL
<b>a) Full-load equivalent students (FLE)</b>	<b>(i)</b>	10,928	2,455	-	13,383
<b>b) Tuition and training revenue</b>	<b>(ii)</b>				
Degree, diploma and certificate programs		\$ 47,705	\$ -	\$ 4,598	\$ 52,303
Apprenticeship training		-	7,247	725	7,972
Continuing education		-	-	13,356	13,356
International student surcharge		-	-	16,516	16,516
Training contracts		579	-	9,292	9,871
		<b>\$ 48,284</b>	<b>\$ 7,247</b>	<b>\$ 44,487</b>	<b>\$ 100,018</b>
<b>c) Net program cost</b>	<b>(iii)</b>				
Expenses per financial statements		\$ 231,616	\$ 92,265	\$ 56,674	\$ 38,055
Less cost recoveries		(880)	(92)	-	(972)
		<b>\$ 230,736</b>	<b>\$ 92,173</b>	<b>\$ 56,674</b>	<b>\$ 379,583</b>
<b>d) Tuition revenue per FLE (in dollars)</b>		\$ 4,418	\$ 2,952		
<b>e) Net program cost per FLE (in dollars)</b>		\$ 21,114	\$ 37,545		
<b>f) Tuition revenue as a percentage of net program cost</b>		20.9%	7.9%		

An analysis of the tuition revenue as a percentage of net program costs highlights the erosion in the amount that tuition supports the program delivery costs. The tuition from degree, diploma and certificate programs supported 20.9% of the net program delivery costs in 2018/19, which was down from 21.8% in 2017/18 and 22.5% in 2014/15 when the tuition freeze was implemented. For apprenticeship training programs, the tuition is a very low percentage of the cost of providing the training; 7.9% in 2018/19, down from 8.0% in 2017/18 (10.5% in 2014/15). This erosion is directly related to the fact that fixed costs continue to increase with inflation, yet tuitions are frozen at 2014/15 levels. This impacts NAIT's ability to expand to meet forecasted demand, especially in the higher-cost trades due to expensive equipment or supplies. Given the value that skilled tradespeople provide to the Alberta economy and the negative impacts when there are shortages of skilled tradespeople, NAIT believes that tuitions and sufficient funding to allow for expansion are critical.

**Note (i) - Full-Load Equivalent Students (FLE)**

As defined by Alberta Advanced Education, one full-load equivalent student reflects one student completing the full load for one year of study in a program, or several students combining to complete the equivalent of a normal full load.

**Note (ii) - Tuition and Training Revenue**

Tuition and Training Revenue for the Degree, Diploma and Certificate segment consists of all tuition fees for credit FLE's and includes tuition fees from credit Continuing Education courses.

Tuition Revenue for the Apprenticeship Training Program segment consists of all fees charged to apprenticeship students in accordance with the rates approved by Alberta Advanced Education.

Revenue for the Other Programs and Services segment consists of fees not subject to the Post-secondary Learning Act Tuition and Fees Regulation, as well as all fees charged for non-credit continuing education courses, international education and athletics programs.

**Note (iii) - Net Program Cost**

Operating expenses are allocated to the operating segments based on the Provincial Program Costing Methodology as recommended by Alberta Advanced Education.

Net program cost for the Other Program and Services segment consists of all expenses not attributed to the Degree, Diploma and Certificate programs and the Apprenticeship Training program segments. It includes non-credit Continuing Education courses, international education projects, athletic programs, ancillary operations (Bookstore, Food Services and Parking) and expenses related to fundraising events of the Department of Advancement.

# ENROLMENT PLAN AND PROGRAM CHANGES

## ENROLMENT

NAIT continues to be essential to Alberta. We remain focused on enhancing our capacity to meet the current and emerging needs of the province. NAIT understands the critical role of polytechnic education in supporting the diversification of Alberta's economy through existing programs and the development of new programs. We understand the value of supporting learners, whether it is education for a first career, staying current or reskilling for a new career.

Application pressure in polytechnics tends to mirror Alberta's economic outlook. When there are jobs, people want to acquire a polytechnic education. When there are not, our application pressure drops.

Over the past five years, we have shown strong growth in our certificate, degree and diploma FLEs, despite the challenging economy. NAIT has the ability to take a strategic approach to expanding and contracting within these credential types, and we are pleased with the progress we've made to ensure appropriate growth to meet Alberta's economic needs. NAIT has intentionally expanded access to credit programs, which is driven by student demand and targeted government funding support. Despite these efforts, the decreased opportunities in oil-related careers continue to weigh on our FLE enrolment numbers, resulting in 2018/19 being flat from 2017/18.

We have seen declines in our apprenticeship FLEs over the past five years, mirroring Alberta's economic outlook. Because Apprenticeship and Industry Training fully controls the number of seats we can offer, we have no opportunity to strategically expand and contract within apprenticeship education, with a view to growth trends within Alberta. Further, the FLE count within apprenticeship education can be misleading. It is important to note that within Alberta, approximately four apprentices comprise 1 FLE. This is not consistent across the country.

## 5-YEAR FLE ACTUALS

	2014/15	2015/16	2016/17	2017/18	2018/19
Degree, Diploma, Certificate	9,008	9,948	10,746	10,941	10,928
Apprentice	3,757	3,860	3,485	2,809	2,455

## 2018/19 FLE ENROLMENT BY CREDENTIAL

	PROJECTED 2018/19	ACTUAL 2018/19		PROJECTED 2018/19	ACTUAL 2018/19
Certificate	816	768	Apprentice	2,424	2,455
Diploma	7,868	7,533	TOTAL	2,424	2,455
Degree	1,674	1,734			
Non-credential	925	893			
TOTAL	11,283	10,928			

## 2018/19 FLE ENROLMENT BY PROGRAM

	PROJECTED 2018/19	ACTUAL 2018/19	SIGNIFICANT VARIANCE	VARIANCE EXPLANATION
<b>CERTIFICATE</b>	<b>816</b>	<b>768</b>		
Applied Financial Services	35	14	-21	Perceived decreased opportunities
Baking Certificate	0	0	-	
CNC Machinist Technician	40	35	-	
Computer Network Administrator	40	37	-	
Culinary Arts Certificate	80	93	13	Early exit from diploma program continues
Emergency Management Certificate	0	0	-	
Graphic Communications	40	38	-	
HVAC Refrigeration Technician	40	36	-	
Magnetic Resonance Imaging-Second Discipline	24	20	-	
Medical Laboratory Assisting	47	40	-7	Impact of timing of new intake
Medical Transcription	30	23	-7	Perceived decreased opportunities
Millwork & Carpentry	90	82	-8	Perceived decreased opportunities
New certificates in development	0	0	-	
Optical Sciences - Contact Lenses	79	102	23	Increased employer demand
Power Engineering Certificate	28	22	-6	Perceived decreased opportunities
Pre-Employment – Autobody Repair	18	14	-	
Pre-Employment – Automotive Service	36	27	-9	Perceived decreased opportunities
Primary Care Paramedic (Edmonton & Lethbridge)	70	64	-6	Competition from other providers
Professional Meat Cutting and Merchandising	21	25	-	
Veterinary Medical Assistant	28	26	-	
Water & Wastewater Technician	70	70	-	
<b>DIPLOMA</b>	<b>7868</b>	<b>7533</b>		
Advanced Care Paramedic	38	36	-	
Alternative Energy Technology	80	69	-11	Perceived lack of opportunities
Animal Health Technology	62	60	-	
Architectural Technology	190	177	-13	Perceived decreased opportunities
Baking and Pastry Arts	51	40	-11	Launch of new diploma
Biological Sciences Technology - General	0	70		
Biological Sciences Technology - Environmental Sciences	36	15		
Biological Sciences Technology - Laboratory & Research	36	19	13	Purposeful growth
Biological Sciences Technology - Renewable Resources	36	17		
Biomedical Engineering Technology	34	30	-	
Biomedical Engineering Technology Co-op	6	6	-	
Building Environmental Systems Technology	20	12	-8	Perceived decreased opportunities
Business Administration Diplomas	2301	2173	-128	Increasing interest in BBA degree
Captioning and Court Reporting	40	45	-	

	PROJECTED 2018/19	ACTUAL 2018/19	SIGNIFICANT VARIANCE	VARIANCE EXPLANATION
Chemical Engineering Technology	112	100	-12	Perceived decreased opportunities
Chemical Technology	80	67	-13	Perceived decreased opportunities
Civil Engineering Technology	212	197	-15	Increased interest in Co-op
Civil Engineering Technology Co-op	36	52	16	
Computer Engineering Technology	110	135	25	Funded growth to support demand
Computer Engineering Technology Co-op	2	9	7	Funded growth to support demand
Construction Engineering Technology	165	158	-7	Perceived decreased opportunities
Culinary Arts Diploma	95	75	-20	Impact of early exit with certificate
Cytotechnology	0	1	-	
Dental Assisting Technology	68	64	-	
Dental Technology	34	36	-	
Denturist Technology	45	52	7	Completion supports
Diagnostic Medical Sonography	80	92	12	Purposeful growth
Digital Media and IT	770	811	41	Funded growth to support demand
Digital Media and IT Co-op	10	5	-	
Disaster and Emergency Management	86	101	15	Purposeful growth
Electrical Engineering Technology	142	140	-	
Electronics Engineering Technology	65	70	-	
Electronics Engineering Technology Co-op	5	7	-	
Engineering Design Technology	101	80	-21	Perceived decreased opportunities
Forest Technology	90	89	-	
Geological Technology - Exploration	30	27	-	Perceived decreased opportunities
Geological Technology - GeoEnvironmental	30	13	-17	Perceived decreased opportunities
Geomatics Engineering Technology	50	45		
Hospitality Management	80	57	-23	Perceived decreased opportunities
Industrial Heavy Equipment Technology	96	79	-17	Perceived decreased opportunities
Instrumentation Engineering Technology	271	232	-39	Perceived decreased opportunities
Instrumentation Engineering Technology Co-op	0	1	-	
Interior Design Technology	107	96	-11	Perceived decreased opportunities
Laboratory and X-Ray Technology Combined	84	81	-	
Landscape Architectural Technology	50	50	-	
Magnetic Resonance First Discipline	32	34	-	
Materials Engineering Technology	48	44	-	
Mechanical Engineering Technology - General	164	163	-	
Mechanical Engineering Technology - Manufacturing	1	0	-	
Medical Laboratory Technology	65	65	-	
Medical Radiologic Technology	98	71	-27	Credit load change for clinical placement
Nanotechnology Systems	42	41	-	
Network Engineering Technology	38	36	-	
Network Engineering Technology Co-op	3	2	-	
Occupational Health and Safety	62	66	-	



	PROJECTED 2018/19	ACTUAL 2018/19	SIGNIFICANT VARIANCE	VARIANCE EXPLANATION
Optical Sciences – Eyeglasses	445	421	-24	Response to lower industry need
Personal Fitness Trainer	230	228	-	
Petroleum Engineering Technology	112	93	-19	Perceived decreased opportunities
Photographic Technology	50	59	9	Purposeful growth
Power Engineering Technology	148	140	-8	Perceived decreased opportunities
Radio and Television - Radio	45	41	-	
Radio and Television - TV	55	60	-	
Respiratory Therapy	138	138	-	
Wireless Systems Engineering Technology	56	40	-16	Perceived decreased opportunities
<b>DEGREE</b>	<b>1674</b>	<b>1734</b>		
Bachelor of Applied Business Administration - Accounting	0	5	-	
Bachelor of Applied Business Administration - Finance	50	45	-	
Bachelor of Applied Information Systems Technology - Information Systems	70	84	14	Purposeful growth
Bachelor of Applied Information Systems Technology - Network Management	40	64	24	Purposeful growth
Bachelor of Business Administration	1234	1256	22	Purposeful growth
Bachelor of Technology in Construction Management	75	52	-23	Perceived decreased opportunities
Bachelor of Technology in Technology Management	205	228	23	Purposeful growth
<b>NON-CREDENTIAL</b>	<b>925</b>	<b>893</b>		
Academic Upgrading	450	423	-27	Changes to program competitive entry requirements
Open Studies	475	470		Changes to program competitive entry requirements

## 2018/19 INTERNATIONAL FLE ENROLMENT BY PROGRAM

	PROJECTED 2018/19	ACTUAL 2018/19	SIGNIFICANT VARIANCE	VARIANCE EXPLANATION
Applied Financial Services Certificate	9	4	-5	Perceived decreased opportunities
Business Administration Diploma	331	487	156	Changes to international recruitment process
Hospitality Management Diploma	16	23	7	Changes to international recruitment process

## 2018/19 APPRENTICESHIP SEATS BY PROGRAM

The volume of apprenticeship training offered is based on requests by Apprenticeship and Industry Training (AIT) branch of Alberta Advanced Education. NAIT's peak enrolment for apprenticeship education was in 2015/16 when the number of requested seats reached 15,404. Subsequently, enrolment has decreasing significantly.

	ACTUAL SEATS 2018/19	TRADE COMMITMENT LEVEL	ACTUAL TO COMMITMENT LEVEL
<b>APPRENTICESHIP</b>	<b>8,989</b>	<b>8,902</b>	<b>87</b>
Auto Body Technician	153	240	-87
Automotive Service Technician	742	630	112
Baker	21	96	-75
Boilermaker	133	108	25
Cabinetmaker	74	150	-76
Carpenter	666	500	166
Communication Technician	35	96	-61
Cook	92	230	-138
Crane & Hoisting - Boom Truck/Mobile Crane	114	204	-90
Electrician	2105	1050	1055
Electronics Technician	0	84	-84
Floorcovering Installer	4	48	-44
Gasfitter	29	72	-43
Heavy Equipment Technician	864	600	264
Instrument Technician	325	450	-125
Insulator	262	144	118
Ironworker	172	216	-44
Lather - Interior Systems Mechanic	23	60	-37
Machinist	123	330	-207
Millwright	389	420	-31
Outdoor Power Equipment Technician	26	0	26
Painter & Decorator	12	48	-36
Parts Technician	139	170	-31
Pipe Trades Common 1st period <sup>1</sup>	135	0	135
Plumber	747	600	147
Power Lineman Technician	231	70	161
Power Systems Electrician	35	28	7
Refrigeration and Air Conditioning Mechanic	179	140	39
Rig Technician	10	0	10
Roofer	120	60	60
Sheet Metal Worker	285	232	53
Steamfitter-Pipefitter	151	320	-169
Structural Steel & Plate Fitter (Steel Fabricator)	21	96	-75
Welder	572	1410	-838

<sup>1</sup> This number is a collective number of seats for 1st period Gasfitter and 1st period Steamfitter/Pipefitter.

## PROGRAM CHANGES

As NAIT looks to meet the current and emerging polytechnic educational needs, an evaluation of the opportunities for new programs in Cybersecurity and Data Analytics was completed. We anticipate putting forward proposals for these in the coming year.

Approval of the name change for our Bachelor of Technology degree is an exciting milestone. As we focus on the needs of Albertans to receive recognition for previous learning along their path to staying current or re-skilling, the Bachelor of Technology will play a key role.

# APPLIED RESEARCH AND SCHOLARLY ACTIVITY

## APPLIED RESEARCH

NAIT's industry-driven Applied Research portfolio is strongly aligned with the province's priorities around economic diversification, environmental stewardship and effective resource management. Through close relationships with the Ministry of Economic Development, Trade and Tourism, Alberta Innovates, Western Economic Diversification and the Natural Sciences and Engineering Research Council (NSERC), among others, the portfolio has strengthened and expanded significantly over the past two years. Applied research capabilities include six applied research centres, three Industrial Research Chairs for Colleges, two Technology Access Centres and four industry-endowed chairships. Highly qualified personnel work in partnership with businesses and industry across all sectors of economic importance to our province on challenges that industry has identified as critical to their success. Through collaboration with Campus Alberta and industry associations, NAIT continues to deliver innovation outcomes and accelerate commercial products and services that result in economic and societal benefit to Albertans.

In 2018/19 the Applied Research portfolio brought in over \$8M of revenue through industry, federal government, provincial government and other donors. All applied research initiatives are directly aligned to industry needs, with over 170 companies partnering in projects over the past year - about half of whom were small- or medium-size enterprises - on over 110 distinct applied research projects.

With the opening of the Productivity and Innovation Centre (PIC) in November 2018, NAIT consolidated many applied research activities to a single, industry-ready location. This has resulted in greater interdisciplinary problem solving, efficiencies in operations and delivering increased value to industry clients and Alberta's economy.

## SCHOLARLY ACTIVITY

NAIT has increased awareness of how to support instructors doing scholarly activity by including resources and sharing ideas through our mandatory Championing Academic Success program for Program Chairs. We have included supporting resources for scholarly activity in our mandatory Becoming a Master Instructor 2 course.

The degree programs adhere to Campus Alberta Quality Council (CAQC) expectations for scholarly activity and are supported through workload adjustments. At the diploma and certificate level, instructors are supported through professional development funds and the performance enhancement process. Discussions have begun to aid in socializing NAIT's related policy and procedure, distinguishing between scholarly and non-scholarly activities, and identifying supports needed for further development. The schools are collaborating on the creation of a handbook to best support instructors to engage in scholarly activity.

In addition to the individual faculty scholarly activity projects, the JR Shaw School of Business held its second annual Scholarly Activity Day at which faculty shared their findings. This event included faculty from NAIT and Keyano College to deepen the connection with faculty and aid in sharing information across interdisciplinary borders.

# REGIONAL STEWARDSHIP, FOUNDATIONAL LEARNING, UNDERREPRESENTED LEARNERS

Building community connections and partnerships enables NAIT to provide essential training and foundational learning for communities and underrepresented populations in Edmonton and across Alberta. Working with the Edmonton Mennonite Centre for Newcomers in 2018/19, NAIT delivered bridging programs to 32 students in three career disciplines. NAIT collaborated with the Fort Saskatchewan Correctional Centre and Corrections Canada in 2018/19, to provide training, material and certification to 421 inmates.

NAIT engaged with 12 Aboriginal communities and organizations across Alberta facilitating 17 community projects involving pre-employment and workforce training in various disciplines resulting in 143 graduates. NAIT acknowledges its responsibility to include and embrace Aboriginal cultures, histories and systems of knowledge. The Aboriginal strategy, “Connecting the Four Directions”, was completed honouring the recommendations of the Truth and Reconciliation Commission. NAIT celebrated Aboriginal culture by hosting its first round dance, attended by more than 600 people from the NAIT and Metro Edmonton communities. Aboriginal recruitment focuses on community outreach and relationship building, which help to identify the barriers impacting Aboriginal students when they transition to NAIT.

Access to and participation in polytechnic education can be transformational, no more so, than for learners who face socioeconomic barriers. A newly developed funding inventory focuses on bursaries, while increasing our funding tools and resources for prospective students who experience challenges.

NAIT champions its provincial partnerships with two essential programs that support students with disabilities: Alberta Human Services (AHS) and Inclusion Alberta. AHS delivers on-site learning assessment referrals to NAIT students, ensuring access to full documentation of learning disabilities and mental health challenges enabling access for students to educational and funding pathways. Inclusion Alberta works in conjunction with NAIT to deliver programs and industry employment opportunities to students with developmental disabilities who do not meet traditional entry requirements. Currently, NAIT and Inclusion Alberta support nine students in their NAIT educational endeavours.

# INTERNATIONALIZATION

In 2018/19, NAIT focused on expanding its strong international foundation of existing partnerships and programs, providing targeted supports and services for newcomer students and maintaining the number of opportunities for inbound and outbound international learning opportunities.

In 2018/19 NAIT had 42 students engage in international learning opportunities abroad in various locations and 12 students coming from partner institutions in the Netherlands (HAN University) and Mexico (IPN). NAIT participated in two instructor-led international experiences; the Alternative Energy program trip to Peru with Light Up the World, and Instrumentation program trip to Germany. This was the third successful edition of each trip.

In response to changing student demographics and to upgrade instructional skills to teach diverse student groups, NAIT partnered with NorQuest College's Colbourne Institute for Inclusive Leadership to develop and deliver foundational training for instructors to more effectively manage the increase of diversity in classrooms. In 2018/19, 64 instructors completed the pilot and up to 384 instructors will receive this training in 2019/20 with a plan to have all instructors trained by 2022/23.

In 2018/19, NAIT signed two contracts with the Ministry of Education and Sport in Uganda for two institution building projects to help the Ministry build skilled labour capacity for the construction and road construction industries. Over a three-year period, Ugandan instructors and management teams will receive offshore training at NAIT. NAIT instructors will be engaged in curriculum development, provide oversight on the commissioning of labs and co-deliver the programs in Uganda with Ugandan instructors. These projects are funded by the World Bank and are full cost recovery.

## TRANSNATIONAL PROGRAMS

NAIT continues to offer its two-year Digital Media and IT (DMIT) diploma at the Heilongjiang University of Science & Technology (HUST) in Harbin, China. In 2018/19, the final cohort of students from the previous contract completed the program and three cohorts of students under new contract are in various stages of progression. This program is taught in China by HUST and NAIT instructors. This is a full cost recovery program.

NAME OF PROGRAM	TYPE OF CREDENTIAL	PRINCIPAL MODE OF DELIVERY (E.G. IN-PERSON; INTERNATIONAL CAMPUS)	NAME OF PARTNER INSTITUTION	COUNTRY	NUMBER OF STUDENTS PARTICIPANTS (2018/19)	NUMBER OF GRADUATES/ COMPLETERS
Digital Media & IT	Diploma, Non-Credit Certificate of Achievement	In person in China. Advanced credit, NAIT courses taught by HUST instructors, and NAIT instructors in China	Heilongjiang University of Science & Technology (HUST)	China	Group 15: 73 Group 16: 75 Group 17: 84 Group 18: 78	26 Certificates of Achievement





PROMISE TO STAFF

# NURTURING A CULTURE OF SAFETY

**NAMED A TOP ALBERTA EMPLOYER** for the eighth consecutive year, NAIT was recognized for its focus on the physical and mental well-being of staff. Judges of the annual competition that recognizes exceptional workplaces noted NAIT has a dedicated mental health coordinator and hosts a professional development day on employee well-being.

The polytechnic's resolute commitment to the health and well-being of staff takes many forms that enhance awareness of safety hazards in the field, classroom and laboratory, and ensures employees understand their rights and responsibilities.

Preventative measures addressing a healthier and safer workplace helped reduce the rate of safety incidents involving staff by 20% in 2017/18. The 1.55 incidents per 100 employees marked the lowest rate in 6 years. These measures encompass Safety Training and Workplace Safety Orientation online and hazard assessments and emergency drills, as well as access to services and counselling to manage stress or fatigue.

Guided by an Integrated Emergency Plan, NAIT's Emergency Operations Centre (EOC) comprises staff from across the institute. With teams responsible for command, operations, planning, logistics and finance, EOC uses a standardized best practice to develop and implement incident response strategies through clear roles and responsibilities.

"The EOC team is not just a few first responders handling the situation," says April Diver, manager, Department of Emergency Management and Business Continuity. "It is made up of staff who are stepping up as a designated team to support first responders and are able to use their knowledge and training to solve problems, quickly and safely."

# CAPITAL PLAN

The table below provides an update of priority projects as indicated in the 2018/19 - 2020/21 Comprehensive Institutional Plan.

## TYPE OF PROJECT AND FUNDING SOURCES

TYPE	PROJECT DESCRIPTION	TOTAL PROJECT COST	FUNDING SOURCES	FUNDING RECEIVED TO DATE AND SOURCE	REVISED FUNDING SOURCES
<b>PRIORITY PROJECTS (TOP 3 CAPITAL PRIORITIES)</b>					
New	Main Campus Expansion Land Acquisition	\$107.2 million	44.2% GoA (sale of south lands)  14% NAIT  41.8% Financing	\$10.8 million received from NAIT	No change
New	NAIT Skills Centre	\$567 million	67.4% GoA; 7.8% NAIT;  24.8% Donations, consolidation and efficiencies, & industry sources	No funds received to date	No change
New	Purchase of the Crane and Hoisting Facility and Development of the Spruce Grove Campus	\$18 million	100% GoA	No funds received to date	No change
<b>OTHER</b>					
Preservation	Main Campus Space Optimization	\$46.5 million	100% GoA	No funds received to date	No change
New	Student Housing	\$111.9 million	8.9% NAIT  91.1% Financing (other opportunities are being considered)	\$465,000 was received from NAIT for initial design services up to Schematic Design.	No change
Preservation	Various Capital Maintenance and Rehabilitation Projects	\$89.2 million	100% GoA	No funds received to date	No change
New	Productivity and Innovation Centre	\$83 million	42.1% GoC/SIF  51.8% NAIT  6% Donations	100% received	No change



## PROJECT TIMELINES AND STATUS

PROJECT DESCRIPTION	EXPECTED PROJECT START	EXPECTED PROJECT COMPLETION	PROJECT STATUS	PROGRESS MADE IN LAST 12 MONTHS
Main Campus Expansion Land Acquisition	Apr 2014	Land agreements in place Oct 2018. Expected Closing Date Jan 2024.	In progress	The purchase of Westwood Bus Barn fully closed in Feb. 2019. Blatchford land agreements in place October 2018. Expected Closing Date Jan 2024.
NAIT Skills Centre	Sep 2019	Sep 2026	Pending funding approval	Pending funding approval
Purchase of the Crane and Hoisting Facility and Development of the Spruce Grove Campus	Jan 2021	Jul 2021	Pending funding approval	Pending funding approval
Main Campus Space Optimization	Jan 2020	Sep 2023	Pending funding approval	Pending funding approval
Student Housing	Jan 2019	Sep 2022	Pending project approval from NAIT and the potential JV partner.	While construction on Blatchford remains a key part of NAIT's Campus Development Plan, NAIT is also investigating an opportunity with a JV partner to advance student housing off-Blatchford. An RFP was issued in March 2019 to hire a Prime Consultant. This is currently on hold pending approval to proceed.
Various Capital Maintenance and Rehabilitation Projects	Jan 2020	Sep 2024	Pending funding approval	Pending funding approval
Productivity and Innovation Centre	May 2016	Substantial completion on Apr. 30, 2018.	Building was fully operational in fall 2018.	Worked on seasonal deficiencies and purchased remaining program equipment.

# INFORMATION TECHNOLOGY

Throughout 2018/19, NAIT enhanced its information and technology services to meet the needs of students, staff and the Department of Advanced Education. Several foundational elements were implemented to enable financial sustainability and future growth.

2018/19 highlights include:

IT INITIATIVE	HIGHLIGHT
<b>PeopleSoft Campus Solutions Upgrade to 9.2</b>	Was successful and went live June 16, 2019.
<b>Contract Management</b>	Have engaged all contract stakeholders to document current state and consolidated results for input into RFP requirements. Drafting RFP for enterprise contract management with evaluation team; tentative timeline to post will be mid-October.
<b>Environmental Health &amp; Safety Compliance</b>	Software implementation complete.
<b>Enterprise Information Management Framework</b>	Completed plan for 2018/19
<b>One Card enhancements</b>	Implemented one AT NAIT meal plans to support the vision by providing “one-stop shop” food services amenities, flexibility and convenience to one AT NAIT cardholders. At the same time, the strategic and building plans for PIC to include meal plan service that will enhance the professional service experience.
<b>PeopleSoft Finance upgrade to 9.2</b>	Successfully went live on April 28, 2019
<b>NAIT customer relationship management system</b>	Implemented a software solution for the Industry Solutions that enabled staff to manage the lifecycle of their business in an effective and efficient manner
<b>Modernize workforce</b>	Implemented new named user licensing models for both Microsoft and Adobe platforms. The new models count system users, not the abstracted full-time or full load equivalents. The models provide significantly improved functionality and greatly enhance users’ productivity, mobility, security and potential to collaborate.
<b>Remove duplicated service</b>	Made significant progress in preparation to dramatically reduce legacy telephony services, enterprise fax, instant messaging and ethernet port count. Strategic removal of services to improve operational efficiency will continue through 2019/20.
<b>Architecture for Cloud and Software as a Service</b>	Developed and implemented a cloud adoption strategy which indicates a direction for all non-PeopleSoft systems. In the plan, applications are either replaced with Software as a Service solutions, re-implemented in the cloud using Platform or Infrastructure as a Service. In many cases, the review of legacy applications has resulted in the application’s removal from service when found to be obsolete.
<b>Cybersecurity</b>	Developed a cybersecurity strategy and roadmap which outlines targeted investments in four strategic pillars matched against the four threat domains of internal hacking, external hacking, social engineering and other.
<b>MyNAIT Portal Redevelopment</b>	The web team priorities changed to focus on the NAIT website launch and Industry Solutions microsite launch. Both are complete.



PROMISE TO INDUSTRY

# FRONT DOOR(S) TO INDUSTRY SOLUTIONS

**OPENING ONE OF NORTH AMERICA'S** largest innovation spaces for industry marked a major milestone in NAIT's 57-year history.

Recognizing the Productivity and Innovation Centre (PIC) as "the place industry and business will come for solutions and to succeed," NAIT president and CEO Dr. Glenn Feltham said the new 4-storey building on Main Campus "will make a deep and lasting impact on Edmonton, on Alberta and Canada."

Built with \$34.9 million from the Government of Canada Post-Secondary Institutions Strategic Investment Fund, PIC opened in November 2018 with state-of-the-art applied research facilities, manufacturing laboratories, product development and testing equipment, acceleration spaces for business and teaching areas for workforce education.

PIC builds NAIT's capacity to work with industry to enhance productivity through professional programs and training and productivity coaching. Our research, unlike basic research, is applied – it is driven by industry, focused on practical solutions that are specific, impactful and innovative with commercial value. It is purposefully aligned with key areas of Alberta's economy. Intellectual property remains with industry, which helps us to move at a speed that makes industry more competitive.

Designed to help business and industry increase productivity and competitiveness through innovation, commercialization and new ventures, the 17,650-square-metre PIC opens doors to the following:

- the Centre for Oil Sands Sustainability, which conducts applied research, pilot testing and technology development to remediate tailings ponds, reduce freshwater use and greenhouse gas emissions;
- the Centre for Sensors and System Integration, which develops prototype devices to address sensor-based challenges in resource extraction, agriculture, biomedical and advanced technology enterprises;
- the Centre for Innovative Media, which assists partners in designing interactive experiences such as virtual reality and gamification;
- the Centre for Grid Innovation, which develops and tests technologies to generate, manage and store energy, and reduce greenhouse gas emissions;
- the Centre for Applied Disaster and Emergency Management, which provides hands-on training and professional development services that reflect global best practices; and
- the NAIT NDT (non-destructive testing) Test Centre, which is certified as a Natural Resources Canada Authorized Examination Centre and Recognized Training Organization.

# CONSOLIDATED FINANCIAL STATEMENTS

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of The Northern Alberta Institute of Technology



## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### OPINION

I have audited the consolidated financial statements of The Northern Alberta Institute of Technology (the Group), which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statements of operations, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2019, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### BASIS FOR OPINION

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the consolidated financial statements and my auditor's report thereon. The Annual Report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original Signed by W. Doug Wylie FCPA, FCMA, ICD.D]  
Auditor General  
October 8, 2019  
Edmonton, Alberta



## STATEMENT OF MANAGEMENT RESPONSIBILITY

FOR THE YEAR ENDED JUNE 30, 2019

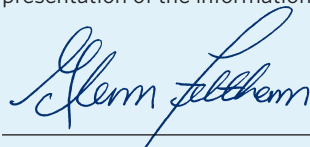
The consolidated financial statements of the Northern Alberta Institute of Technology (NAIT) have been prepared in accordance with Canadian public sector accounting standards. The consolidated financial statements present fairly the financial position of NAIT as at June 30, 2019 and the results of its operations, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that NAIT assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

The Board of Governors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities.

The Board of Governors carries out their responsibility for review of the consolidated financial statements principally through its Audit Committee. All members of the Audit Committee are not employees of NAIT. The Audit Committee meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit Committee, with and without the presence of management.

The consolidated financial statements have been reported on by the Auditor General of Alberta, the auditor appointed under the *Post-secondary Learning Act*. The Auditors' Report outlines the scope of the audit and provides the audit opinion on the fairness of presentation of the information in the consolidated financial statements.



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President and CEO



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Vice-President Administration and CFO



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019 (IN THOUSANDS OF DOLLARS)

	2019	2018
<b>Financial assets excluding portfolio investments restricted for endowments</b>		
Cash and cash equivalents (Note 4)	\$ 11,287	\$ 8,910
Portfolio investments - non-endowment (Note 5)	221,808	262,115
Accounts receivable	8,123	7,648
Inventories held for sale	2,813	2,926
	<u>244,031</u>	<u>281,599</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	31,251	34,744
Employee future benefit liabilities (Note 7)	27,829	27,686
Debt (Note 8)	131,054	170,603
Deferred revenue		
Unearned revenue	17,026	15,081
Deferred contributions (Note 9)	44,661	34,486
	<u>251,821</u>	<u>282,600</u>
<b>Net debt excluding portfolio investments restricted for endowments</b>	(7,790)	(1,001)
Portfolio investments - restricted for endowments (Note 5)	<u>57,718</u>	<u>53,126</u>
<b>Net financial assets</b>	<u>\$ 49,928</u>	<u>\$ 52,125</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 10)	\$ 547,869	\$ 559,287
Inventories of supplies	-	370
Prepaid expenses	4,166	4,034
	<u>552,035</u>	<u>563,691</u>
<b>Net assets before spent deferred capital contributions</b>	<u>601,963</u>	<u>615,816</u>
Spent deferred capital contributions (Note 11)	<u>331,921</u>	<u>345,064</u>
<b>Net assets</b>	<u>\$ 270,042</u>	<u>\$ 270,752</u>
<b>Net assets is comprised of:</b>		
Accumulated surplus (Note 12)	259,131	263,526
Accumulated remeasurement gains (Note 5)	10,911	7,226
	<u>\$ 270,042</u>	<u>\$ 270,752</u>

Contingent assets and contractual rights (Notes 13 and 15)

Contingent liabilities and contractual obligations (Notes 14 and 16)

Approved by the Board of Governors (Note 25):



Chair, Board of Governors



President and CEO

The accompanying notes are part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2019 (IN THOUSANDS OF DOLLARS)

	2019		2018
	Budget (Note 23)	Actual	Actual
<b>Revenue:</b>			
Government of Alberta grants			
Operating grants (Note 21)	\$ 210,372	\$ 194,626	\$ 200,283
Expended capital recognized as revenue	18,365	18,669	17,977
Federal and other government grants			
Operating grants (Note 21)	4,714	3,389	2,267
Expended capital recognized as revenue	934	903	1,045
Student tuition and related fees			
Degree, diploma, and certificate programs	54,066	52,303	52,499
Apprenticeship training	7,965	7,972	9,160
Continuing education	15,874	13,356	13,326
International student surcharge	16,520	16,516	13,353
Sales, rentals and services			
Ancillary operations	24,641	23,866	24,477
Training contracts	6,304	9,871	6,452
Other	4,476	5,510	6,586
Donations and other contributions			
Donations and operating grants	5,418	6,118	5,894
Expended capital recognized as revenue	3,740	3,857	3,813
Investment income (Note 17)	14,162	17,961	11,040
	<u>387,551</u>	<u>374,917</u>	<u>368,172</u>
<b>Expense (Notes 2(I), 18):</b>			
Instructional delivery	151,383	158,056	160,638
Applied research	13,192	10,505	11,161
Facilities operations and maintenance	78,677	75,931	71,736
Academic and student support	61,656	59,688	61,641
Institutional support	53,253	52,682	51,110
Ancillary services	22,602	23,591	23,994
Fundraising	115	102	105
	<u>380,878</u>	<u>380,555</u>	<u>380,385</u>
<b>Annual operating deficit</b>	<u>\$ 6,673</u>	(5,638)	(12,213)
Endowment contributions (Note 12)		648	1,000
Endowment capitalized investment income (Note 12)		595	561
		<u>1,243</u>	<u>1,561</u>
<b>Annual deficit</b>		(4,395)	(10,652)
Accumulated surplus, beginning of year		263,526	274,178
<b>Accumulated surplus, end of year (Note 12)</b>		<u>\$ 259,131</u>	<u>\$ 263,526</u>

The accompanying notes are part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2019 (IN THOUSANDS OF DOLLARS)

	2019		2018
	Budget	Actual	Actual
Annual deficit	\$ 6,673	\$ (4,395)	\$ (10,652)
Acquisition of tangible capital assets, less in-kind donations	(9,200)	(27,465)	(96,626)
Net proceeds from disposal of tangible capital assets	100	184	117
Amortization of tangible capital assets	37,148	38,446	34,599
Loss (gain) on disposal of tangible capital assets	(100)	253	(15)
Decrease in inventories of supplies	100	370	101
(Increase) decrease in prepaid expenses	(300)	(132)	387
(Decrease) in spent deferred capital contributions		(13,143)	(3,069)
Increase in accumulated remeasurement gains		3,685	1,082
<b>(Decrease) in net financial assets</b>		(2,197)	(74,076)
<b>Net financial assets, beginning of year</b>		52,125	126,201
<b>Net financial assets, end of year</b>		<u>\$ 49,928</u>	<u>\$ 52,125</u>

The accompanying notes are part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

FOR THE YEAR ENDED JUNE 30, 2019 (IN THOUSANDS OF DOLLARS)

	2019	2018
<b>Accumulated remeasurement gains, beginning of year</b>	\$ 7,226	\$ 6,144
Unrealized gains attributable to:		
Portfolio investments (Note 5)		
Non-endowment	11,083	2,690
Amount recognized in consolidated statement of operations:		
Portfolio Investments (Note 5)		
Non-endowment	(7,398)	(1,608)
<b>Accumulated remeasurement gains, end of year</b>	<b>\$ 10,911</b>	<b>\$ 7,226</b>

The accompanying notes are part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019 (IN THOUSANDS OF DOLLARS)

	2019	2018
<b>OPERATING TRANSACTIONS</b>		
Annual deficit	\$ (4,395)	\$ (10,652)
Add (deduct) non-cash items:		
Amortization of tangible capital assets	38,446	34,599
Expended capital recognized as revenue	(23,429)	(22,835)
(Gain) on disposal of portfolio investments	(7,214)	(2,759)
Loss (gain) on disposal of tangible capital assets	253	(15)
Increase (decrease) in employee future benefit liabilities	143	(655)
(Increase) decrease in accounts receivable	(475)	415
Decrease in inventories held for sale	113	527
(Decrease) in accounts payable and accrued liabilities	(3,493)	(4,117)
Increase (decrease) in unearned revenue	1,945	(257)
Increase (decrease) in deferred contributions	8,828	(5,611)
Decrease in inventories of supplies	370	101
Increase (decrease) in prepaid expenses	(132)	387
<b>Cash provided by (applied to) operating transactions</b>	<b>10,960</b>	<b>(10,872)</b>
<b>CAPITAL TRANSACTIONS</b>		
Acquisition of tangible capital assets, less in-kind donations	(27,267)	(95,938)
Net proceeds from disposal of tangible capital assets	184	117
<b>Cash applied to capital transactions</b>	<b>(27,083)</b>	<b>(95,821)</b>
<b>INVESTING TRANSACTIONS</b>		
Purchase of portfolio investments	(71,583)	(75,547)
Proceeds from disposal of portfolio investments	119,543	141,959
<b>Cash provided by investing transactions</b>	<b>47,960</b>	<b>66,412</b>
<b>FINANCING TRANSACTIONS</b>		
Debt repayment	(39,548)	(530)
Increase in spent deferred capital contributions, less expended capital recognized as revenue, less in-kind donations	10,088	19,078
<b>Cash (applied to) provided by financing transactions</b>	<b>(29,460)</b>	<b>18,548</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,377</b>	<b>(21,733)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>8,910</b>	<b>30,643</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 11,287</b>	<b>\$ 8,910</b>

The accompanying notes are part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019 (IN THOUSANDS OF DOLLARS)

## 1. AUTHORITY AND PURPOSE

The Board of Governors of the Northern Alberta Institute of Technology is a corporation that manages and operates the Northern Alberta Institute of Technology (NAIT) under the *Post-secondary Learning Act* (Alberta). All members of the Board of Governors are appointed by either the Lieutenant Governor in Council or the Minister of Advanced Education, with the exception of the President, who is an ex officio member. Under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, NAIT is a polytechnical institute which serves primarily central and northwestern Alberta, offering a variety of career programming in credit, noncredit and apprenticeship formats with opportunities for full and part-time delivery. Certificate, diploma, applied degree and baccalaureate degree programs are offered, as well as a full range of continuing education programs and activities. NAIT also works with industry partners to engage in applied research to solve real world problems. NAIT is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

### (a) GENERAL – CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS (PSAS) AND USE OF ESTIMATES

These consolidated financial statements have been prepared in accordance with PSAS. The measurement of certain assets and liabilities is contingent upon future events. Therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. NAIT management uses judgment to determine such estimates. Employee future benefit liabilities, amortization of tangible capital assets, revenue recognition for expended capital, and investment revenue are the most significant items based on estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

### (b) VALUATION OF FINANCIAL ASSETS AND LIABILITIES

NAIT's financial assets and liabilities are generally measured as follows:

Financial Statement Component	Measurement
Cash and cash equivalents	Cost or amortized cost
Portfolio investments	Fair value and amortized cost
Accounts receivable	Amortized cost
Inventories held for sale	Lower of cost or net realizable value
Accounts payable and accrued liabilities	Amortized cost
Debt	Amortized cost

Unrealized gains and losses from changes in the fair value of financial assets and liabilities are recognized in the consolidated statement of remeasurement gains and losses. When the restricted nature of a financial instrument and any related change in fair value create a liability, unrealized gains and losses are recognized as deferred contributions. Upon settlement, the cumulative gain or loss is reclassified from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

The effective interest rate method is used to determine interest expense on debt. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of cash and cash equivalents and portfolio investments are accounted for using trade-date accounting.

NAIT's management evaluated contractual obligations for the existence of embedded derivatives and elected to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative were not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for NAIT's normal purchase, sale or usage requirements are not recognized as financial assets or liabilities. NAIT does not have any embedded derivatives.

## **(c) REVENUE RECOGNITION**

All revenues are recorded on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as unearned revenue.

### **Government grants, non-government grants, and donations**

Government transfers are referred to as government grants.

Restricted grants and donations, and the associated externally restricted investment income, are recorded as deferred contributions if the terms for use, or the terms along with NAIT's actions and communications as to the use of the contribution, create a liability. These contributions are recognized as revenue as the terms are met. If the grants or donations are used to acquire or construct tangible capital assets, revenue will be recognized over the useful life of the tangible capital assets.

Contributions without terms for use are recognized as revenue when NAIT is eligible to receive the funds. Unrestricted contributions related to government grants are recognized as revenue in the year received or in the year the funds are committed to NAIT if the amount can be reasonably estimated and collection is reasonably assured. Donations without terms for use are recorded in the year received.

In-kind donations of services, materials and tangible capital assets are recognized at fair value when such value can be reasonably determined. Transfers of tangible capital assets from related parties are recorded at the carrying value. While volunteers contribute a significant amount of time each year to assist NAIT, the value of their services is not recognized in these consolidated financial statements because fair value cannot be reasonably determined.

### **Grants and donations related to land**

Grants and donations for the purchase of land are recognized as deferred contributions when received and recognized as revenue when the land is purchased. NAIT recognizes in-kind contributions of land as revenue at the fair value of the land when a fair value can be reasonably determined. When NAIT cannot determine the fair value, it records such in-kind contributions at nominal value.

### **Endowment donations**

Endowment donations are recognized as revenue in the consolidated statement of operations in the year in which they are received and are required by donors to be maintained intact in perpetuity.

### **Investment Income**

Investment income includes dividends, interest income, and realized gains or losses on the sale of portfolio investments, as well as revenue distributed by the pooled funds (which also includes dividends, interest, and gains and losses). Some pooled funds distribute revenue monthly, while others distribute annually on December 31. Revenue is accrued for the pooled funds with a December 31 distribution for the period January 1 to June 30 (6 months). The accrual is calculated using historical distribution information per unit and current market values.

Investment income from restricted grants is recognized as deferred contributions when the terms of use create a liability and is recognized as investment income when the terms of the grant are met. The endowment spending allocation portion of investment income earned by endowments is recognized as deferred contributions when the terms for the use by the endowment create a liability. Realized investment income allocated to endowment balances for the preservation of endowment capital purchasing power is recognized in the consolidated statement of operations. Unrealized gains and losses on portfolio investments that are from unrestricted contributions are recognized in the consolidated statement of remeasurement gains and losses until settlement. Once realized, these gains or losses are recognized as investment income in the consolidated statement of operations.



#### (d) ENDOWMENTS

Endowments consist of externally restricted donations received by NAIT and internal allocations by NAIT's Board of Governors, the principal of which is required to be maintained intact in perpetuity.

Investment income earned (excluding unrealized income) on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as NAIT policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the *Post-secondary Learning Act*, NAIT has the authority to alter the terms and conditions of endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amount distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits NAIT and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the accumulated deferred investment income.

Endowment contributions, matching contributions, and associated investment income allocated for the preservation of endowment capital purchasing power are recognized in the consolidated statement of operations in the period in which they are received.

#### (e) INVENTORIES

Inventories held for sale are valued at the lower of average cost and expected net realizable value and are determined using the weighted average method. Inventories of supplies are valued at average cost or net replacement cost.

#### (f) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of assets, and costs associated with asset retirement obligations. Cost includes overhead directly attributable to construction and development.

Work in progress, which includes facilities and improvement projects and development of information systems, is not amortized until after the project is complete and the asset is in service. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over the following estimated useful lives as follows:

Buildings and renovations	up to 40 years
Site improvements	up to 10 years
Leasehold improvements	Amortized over lease term
Furnishings, equipment and vehicles	up to 10 years
Heavy equipment	up to 25 years
Library holdings	up to 10 years
Computers and related equipment	up to 3 years
Software	up to 3 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to NAIT's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Intangible assets, works of art, historical treasures and collections are expensed when acquired and not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made.

## **(g) ASSET RETIREMENT OBLIGATIONS**

Asset retirement obligations are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations.

## **(h) FOREIGN CURRENCY TRANSLATION**

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at weekly exchange rates. Carrying values of monetary assets and liabilities reflect the exchange rates at the consolidated statement of financial position date.

## **(i) EMPLOYEE FUTURE BENEFITS**

### **Pension**

NAIT participates with other employers in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit pension plan that provides pensions for NAIT's participating employees based on years of service and earnings.

NAIT does not have sufficient plan information on the LAPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the LAPP is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

### **Long-term disability**

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under NAIT's long-term disability plans is charged to expense in full when the event occurs which obligates NAIT to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a market interest rate and management's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains or losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

### **Supplementary retirement plan**

NAIT maintains a supplementary pension plan for certain senior executives. The pension expense for defined benefit supplementary retirement plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life. The pension expense for the defined contribution supplementary retirement plan is the employer's current year contribution to the plan as calculated in accordance with the expected plan rules.

### **Special leave plan**

NAIT provides an employee future benefit in the form of a compensated absence. Costs for this benefit are estimated using reasonable assumptions and are recorded in the financial statements.

### **Management retirement plan**

NAIT provides a management retirement plan to employees in a management position between 1988 and 2002. Costs for this benefit are estimated using reasonable assumptions and are recorded in salary and employee benefits.

## **(j) BASIS OF CONSOLIDATION**

The consolidated financial statements include the accounts of NAIT and the Northern Alberta Institute of Technology Foundation. The Foundation is a registered charity for the purpose of fundraising, operates within the *Alberta Gaming, Liquor and Cannabis Act* and is exempt from the payment of income tax.

NAIT holds a 33.33% share in a limited company (PanGlobal Training Systems Ltd.) with the Southern Alberta Institute of Technology and the British Columbia Institute of Technology. Government business enterprises (GBEs) are consolidated using the modified equity basis, with equity being computed in accordance with accounting standards applicable to those entities. Under the modified equity method, the accounting policies of the GBEs are not adjusted to conform to those of the other government organizations. PanGlobal Training Systems Ltd. is not material to NAIT's financial statements, and therefore, separate condensed financial information is not presented.

## **(k) ENVIRONMENTAL LIABILITIES**

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard being introduced into soil, water or sediment. The liability is recognized net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) NAIT is directly responsible or accepts responsibility;
- (d) it is expected that future economic benefits will be given up; and
- (e) a reasonable estimate of the amount can be made.

## **(l) EXPENSE BY FUNCTION**

NAIT uses the following categories of functions on its consolidated statement of operations:

### **Instructional delivery**

Expenses related to program and training delivery, both credit and non-credit. This function also includes expenses related to scholarly activity undertaken by faculty.

### **Applied research**

Expenses related to research activities undertaken within the institution to produce research outcomes.

### **Facilities operations and maintenance**

Expenses related to operations of facilities, including utilities, grounds, maintenance, custodial services, major repairs and renovations, and amortization.

### **Academic and student support**

Expenses related to direct support of instructional delivery and support of the student body. This function includes libraries, Deans and administrative support for Schools, admissions and registry functions, student service administration, registry functions, social and cultural activities, counseling services, career guidance, intercollegiate athletics, scholarships, financial aid, and health services.

### **Institutional support**

Expenses related to executive management, public and government relations, alumni relations and advancement, corporate insurance premiums, corporate finance, human resources, information technology, and other institution-wide administrative services.

#### Ancillary services

Expenses related to operations outside of the normal instructional and support functions, including bookstore, food services and parking.

#### Fundraising

Expenses directly related to fundraising activities. This function does not include advancement administrative expenses.

### (m) FUNDS AND RESERVES

Certain amounts, as approved by the Board of Governors, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are adjustments to the respective fund when approved.

### (n) FUTURE ACCOUNTING CHANGES

In August 2018, the Public Sector Accounting Board issued PS 3280 Asset Retirement Obligations. This accounting standard is effective for fiscal years starting on or after April 1, 2021. PS 3280 Asset Retirement Obligations provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

In November 2018, the Public Sector Accounting Board approved PS 3400 Revenue. This accounting standard is effective for fiscal years starting on or after April 1, 2022. PS 3400 Revenue provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions.

Management is currently assessing the impact of these standards on the consolidated financial statements.

## 3. ADOPTION OF NEW ACCOUNTING STANDARDS

NAIT has prospectively adopted PS 3430 Restructuring Transactions. This accounting standard is effective for fiscal years starting on or after April 1, 2018. PS 3430 Restructuring Transactions defines and establishes disclosure standards for restructuring transactions. The adoption of this standard did not affect the consolidated financial statements.

## 4. CASH AND CASH EQUIVALENTS

	2019	2018
Cash	\$ 18,868	\$ 16,575
Less: Funds held on behalf of others (Note 19)	(7,581)	(7,665)
	<u>\$ 11,287</u>	<u>\$ 8,910</u>

## 5. PORTFOLIO INVESTMENTS

	2019	2018
Non-endowment	\$ 221,808	\$ 262,115
Restricted for endowments	57,718	53,126
Total portfolio investments	<u>\$ 279,526</u>	<u>\$ 315,241</u>

As at June 30, 2019, the average effective bond and dividend yields and the terms to maturity are as follows:

- Fixed income: ranging from 1.86% to 2.44% (2018: 2.04% to 2.91%); weighted-average yield 2.29% (2018: 2.67%); terms to maturity range from less than one year to greater than 10 years
- Canadian equity: 3.31% (2018: 3.22%)
- All World equity: 3.34% (2018: 3.31%)

The composition of portfolio investments measured at fair value is as follows:

2019				
	Level 1	Level 2	Level 3	Total
Portfolio investments at fair value:				
Fixed income *	\$ 10	\$ 125,643	\$ -	\$ 125,653
Canadian equity	28,840	-	-	28,840
All World equity **	123,880	(314)	-	123,566
Other	-	-	-	-
	\$ 152,730	\$ 125,329	\$ -	\$ 278,059
Other at amortized cost	-	-	-	1,467
	\$ 152,730	\$ 125,329	\$ -	\$ 279,526
	54.9%	45.1%	0.0%	100.0%

2018				
	Level 1	Level 2	Level 3	Total
Portfolio investments at fair value:				
Fixed income *	\$ -	\$ 149,540	\$ -	\$ 149,540
Canadian equity	41,929	-	-	41,929
All World equity **	122,198	231	-	122,429
Other	-	-	-	-
	\$ 164,127	\$ 149,771	\$ -	\$ 313,898
Other at amortized cost	-	-	-	1,343
	\$ 164,127	\$ 149,771	\$ -	\$ 315,241
	52.3%	47.7%	0.0%	100.0%

2019 level composition is based on December 31, 2018 information provided by investment manager.

\* Fixed income pooled investments consist mainly of government and corporate bonds. The pools can also have money market funds, short term notes and treasury bills.

\*\* All World equity includes investments in Canadian markets, equating to 9.8% (2018: 10.0%) of the Fund at December 31, 2018.

**Level 1** – Quoted prices in active markets for identical assets.

**Level 2** – Fair value measurements are those derived from inputs other than quoted prices included with level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derives from prices).

**Level 3** – Fair value measurements are those derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

NAIT's investment policy is dedicated to optimizing the return on investment while ensuring that the assets of NAIT are at all times prudently invested to minimize the potential for loss of capital.

Specific guidelines have been established with respect to asset mix, diversification, security and performance measurement as well as quality, liquidity and term constraints.

	<b>Endowments recorded in deferred contributions (Note 9)</b>	<b>Accumulated remeasurement gains and losses</b>	<b>Total</b>
Balance as at June 30, 2017	\$ 3,162	\$ 6,144	\$ 9,306
Unrealized gains attributable to portfolio investments	1,719	2,690	4,409
Amounts reclassified to statement of operations	(1,543)	(1,608)	(3,151)
Balance as at June 30, 2018	\$ 3,338	\$ 7,226	\$ 10,564
Unrealized gains attributable to portfolio investments	4,669	11,083	15,752
Amounts reclassified to statement of operations	(3,322)	(7,398)	(10,720)
Balance as at June 30, 2019	\$ 4,685	\$ 10,911	\$ 15,596

## 6. FINANCIAL RISK MANAGEMENT

NAIT is exposed to a variety of financial risks including market risks (price risk, currency risk and interest rate risk), credit risk and liquidity risk. To manage these risks, NAIT invests in a diversified portfolio of investments that is guided by established investment policies that outline risk and return objectives. The primary objective is to ensure that the assets of NAIT are at all times prudently invested to enhance the capital base of the portfolio and not subject NAIT to any undue risk or loss of capital.

NAIT's portfolio investments are in a pooled fund portfolio. All of the pooled funds have a year end of December 31. Where June 30 information is not available, NAIT uses the preceding December 31 information from the investment manager and current market value as a reasonable proxy for the calculations below.

NAIT is exposed to the following risks:

### MARKET RISK

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, NAIT has established an investment policy governing asset mix, diversification, exposure limits, credit quality, and performance measurement.

A 5% change in the benchmark would result in an increase (decrease) in the market value of the investment portfolio per the table below.

	<b>2019</b>	<b>2018</b>
Canadian equity (S&P/TSX Composite Total Return Index benchmark)	\$ 1,067	\$ 1,300
All World equity (MSCI All Country World Index [Net Dividend, C\$] benchmark)*	4,201	4,775

\* All World equity includes investments in Canadian markets, equating to 9.8% (2018: 10.0%) of the Fund at December 31, 2018.

All material risks that affect the market value of NAIT's investments in fixed income are adequately explained in credit and interest rate risk below.

In accordance with NAIT's investment policy, risk on portfolio investments is managed by restricting investments as follows:

- Financial institutions and broker/dealers handling NAIT's investments must be registered with the Alberta Securities Commission and be in good standing with the Investment Industry Regulatory Organization of Canada.
- 100% of the bonds held in the portfolio must be rated BBB or better by Standards & Poor's or an equivalent rating agency.
- Investments in equities are to be made in securities that trade on recognized stock exchanges.
- Investment strategies shall be supported by sound analysis of economic and industry fundamentals.
- Leverage investments that expose NAIT to liability beyond the amount invested are prohibited unless otherwise approved by the Finance Committee. These include but are not limited to derivatives, options, purchasing on margin and short selling of securities. Any approved exception by the Finance Committee must be consistent with taking appropriate action to ensure the preservation of capital.
- Except for the bonds issued or guaranteed by federal and provincial governments, no more than 10% of the fixed income portfolio will be invested in the bonds of a single issuer and related parties, and no single holding shall equal more than 10% of the market value of the total outstanding for that issue.
- The debt and equity investments in a single company are limited to 10% of the book value of the fund.
- No equity in the portfolio shall represent more than 9.9% of the voting shares of a company. The maximum equity holding of a company is limited to a weight of 10% of the market value of the Canadian equity and Global equity portfolios as the case may be.

## FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. NAIT does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. NAIT's exposure to foreign exchange risk is low due to the amount of business activities conducted in foreign currency. NAIT further mitigates risks by limiting international contracts that are not in Canadian dollars to only US dollars.

A 5% strengthening or weakening in the Canadian dollar would result in a \$4,572 (2018: \$4,530) change in the market value of the investment portfolio.

## CREDIT RISK

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honor its financial obligations with NAIT. NAIT is exposed to credit risk on investments and has established an investment policy with required minimum credit quality standards and issuer limits to manage this risk. The credit risk from accounts receivable is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricted enrolment activities for students with delinquent balances and maintaining standard collection procedures.

The credit rating distribution of bonds (based on market value) is as follows:

	2018	2018
AAA	20.9%	22.4%
AA	37.0%	26.7%
A	23.1%	33.3%
BBB	18.0%	16.5%
Short-term investments and other net assets (liabilities)	1.0%	1.1%
	100.0%	100.0%



## LIQUIDITY RISK

Liquidity risk is the risk that NAIT will encounter difficulty in meeting obligations associated with its financial liabilities. NAIT invests in short-term pooled funds to manage short-term cash requirements. NAIT maintains a short-term line of credit that is designed to ensure the availability of funds to meet current and forecasted financial requirements in the most cost effective manner. At June 30, 2019, NAIT has committed borrowing facilities of \$2,500 (2018: \$2,500), none of which has been drawn.

## INTEREST RATE RISK

Interest rate risk is the risk to NAIT's earnings that arises from the fluctuations in interest rates and the degree of volatility in these rates. The risk is managed by contractually setting interest rates with banking institutions and investing in a fixed income portfolio with a variety of interest rates and terms to maturity. If interest rates increased by 1%, and all other variables were held constant, the potential loss in fair value would be approximately 2.6% (2018: 2.5%) of total investments. Interest risk on NAIT's debt is managed through fixed-rate agreements with Alberta Capital Finance Authority (Note 8).

The maturity of interest bearing investments (fixed income portfolio) are as follows:

	2019	2018
< 1 year	10.2%	12.8%
1 - 5 years	45.0%	54.6%
> 5 years	44.8%	32.6%
	100.0%	100.0%
Average effective yield	2.29%	2.67%

## 7. EMPLOYEE FUTURE BENEFIT LIABILITIES

Employee future benefit liabilities are comprised of the following:

	2019	2018
Accrued vacation pay	\$ 21,452	\$ 21,406
Long-term disability	4,061	3,959
Supplementary retirement plan - defined benefit	176	1,713
Supplementary retirement plan - defined contribution	1,478	-
Special leave plan	598	554
Management retirement plan	64	54
	\$ 27,829	\$ 27,686

## **(a) DEFINED BENEFIT PLANS ACCOUNTED FOR ON A DEFINED BENEFIT BASIS**

### **Long-term disability (LTD)**

NAIT provides long-term disability defined benefits to employees. The most recent actuarial valuation for these benefits was as at June 30, 2019. The long-term disability plan provides pension and non-pension benefits after employment, but before the employee's normal retirement date. Salary costs are covered by an insurance plan.

### **Supplementary Retirement Plan (SRP)**

NAIT provides non-contributory defined supplementary retirement benefits to executives. An actuarial valuation of these benefits was carried out as at June 30, 2019.

### **Special Leave Plan**

NAIT provides compensated absences for its employees under a special leave plan. Under this plan, employees contribute 18% of their gross bi-weekly earnings for a contributory period of four years. For the fifth year, employees receive 82% of their gross salary as of the last day of their contributory period. Alternatively, employees contribute 18% of their gross bi-weekly earnings for a contributory period of two years and for the subsequent six months, receive 82% of their gross salary as of the last day of their contributory period. NAIT funds the shortfall between the contributed funds, including interest earned, and the gross salary to be paid to the employee during their compensated absence. NAIT's contribution to the total liability under the plan is \$209 (2018: \$134), and has been discounted at a rate of 0.0% (2018: 0.0%).

## **(b) DEFINED BENEFIT PLANS ACCOUNTED FOR ON A DEFINED CONTRIBUTION BASIS**

### **Local Authorities Pension Plan**

The Local Authorities Pension Plan (LAPP) is a multi-employer contributory defined benefit pension plan for staff members and is accounted for on a defined contribution basis. As at December 31, 2018, the LAPP reported an actuarial surplus of \$3,469,347 (2017: \$4,835,515 surplus). As at June 30, 2019, NAIT recorded 2,311 (2018: 2,421) pensionable contributors comprising 1.42% (2018: 1.52%) of active LAPP membership. NAIT is not responsible for the funding of any future plan deficit other than through contribution increases. The pension expense recorded in these financial statements is \$21,967 (2018: \$25,293).

### **Management Retirement Plan**

A management retiring allowance was established in 1988 in response to market conditions. The allowance is \$2 per year of eligible service. To be eligible to receive this allowance, employees must have been employed in an eligible management position with NAIT prior to July 1, 2002 and also be eligible for retirement benefits from the Local Authorities Pension Plan. Managers whose employment with NAIT commenced on or after July 1, 2002 are not eligible for this allowance. The liability is calculated based on management's best estimate of when the eligible employee will retire and a discount rate of 3.95% (2018: 3.45%).

## (c) DEFINED CONTRIBUTION

### Supplementary Retirement Plan (defined contribution)

NAIT provides non-contributory supplementary retirement benefits under a defined contribution plan to eligible executive members. NAIT's total defined contribution supplementary retirement expense was \$89 (2018: \$0).

The expense and financial position of these defined benefit plans are as follows:

	2019				
	LTD	SRP (Defined Benefit)	SRP (Defined Contribution)	Special Leave	Management Retiring
<b>Expense</b>					
Current service cost	\$ 486	\$ 85	31	\$ 79	\$ 10
Interest cost	111	34	58	-	-
Realized actuarial gain on transfer to defined contribution plan	-	420	-	-	-
Amortization of actuarial (gains) losses	-	43	-	-	-
	<u>\$ 597</u>	<u>\$ 582</u>	<u>89</u>	<u>\$ 79</u>	<u>\$ 10</u>
<b>Financial Position</b>					
Accrued benefit obligation:					
Balance, beginning of year	\$ 3,959	\$ 1,713	\$ -	\$ 554	\$ 54
Transfer to defined contribution plan	-	(1,389)	1,389	-	-
Realized actuarial gain on transfer to defined contribution plan	-	420	-	-	-
Current service cost	486	85	31	79	10
Interest cost	111	34	58	-	-
Benefits paid	(495)	(730)	-	(35)	-
Actuarial (gain) loss	-	43	-	-	-
Balance, end of year	<u>\$ 4,061</u>	<u>\$ 176</u>	<u>\$ 1,478</u>	<u>\$ 598</u>	<u>\$ 64</u>
	2018				
	LTD	SRP (Defined Benefit)	SRP (Defined Contribution)	Special Leave	Management Retiring
<b>Expense</b>					
Current service cost	\$ (427)	\$ 207	\$ -	\$ 151	\$ 3
Interest cost	112	45	-	-	-
Amortization of actuarial (gains) losses	-	50	-	-	-
	<u>\$ (315)</u>	<u>\$ 302</u>	<u>-</u>	<u>\$ 151</u>	<u>\$ 3</u>
<b>Financial Position</b>					
Accrued benefit obligation:					
Balance, beginning of year	\$ 5,003	\$ 1,420	\$ -	\$ 533	\$ 51
Current service cost	(427)	207	-	151	3
Interest cost	112	45	-	-	-
Benefits paid	(729)	(9)	-	(130)	-
Actuarial (gain) loss	-	50	-	-	-
Balance, end of year	<u>\$ 3,959</u>	<u>\$ 1,713</u>	<u>\$ -</u>	<u>\$ 554</u>	<u>\$ 54</u>

NAIT plans to use its working capital to finance these future obligations.

The significant actuarial assumptions used to measure the accrued benefit obligation are as follows:

	2019		2018	
	LTD	SRP (Defined Benefit)	LTD	SRP (Defined Benefit)
Accrued benefit obligation:				
Discount rate	2.60%	2.60%	3.10%	3.10%
Long-term average compensation increase	2.00%	2.57%	1.60%	2.57%
Benefit cost:				
Discount rate	3.10%	3.10%	2.45%	2.45%
Long-term average compensation increase	3.00%	3.00%	3.00%	3.00%
Alberta inflation (long term)	2.00%	2.00%	2.00%	2.00%
Estimated average remaining service life	5	12	5	7

## 8. DEBT

Debt is measured at amortized cost and is comprised of the following:

	2019				2018
	Collateral	Maturity Date	Interest rate	Amortized Cost	Amortized Cost
Debentures payable to Alberta Capital Finance Authority:					
Parkade	Cashflows	December 2042	3.426%	\$ 20,054	\$ 20,603
Blatchford Lands	(1)	June 2049	3.184%	111,000	150,000
				<u>\$ 131,054</u>	<u>\$ 170,603</u>

(1) Security interest in all of its present and after-acquired personal property exclusive of the Centre for Applied Technology.

Principal and interest repayments are as follows:

	Principal	Interest	Total
2020	\$ 2,822	\$ 4,199	\$ 7,021
2021	2,914	4,107	7,021
2022	3,009	4,012	7,021
2023	3,107	3,914	7,021
2024	3,209	3,812	7,021
Thereafter	115,993	51,409	167,402
	<u>\$ 131,054</u>	<u>\$ 71,453</u>	<u>\$ 202,507</u>

Interest expense on debt is \$2,807 (2018: \$2,778) and is included in the consolidated statements of operations.

## 9. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants and donations. Deferred contributions are set aside for specific purposes as required by legislation, regulation or agreement. Changes in the deferred contributions balances are as follows:

	Unspent Operating Contributions	Unspent Capital Contributions	Total
<b>Balance as at June 30, 2017</b>	<b>\$ 35,390</b>	<b>\$ 4,531</b>	<b>\$ 39,921</b>
Grants and donations received	46,569	18,297	64,866
Investment income (Note 17)	2,421	-	2,421
Unearned capital acquisition transfers (Note 11)	-	(19,846)	(19,846)
Recognized as revenue	(52,582)	-	(52,582)
Transferred to endowment	(470)	-	(470)
Unrealized gain on investments relating to deferred contributions (Note 5)	176	-	176
<b>Balance as at June 30, 2018</b>	<b>\$ 31,504</b>	<b>\$ 2,982</b>	<b>\$ 34,486</b>
Grants and donations received	49,449	9,042	58,491
Investment income (Note 17)	4,265	-	4,265
Transfer to spent deferred capital contribution (Note 11)	-	(10,553)	(10,553)
Recognized as revenue	(42,780)	-	(42,780)
Transferred to endowment	(595)	-	(595)
Unrealized gain on investments relating to deferred contributions (Note 5)	1,347	-	1,347
<b>Balance as at June 30, 2019</b>	<b>\$ 43,190</b>	<b>\$ 1,471</b>	<b>\$ 44,661</b>

## 10. TANGIBLE CAPITAL ASSETS

	2019							2018
	Land	Buildings, Leasehold and Site Improvements	Furnishings, Equipment and Systems	Vehicles	Library holdings	Work in progress	Total	Total
<b>Cost</b>								
Beginning of year	\$ 45,052	\$ 644,767	\$ 157,319	\$ 2,624	\$ 3,747	\$ 21,955	\$ 875,464	\$ 783,449
Acquisitions	3,181	24,941	9,851	-	89	(10,597)	27,465	96,627
Disposals	-	(144)	(11,570)	(93)	-	-	(11,807)	(4,612)
	<u>48,233</u>	<u>669,564</u>	<u>155,600</u>	<u>2,531</u>	<u>3,836</u>	<u>11,358</u>	<u>891,122</u>	<u>875,464</u>
<b>Accumulated Amortization</b>								
Beginning of year	-	(199,940)	(111,161)	(2,095)	(2,981)	-	(316,177)	(286,087)
Amortization expense	-	(23,055)	(15,025)	(186)	(180)	-	(38,446)	(34,599)
Disposals	-	144	11,143	83	-	-	11,370	4,509
	<u>-</u>	<u>(222,851)</u>	<u>(115,043)</u>	<u>(2,198)</u>	<u>(3,161)</u>	<u>-</u>	<u>(343,253)</u>	<u>(316,177)</u>
<b>Net book value at June 30, 2019</b>								
	<u>\$ 48,233</u>	<u>\$ 446,713</u>	<u>\$ 40,557</u>	<u>\$ 333</u>	<u>\$ 675</u>	<u>\$ 11,358</u>	<u>\$ 547,869</u>	
<b>Net book value at June 30, 2018</b>								
	<u>\$ 45,052</u>	<u>\$ 444,827</u>	<u>\$ 46,158</u>	<u>\$ 529</u>	<u>\$ 766</u>	<u>\$ 21,955</u>		<u>\$ 559,287</u>

No interest was capitalized in 2019 (2018: \$0).

Cost includes work-in-progress totaling \$11,358 (2018: \$21,955), comprised of land \$3,470 (2018: \$20), buildings \$2,588 (2018: \$18,350), site improvements \$26 (2018: \$936), equipment \$2,624 (2018: \$1,208) and software \$2,650 (2018: \$1,441).

Acquisitions during the year include in-kind contributions in the amount of \$198 (2018: \$688).

## 11. SPENT DEFERRED CAPITAL CONTRIBUTIONS

Spent deferred capital contributions is comprised of externally restricted grants and donations spent on tangible capital acquisitions (not yet recognized as revenue).

	2019	2018
Balance, beginning of year	\$ 345,064	\$ 348,133
Transfers from unspent externally restricted grants and donations (Note 9)	10,553	19,846
Expended capital recognized as revenue	(23,429)	(22,835)
Net book value of asset disposals	(267)	(80)
Balance, end of year	<u>\$ 331,921</u>	<u>\$ 345,064</u>

## 12. NET ASSETS

	Accumulated Operating Surplus	Funds and Reserves	Investment in Tangible Capital Assets	Endowments	Total Accumulated Surplus
<b>Balance as at June 30, 2017</b>	<b>\$ 28,568</b>	<b>\$ 90,043</b>	<b>\$ 118,761</b>	<b>\$ 42,950</b>	<b>\$ 280,322</b>
Annual operating deficit	(12,213)	-	-	-	(12,213)
Endowments					
Contributions	-	-	-	1,000	1,000
Capitalized investment income	-	-	-	561	561
Tangible capital assets					
Amortization of tangible capital assets	11,764	-	(11,764)	-	-
Acquisition of tangible capital assets	(47,025)	(30,608)	77,633	-	-
Debt - expenditures from funds received in prior years	38,331	-	(38,331)	-	-
Debt - repayment	(530)	-	530	-	-
Net book value of tangible capital asset disposals	23	-	(23)	-	-
Operating expenses funded from funds and reserves	14,965	(14,965)	-	-	-
Net Board appropriation to funds and reserves	(4,466)	4,466	-	-	-
Change in accumulated remeasurement gains and losses	1,082	-	-	-	1,082
<b>Balance as at June 30, 2018</b>	<b>\$ 30,499</b>	<b>\$ 48,936</b>	<b>\$ 146,806</b>	<b>\$ 44,511</b>	<b>\$ 270,752</b>
Annual operating deficit	(5,638)	-	-	-	(5,638)
Endowments					
Contributions	-	-	-	648	648
Capitalized investment income	-	-	-	595	595
Transfer to endowments	-	(25)	-	25	-
Tangible capital assets					
Amortization of tangible capital assets	15,017	-	(15,017)	-	-
Acquisition of tangible capital assets	(12,542)	(4,753)	17,295	-	-
Debt - expenditures from funds received in prior years	6,849	-	(6,849)	-	-
Debt - repayment	(39,548)	-	39,548	-	-
Debt - reduction in amount received in excess of requirements	39,000	-	(39,000)	-	-
Net book value of tangible capital asset disposals	169	-	(169)	-	-
Operating expenses funded from funds and reserves	4,016	(4,016)	-	-	-
Net Board appropriation to funds and reserves	2,484	(2,484)	-	-	-
Change in accumulated remeasurement gains and losses	3,685	-	-	-	3,685
<b>Balance as at June 30, 2019</b>	<b>\$ 43,991</b>	<b>\$ 37,658</b>	<b>\$ 142,614</b>	<b>\$ 45,779</b>	<b>\$ 270,042</b>
<b>Net assets is comprised of:</b>					
Accumulated surplus	\$ 33,080	\$ 37,658	\$ 142,614	\$ 45,779	\$ 259,131
Accumulated remeasurement gains and losses	10,911	-	-	-	10,911
	<b>\$ 43,991</b>	<b>\$ 37,658</b>	<b>\$ 142,614</b>	<b>\$ 45,779</b>	<b>\$ 270,042</b>

Investment in tangible capital assets represents the amount of NAIT's accumulated surplus that has been invested in tangible capital assets.



## FUNDS AND RESERVES

Funds and reserves represent amounts set aside by NAIT's Board of Governors for specific purposes. These amounts are not available for other purposes without the approval of the Board, and do not have interest allocated to them. Funds and reserves are summarized as follows:

	Balance, Beginning of Year	Appropriations from (returned to) Accumulated Operating Surplus	Disbursements During the Year	Transfers to Endowments	Balance, End of Year
Appropriation for capital activities:					
Main Campus Renovations	\$ 24,010	\$ (2,148)	\$ (2,517)	\$ -	\$ 19,345
Student Housing	10,000	-	(157)	-	9,843
Capital Renewal	2,315	146	(1,264)	-	1,197
Centre for Applied Technology	1,468	(945)	(523)	-	-
Strategic Investment Fund	-	252	(252)	-	-
Academic Incentive Plan	-	40	(40)	-	-
	<u>37,793</u>	<u>(2,655)</u>	<u>(4,753)</u>	<u>-</u>	<u>30,385</u>
Appropriation for operating activities:					
Strategic Investment Fund	3,817	(252)	(25)	(25)	3,515
Industry Solutions	-	2,676	-	-	2,676
Credit Education					
Enhancement Fund	-	1,082	-	-	1,082
Main Campus Renovations	-	3,093	(3,093)	-	-
Department of Corporate, International and Continuing Education					
Course Development	1,306	(726)	(580)	-	-
Capital Renewal	-	195	(195)	-	-
Academic Incentive Plan	628	(511)	(117)	-	-
Academic Development Fund	3,963	(3,957)	(6)	-	-
General Research Fund	1,429	(1,429)	-	-	-
	<u>11,143</u>	<u>171</u>	<u>(4,016)</u>	<u>(25)</u>	<u>7,273</u>
	<u>\$ 48,936</u>	<u>\$ (2,484)</u>	<u>\$ (8,769)</u>	<u>\$ (25)</u>	<u>\$ 37,658</u>

## 13. CONTINGENT ASSETS

NAIT initiated legal matters and insurance claims where possible assets are being sought. These matters give rise to contingent assets. The outcomes from these matters may result in recognition of assets.

## 14. CONTINGENT LIABILITIES

- (a) NAIT is a defendant in a number of legal proceedings. While the ultimate outcome and liability of these proceedings cannot be reasonably predicted at this time, it is the opinion of NAIT's management that any settlement will not have a material, adverse effect on the financial position or the results of operations of NAIT.

- (b) NAIT has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, NAIT may be required to take appropriate remediation procedures to remove the asbestos. As NAIT has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these assets will be recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation.

NAIT has obligations for various asbestos and other site remediations, as scheduled for future fiscal years. Management estimates remediation costs of \$1,182 (2018: \$94) based on contractual obligations and current industry costs. This amount has been recorded in the financial statements.

## 15. CONTRACTUAL RIGHTS

Contractual rights are rights of NAIT to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

	2019	2018
Operating leases, contracts and programs	\$ 24,063	\$ 14,718
Operations and maintenance	877	1,042
Other contracts	1,714	5,534
	<u>\$ 26,654</u>	<u>\$ 21,294</u>

Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	Operating Leases, Contracts and Programs	Operations and Maintenance	Other Contracts	Total
2020	\$ 10,996	\$ 267	\$ 1,714	\$ 12,977
2021	7,028	279	-	7,307
2022	3,757	331	-	4,088
2023	1,757	-	-	1,757
2024	525	-	-	525
Thereafter	-	-	-	-
	<u>\$ 24,063</u>	<u>\$ 877</u>	<u>\$ 1,714</u>	<u>\$ 26,654</u>

## 16. CONTRACTUAL OBLIGATIONS

NAIT has contractual obligations that are commitments that will become liabilities in the future when the terms of the contracts or agreements are met.

	2019	2018
Blatchford lands*	\$ 61,678	\$ -
Capital projects	8,547	10,282
Long-term leases	17,032	19,695
	<u>\$ 87,257</u>	<u>\$ 29,977</u>

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	<b>Blatchford Lands*</b>	<b>Capital Projects</b>	<b>Long-term Leases</b>	<b>Total</b>
2020	\$ -	\$ 8,547	\$ 2,250	\$ 10,797
2021	-	-	2,036	2,036
2022	8,722	-	2,044	10,766
2023	-	-	1,256	1,256
2024	52,956	-	1,144	54,100
Thereafter	-	-	8,302	8,302
	<u>\$ 61,678</u>	<u>\$ 8,547</u>	<u>\$ 17,032</u>	<u>\$ 87,257</u>

As at June 30, 2019, NAIT has contractual commitments for capital projects as follows:

Blatchford land*	\$ 61,678
Various other projects	8,547
	<u>\$ 70,225</u>

\*In 2018/19, NAIT entered into a contract with the City of Edmonton to purchase a section of the Blatchford land adjacent to main campus for future development. The contractual obligation of \$61,678 (2018: \$0) represents the total purchase less deposit paid of \$623. The purchase is expected to be completed in 2023/24.

## 17. INVESTMENT INCOME

	<b>2019</b>	<b>2018</b>
Investment earnings	\$ 20,614	\$ 11,807
Less transferred to Deferred Contributions (Note 9)	(4,265)	(2,421)
Investment earnings from unrestricted sources	16,349	9,386
Add transfers from Deferred Contributions	1,612	1,654
Investment income	<u>\$ 17,961</u>	<u>\$ 11,040</u>

Investment earnings include an accrual of \$4,895 (2018: \$4,463). The accrual represents management's best estimate of revenue earned from January 1 to June 30 (6 months) and not yet distributed, based on information provided by the Investment Manager (see Note 2(c)).

## 18. EXPENSE BY OBJECT

The following is a summary of expenses by object:

	<b>2019</b>		<b>2018</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
Salaries and employee benefits	\$ 255,268	\$ 255,350	\$ 258,189
Materials, supplies and services			
Cost of goods sold	12,968	13,409	13,943
Purchased labour and services	13,646	15,997	14,517
Classroom, lab and general supplies	11,151	12,903	13,987
Other materials, supplies and services	10,425	8,186	8,264
Maintenance and repairs	26,418	23,483	23,293
Utilities	8,325	7,087	7,746
Scholarships, bursaries and prizes	2,769	2,887	3,069
Interest expense	2,760	2,807	2,778
Amortization of capital assets	37,148	38,446	34,599
	<u>\$ 380,878</u>	<u>\$ 380,555</u>	<u>\$ 380,385</u>

## 19. FUNDS HELD ON BEHALF OF OTHERS

NAIT holds the following funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the financial statements.

	2019	2018
Alberta Post-Secondary Application System Society	\$ 6,792	\$ 6,157
NAIT Students' Association	789	1,508
	<u>\$ 7,581</u>	<u>\$ 7,665</u>

## 20. RELATED PARTIES

NAIT is a related party with organizations within the Government of Alberta reporting entity. Key management personnel of NAIT and their close family members are also considered related parties. NAIT may enter into arm's length transactions with these entities and individuals.

In 2018/19, NAIT's key management personnel and their close family members did not have any material transactions with NAIT, the NAIT Foundation, or other Government of Alberta reporting entities that occurred at a value that was different from that which would have been arrived at if the parties were unrelated.

During the year, NAIT conducted business transactions with related parties, including Ministries of the Province of Alberta, other Alberta post-secondary institutions and corporations for which certain Board members of NAIT serve as management. The revenues and expenses incurred for these transactions have been included in the consolidated statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair market value. No material amounts are recorded in accounts receivable or accounts payable other than transactions entered into at arms-length.

NAIT has liabilities with Alberta Capital Finance Authority as described in Note 8.

## 21. GOVERNMENT TRANSFERS

NAIT operates under the authority and statutes of the Province of Alberta. Transactions and balances between NAIT and the Government of Alberta are measured at the exchange amount and summarized below.

	2019	2018
Grants from Government of Alberta		
Advanced Education		
Campus Alberta	\$ 162,851	\$ 157,423
Apprenticeship	15,718	18,739
Infrastructure Maintenance Program	6,385	6,365
Capital - Productivity and Innovation Centre	4,372	13,439
Targeted enrolment expansion	5,998	8,710
Other	6,665	3,132
Total Advanced Education	201,989	207,808
Other Post-secondary Institutions	-	7
Other Government of Alberta departments and agencies		
Economic Development, Trade and Tourism (including Alberta Innovates)	3,637	2,878
Environment and Parks (including Energy Efficiency Alberta)	653	-
Agriculture and Forestry	200	-
Labour and Immigration	89	112
Municipal Affairs	50	-
Health (including Alberta Health Services)	22	26
Total Other Government of Alberta departments and agencies	4,651	3,016
Total contributions received and receivable	206,640	210,831
Less deferred contributions	(12,014)	(10,548)
Total Government of Alberta operating grant revenue	\$ 194,626	\$ 200,283
Grants from federal and other governments		
Federal government	\$ 5,939	\$ 2,775
Other government	45	48
Total contributions received and receivable	5,984	2,823
Less deferred contributions	(2,595)	(556)
Total federal and other government operating grant revenue	\$ 3,389	\$ 2,267

## 22. SALARY AND EMPLOYEE BENEFITS

2019				
	Base Salary <sup>(5)</sup>	Other Cash Benefits <sup>(6)</sup>	Other Non-Cash Benefits <sup>(7)(8)</sup>	Total
<b>Governance <sup>(1)</sup></b>				
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	7	7
<b>Executive</b>				
President and CEO	375	121	550	1046
Provost <sup>(2)</sup>	171	77	(4)	244
Provost and Vice President Academic <sup>(3)</sup>	234	64	104	402
Vice President Administration and CFO	245	103	3	351
Vice President Industry Partnerships and CMO <sup>(4)</sup>	198	33	37	268
2018				
	Base Salary <sup>(5)</sup>	Other Cash Benefits <sup>(6)</sup>	Other Non-Cash Benefits <sup>(7)(8)</sup>	Total
<b>Governance</b>				
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	5	5
<b>Executive</b>				
President and CEO	375	124	252	751
Provost	224	51	75	350
Vice President Academic	224	51	59	334
Vice President Administration and CFO	245	105	10	360
Vice President External Relations and CDO <sup>(4)</sup>	105	50	45	200

- (1) The Chair and other members of the Board of Governors receive no remuneration for the services they provide as members of the Board of Governors.
- (2) The past incumbent Provost left the position in March 2019. Effective April 2019, the Provost and Vice President Academic positions were combined (see Note 3).
- (3) The incumbent Vice President Academic held the position until March 2019. Effective April 2019, the Provost and Vice President Academic positions were combined (see Note 2).
- (4) The past incumbent Vice President External Relations and Chief Development Officer left the position in December 2017. The position was filled in September 2018. The position is now Vice President Industry Partnerships and Chief Marketing Officer position.
- (5) Base salary includes pensionable base pay.
- (6) Other cash benefits include variable compensation payments, vacation payouts by special approval or upon retirement/termination, car allowance and pay in lieu of employee benefits.

(7) Other non-cash benefits include:

- NAIT's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short- and long-term disability plans, management retirement allowance and professional memberships required for employment.
- NAIT's current and prior service cost of the supplementary retirement plan.
- The tuition fee for the two student representatives on the Board of Governors.
- Negative amounts may appear if accrued non-cash benefits are lower than actual cash benefits paid.

(8) Under the terms of the Supplementary Retirement Plan (SRP), executive officers may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post-employment period. The defined benefit SRP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, management's best estimate of expected costs, and the period of benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

In May 2019, the Board of Governors approved a change in the SRP from a defined benefit plan to a defined contribution plan for the two remaining contributors, being the President and CEO and the Provost and Vice-President Academic. The change in plans will be retroactively applied to January 1, 2019, and the realized pension values from the defined benefit plan will be transferred to the new defined contribution plan.

The Supplementary Retirement Plan related to the defined benefit plan for the current service cost and accrued obligation for each of the executives in the above table are outlined in the following table:

	<b>Accrued Obligation June 30, 2018</b>	<b>Service Cost</b>	<b>Interest Cost</b>	<b>Realized Actuarial Gain on Transfer</b>	<b>Amount Transferred /Benefits Paid</b>	<b>Actuarial Loss (Gain)</b>	<b>Accrued Obligation June 30, 2019</b>
President and CEO	\$ 776	\$ 53	\$ 14	\$ 406	\$ (1,322)	\$ 73	\$ -
Provost							
Past incumbent	13	18	1	-	-	36	68
Provost and Vice President Academic							
Current incumbent	14	14	1	14	(67)	25	-
Past incumbent	176	-	5	-	(9)	10	182
Vice President External Relations and CDO							
Past incumbent	691	-	13	-	(721)	17	-

The Provost terminated employment prior to the end of the fiscal year but has not yet received a payment. The accrued benefit obligation represents the commuted value payment as at June 30, 2019.

The new Supplementary Retirement Plan related to the defined contribution plan for the current service cost and accrued obligation for each of the executives in the above table are outlined in the following table.

	<b>Accrued Obligation June 30, 2018</b>	<b>Transfer from Defined Benefit Plan</b>	<b>Service Cost</b>	<b>Interest Cost</b>	<b>Benefits Paid</b>	<b>Accrued Obligation June 30, 2019</b>
President and CEO	\$ -	\$ 1,322	\$ 23	55	\$ -	\$ 1,400
Provost and Vice President Academic	-	67	8	3	-	78

The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in Note 7.



## **23. BUDGET**

NAIT's 2019 budget was approved by the Board of Governors and was presented to the Minister of Advanced Education as part of NAIT's submission of its 2018/19 to 2020/21 Comprehensive Institutional Plan.

## **24. SUBSEQUENT EVENT**

On July 31, 2019 the Board of Governors of the Northern Alberta Institute of Technology approved the nomination of three of its board members and three other NAIT designates to serve as board members of GO Productivity. Effective July 31, 2019, the Northern Alberta Institute of Technology has control over GO Productivity which holds approximately \$6,346 in assets, \$5,141 in liabilities, and \$1,205 in equity as at June 30, 2019 (unaudited).

## **25. APPROVAL OF FINANCIAL STATEMENTS**

The Consolidated Financial Statements were approved by the Board of Governors of the Northern Alberta Institute of Technology on October 8, 2019.





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