



TRUE TO PURPOSE



ANNUAL REPORT

2021/2022

At NAIT, we honour and acknowledge that the land on which we learn, work and live is Treaty Six territory.

This place is a traditional homeland for the First Nations and Métis Peoples, and today we are all part of this treaty land. The traditional name of this place is Amiskwaciy Waskahikan, which we also call the city of Edmonton.

There is a long history that has brought us to be on this land. At NAIT, we seek to learn from that history and the lessons that have come before us, and to draw on the wisdom of Canada's First Peoples who have lived on this land from time immemorial.

Through this land acknowledgement, we have an opportunity and responsibility to reflect on the impacts of colonialism, historically and currently. Only through learning can we move forward in truth and reconciliation, and to a better future together.

To fulfill our promise to learners, industry and Albertans, NAIT is reinforcing, adapting and disciplining our operations and plans.

- We are reinforcing our longstanding and pragmatic purpose: through polytechnic education to prepare career-ready learners so that they may contribute to Alberta's industries and growing communities and through applied research to create solutions businesses face today and will face in the future.
- We are adapting decisively to emerging funding models.
- We are applying financial discipline today to sustain a positive "NAIT Effect" on the future – of learners, industry, staff, and the province and beyond.

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ACCOUNTABILITY STATEMENT

The Northern Alberta Institute of Technology's (NAIT's) Annual Report for the year ended March 31, 2022, 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,



Yasmin Jivraj
Chair, NAIT Board of Governors
September 27, 2022

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

The Northern Alberta Institute of Technology's (NAIT's) 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, are 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, Audit, and Foundation 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, the institution's external auditor appointed under the *Post-Secondary Learning Act*, performs an annual independent audit of the consolidated financial statements, which are prepared in accordance with Canadian Public Sector Accounting Standards.

On behalf of management,



Laura Jo Gunter, MBA
President and CEO



Jeff Dumont, CPA, CA, ICD.D
Vice-President Administration and CFO

MESSAGE FROM THE CHAIR

I am pleased to present NAIT's 2021/22 Annual Report to the Ministry of Advanced Education. NAIT has come through two challenging years stronger than before. As a leading polytechnic that delivers practical, hands-on education, NAIT provides a career-ready workforce that meets industry needs, drives Alberta's economy and contributes to growing communities.

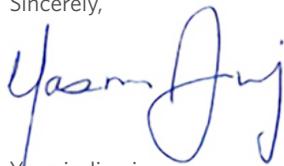
We are thrilled to have launched our new strategic plan, *The NAIT Effect*, in 2021. The plan charts a path for NAIT to have an impact on Alberta's people and industries, as well as within NAIT itself. The board signed off on *The NAIT Effect* in June 2021. The plan will be monitored through a series of objectives and key results that we measure throughout the year. I am confident and excited about this plan's success. Through it, NAIT will contribute to Alberta's prosperity in a meaningful way.

Thanks to careful budgeting, NAIT will have the resources it needs to implement its new strategic plan. Fiscal discipline and responsibility have always been a priority at NAIT, and last year was no exception. In response to financial challenges, NAIT has laid out a plan of action that reduces expenditures and adapts to our reduced base operating grant. Though we ended March 31, 2022 with a small operating deficit, NAIT is on track to a balanced budget and is targeting a small surplus each year that will be used to invest in our future.

As Board Chair, I look forward to working with President and CEO Laura Jo Gunter on the execution of *The NAIT Effect*. NAIT has an important role to play in the future of this province, and the strategic plan will ensure we make the most of it.

Finally, I would like to thank Ray Pisani for his dedication and service to the board and to NAIT as Chair for the past three years. Ray's passion for polytechnic education is second to none, and his leadership steered NAIT through challenging times during the pandemic. I will work hard to live up to the high standards he has set.

Sincerely,



Yasmin Jivraj
Chair of the Board of Governors

MESSAGE FROM THE PRESIDENT AND CEO

Aligned with Alberta 2030: Building Skills for Jobs, NAIT continues to support economic growth and prosperity in Alberta. Through hands-on, transformative polytechnic education that leads to meaningful careers, NAIT provides the skilled workforce and innovative solutions that empower globally competitive industries and foster vibrant communities. NAIT remains crucial to this province's future prosperity.

The year 2021/22 was one of opportunities and progress for NAIT. We charted a new path, made progress on our initiatives, and set bold priorities for the future.

In September 2021, we launched our strategic plan, *The NAIT Effect* – a plan that responds to the changing needs of this province and its people based on evolving economic realities. Through it, we leverage NAIT's polytechnic strengths to deepen the impact on learners, their careers and the industries we empower.

Student engagement continues to be a high priority at NAIT. This past year we expanded work-integrated learning (WIL) by 5% over 2020/21, achieving the WIL performance-based target outlined in the Investment Management Agreement. We learned valuable lessons from the pandemic and used them to implement technological improvements to learning and introduce blended options for essential student services, including on-campus and online options for student counselling, advising and career services. According to the results of a spring survey, students prefer blended learning options over strictly in-person or online. Though enrolment was down in 2021/22, in part due to the pandemic, we believe these teaching and learning innovations will lead to increased student enrolment and satisfaction next year.

NAIT is committed to being industry's most trusted partner. This is a priority in our strategic plan, and we continue to work with industry through teaching and learning and applied research to help meet talent and innovation needs. A full 98% of NAIT's applied research is conducted for industry partners. In 2021, NAIT ranked second in research intensity and fifth overall on Canada's Top 50 Research Colleges list. We also increased the number of micro-credentials issued – 1,603 micro-credentials between April 1, 2021, and March 30, 2022 – and engaged with more than 100 corporate partners for upskilling/reskilling.

In support of learners and to further connect with industry, NAIT's future Skills Centre will be the foundation on which Albertans will build the skillsets they need to accelerate Alberta's and Canada's economic prosperity. It will be home to a transformative, diverse, and inclusive skills training experience that will shape a resilient and innovative future-ready workforce empowered to succeed.

Fiscal responsibility is a top priority for NAIT. Delivering practical, experiential learning is expensive due to the equipment and specialized space that our programs require – anything from a ventilator to a mobile crane. Nevertheless, we worked to reduce expenditures and adapt to current government funding levels, while maintaining excellent polytechnic education.

Like other schools in the advanced education sector, NAIT faced revenue challenges due to the pandemic. We saw decreases in tuition and many other revenue streams and increases in pandemic-related costs. NAIT adapted to these financial challenges by significantly decreasing overall spending, and deferring maintenance and repairs. As a result, NAIT ended the March 31, 2022, fiscal year with only a small operating deficit of \$2.4 million. This deficit represents less than 1% of NAIT's total revenues for the year and is primarily a result of these lower-than-expected revenues. We are on track to a balanced budget and are targeting small surpluses every year to rebuild NAIT's financial health, replenish our reserves and invest in the future.

NAIT is poised for great things in 2022/23. With our new strategic plan launched, we are ready to make an even greater impact on this province with our transformative polytechnic education.

Sincerely,



Laura Jo Gunter, MBA
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 2021/22 year, NAIT's Designated Officer:

- received no disclosures of wrongdoing and had no disclosures referred to it by the Public Interest Commissioner;
- did not act on any disclosures;
- did not conduct any investigations as a result of disclosures; and
- 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

As a leading polytechnic, NAIT operations are true to purpose, reflecting our concentrations on business and entrepreneurship, skilled trades, health and life sciences, and applied sciences and technology. We are structured and staffed to deliver 124 programs leading to baccalaureate degrees, applied degrees, diplomas, certificates and journeyman tickets; as well as more than 200 non-credit certificates and micro-credentials. We are national leaders in industry-driven applied research and one of the largest apprenticeship educators in the country.

During 2021/22, we continued to adapt well to the ongoing challenges of COVID-19, which included lower enrolment. At the same time, we adjusted to the further reduction in our base operating grant (20% over four years as part of Alberta Budget 2019). We did this by streamlining operations, including reducing the number of employees; decreasing overall spending; and deferring some maintenance and repairs.

At the same time, with the adoption of a new institutional strategic plan in Fall 2021, we began to align NAIT operations around six strategic imperatives essential to our future. These imperatives are itemized in the Management's Discussion and Analysis, and are linked to the 2021/22 goals and priority initiatives detailed in the Goals and Performance Measures section of this report. Here are some highlights.

Goal 1 relates to enhancing the student experience. We worked to maintain essential learner services with minimal disruptions as health restrictions evolved. We grew the number of strong connections with industry and continued to help learners be job-ready for employers. And, we prioritized the health and safety of staff and students as the pandemic evolved, with a companion emphasis on rebuilding our on-campus vibrancy.

- Among other actions, we developed and leveraged new technologies and teaching techniques to increase student choice. We also created new, blended on-campus and online options for essential student services, including counselling and advising.
- Despite the impacts of the pandemic, seven out of ten learners who completed our annual survey said they were satisfied with the overall quality of their educational experience, and their satisfaction with the quality of instruction was scored as 5.3 out of 6.0.

Goal 2 focuses on continuing to be industry's source for top talent. Our mandate requires that we constantly adapt to the market and provide learners with the most credible, accessible and useful credentials in Alberta.

In 2021/22, we made progress developing programs to support Alberta's economic recovery and diversification. We worked to ensure existing credit programs remained viable, and we explored and developed new programs where there is increased learner and industry demand. We also collaborated with government and peers to enhance Alberta's post-secondary system.

- More specifically, the School of Skilled Trades launched four two-year diploma programs and submitted proposals for two more. The JR Shaw School of Business submitted proposals for three additional credit program pathways. We introduced 13 new micro-credentials and are preparing 35 more. And, we completed development of 30 new non-credit courses.
- Also during the period, we engaged in provincial, federal and municipal working groups to improve access to, and the impacts of, the post-secondary system. And, we assembled post-secondary institution coalitions in Alberta and across Canada to collaborate on projects of shared benefit.

Goal 3 is about advancing applied research. We continued to refine and grow our capacity and expertise in the areas of energy, environment and sustainable development – all to enhance the global competitiveness of Alberta industries. We also worked to remain industry's trusted applied research partner and maintain on-site project activity without compromising pandemic-related safety.

- Among other accomplishments, we expanded our research network by 40% to include a broader range of colleges, polytechnics, universities and funders, nationally and internationally, paving the way for more collaborations and benefits for Canadian industry.
- We appointed industry-endowed chairs in both Industrial Automation and Energy. We also increased the number of companies served by 27%, the number of active projects by 19%, and the number of completed projects by 4%. Some 62% of partners served were new customers and 38% were repeat customers.

Goal 4 is centred on responsible financial planning. We continued to drive responsible financial planning in a disciplined effort to meet in-year objectives and prepare for future investments in learners, staff, technology and capital renewal. We took care to prioritize critical investments in people and technology. And, we began to integrate environmental, social and governance (ESG) principles into our planning and sustainability goals.

- Although NAIT ended 2021/22 with a small operating deficit, within 1% of the board-approved budget, we are on track to a balanced budget and are targeting a small annual surplus that will be used to replenish reserves and invest in our future.
- During the year, we completed a rigorous program-cost analysis to better understand the full staff, facility and technology costs of program delivery. We conducted large-scale digitization of paper records and expanded methods for student self-service. And, we created a 10-year technology roadmap to identify and prioritize medium- and long-term IT needs.
- We developed and received Board of Governors' approval of NAIT's first-ever sustainability policy, which includes the full spectrum of ESG goals and activities. We set three environmental benchmarks and target metrics, which include a target of net zero greenhouse gas emissions by 2050, along with 2025 targets for solid-waste diversion and water use. We also rolled out our new Equity, Diversity and Inclusion Lens toolkit for leaders to help them advance equity and cultivate inclusion.

These actions and more during 2021/22 position NAIT well to meet the challenges and seize the opportunities of 2022/23 and beyond.

GOALS AND PERFORMANCE MEASURES

GOAL 1: Enhance the student experience by regaining as much campus vibrancy as possible within evolving public health conditions, and continue to build a diverse and inclusive community rooted in the shared principles of equity and safety

SUPPORTING DATA

MEASURE	RESULT	ANALYSIS	SOURCE
Student satisfaction with the overall quality of educational experience	7/10 students stated they were satisfied (68.6%)	NAIT students were satisfied with the overall quality of their educational experience. The level of satisfaction remained relatively consistent with that of the previous year (72.6%).	NAIT Student Engagement Survey 2022 (Note: This year's survey polled populations slightly differently from those surveyed in 2020/21, which might have affected results.)
Student satisfaction with the quality of instruction	Average score of 5.3 on a 6-point scale	This increased from 5.2 in 2020/21. Before the pandemic, the average score was consistently 5.3.	NAIT Student Survey on Instruction: Question 19 (Institute roll-up in Fall and Winter 2021/22)
Credit (degrees, diplomas and certificate programs and apprentice) full-load equivalent (FLE)	Total estimated: 12,651 Credit: 10,712 Apprentice: 1,939 (Subject to GoA validation) Reporting period May 1, 2021 to April 30, 2022	Credit FLE fell by 2.7% from the previous year, due in part to the vaccine requirement, which accounted for 80 fewer FLE. Apprentice FLE decreased by 4.9% year over year, with 67 FLE withdrawing due to the vaccine requirement. Also of note, the prior reporting period was July 1, 2020 to June 30, 2021.	Learning and Enrolment Reporting System (LERS) submission and internal FLE report
Unique headcount by career	Credit: 16,149 Apprentice: 6,467 Non-credit: 11,719	Credit headcounts were similar to the previous year despite a decrease in FLE. This indicates that more students were taking less than a full course load. Apprentice headcount decreased by 2.8% year over year due to the vaccine requirement. Non-credit headcount remained similar to the previous year.	LERS submission and internal FLE report

MEASURE	RESULT	ANALYSIS	SOURCE
Total number of credit program graduates	4,077	<p>There was an 8.8% decrease in credit graduates this year due to the following factors.</p> <ul style="list-style-type: none"> The number of late graduates was exceptionally high in the previous year. This year, there were 219 fewer grads, which was a factor in the overall decrease. COVID-related scheduling changes caused graduation delays. The LERS timeline was earlier than in previous years, so Winter term graduates with reappraisals or extensions will be captured as late graduates next year. Some one-year programs, including Millwright and Carpentry, were impacted by the vaccine requirement. 	LERS submission
Total number of apprentice completers	1,843	This decreased by 9% year over year.	Internal query tracking last period of enrolment
Total non-credit registrations	<p>25,808</p> <p>Reporting on classes scheduled in LERS year (May 1, 2021 to April 30, 2022)</p> <p>(Excludes Academic Upgrading, which is reported as credit)</p>	There was a 9% decline from the previous year, even though headcount remained similar. This indicates that, on average, students were enrolled in fewer classes.	Corporate and Continuing Education Enrolment Report
Graduate satisfaction with the quality of student services	86.8%	Overall graduate satisfaction with the quality of student services decreased slightly from the previous year.	NAIT Graduate Satisfaction and Employment Survey 2020/21
Percentage of programs that offer a work-integrated learning (WIL) opportunity	72%	There was an increase in opportunities compared with the prior year as a result of adding several optional co-op and on-campus WIL experiences.	WIL Coordinator
Learner preferences for in-person, online and blended learning	About 28% prefer in-person, 26% prefer online and 45% prefer blended	Nearly half of learners prefer a blended learning approach.	NAIT Learner Survey (Spring 2021)

MEASURE	RESULT	ANALYSIS	SOURCE
Percentage of programs that offered a blend of on-campus and online learning	<p>All programs in the School of Applied Sciences and Technology and in the JR Shaw School of Business were delivered using the blended approach.</p> <p>Forty of 41 programs in the School of Skilled Trades were delivered using a blended approach.</p> <p>Sixteen of 19 programs in the School of Health and Life Sciences were delivered using a blended approach.</p> <p>Of 119 credit programs, 97% were delivered using a blended approach.</p> <p>(Data may not align with GoA's Provider and Program Registry System due to the fluctuations in program delivery methods during the pandemic.)</p>	The pandemic provided an opportunity to increase the speed at which programs offered were converted to a blend of online and on-campus learning	Internal program information

PRIORITY INITIATIVE 1: Enhance overall student experience

2021/22 ACTIONS AND OUTCOMES

- Developed and leveraged new technologies and teaching techniques during the pandemic to increase student choice and engagement
- Created new blended options for essential student services as a result of the pandemic, including on-campus and online options for student counselling, advising and career services
- Completed analysis to determine priority candidate programs for future enhanced blended delivery
- Evaluated all new policies, procedures and proposals using a newly created Equity, Diversity and Inclusion Lens
- Launched successful new Aboriginal application pathway, providing Indigenous learners a more culturally accessible way to apply for NAIT programs, which resulted in a response far greater than expected (nearly 80 applications used the new pathway)
- Adjusted delivery methods, including a blend of on-campus and online learning, in all the schools during the pandemic to ensure student learning outcomes were achieved in a dynamic environment
- Achieved very favourable survey results from students in Corporate and Continuing Education related to flexible course/program delivery and the quality of instruction and content

PRIORITY INITIATIVE 2: Maintain essential learner services with minimal disruptions as health restrictions evolve

2021/22 ACTIONS AND OUTCOMES

- Provided students with opportunities to progress through their programs, including those on track to complete their program, with as few changes as possible. This included:
 - working closely with students who would have had to withdraw due to the vaccine requirement to find ways they could complete their courses despite not being allowed on campus until they were fully vaccinated. Almost 900 students were supported to continue to progress in the fall semester.
 - working individually with students in Continuing Education to help them understand and meet the requirements to be on campus
- Provided options for distance learning to international students impacted by travel restrictions
- Collaborated with industry partners to ensure students could safely complete work-integrated learning opportunities required for program completion

PRIORITY INITIATIVE 3: Maintain and grow strong connections with industry to supply them with the talent they need to compete and ensure that grads are job-ready

2021/22 ACTIONS AND OUTCOMES

- Expanded work-integrated learning (WIL) by 5% over 2020/21, achieving the WIL performance-based target outlined in the Investment Management Agreement
- Offered students WIL in 72% of NAIT programs, including co-ops, internships, mandatory professional practices, clinical placements and field placements. WIL opportunities are consistent with Co-Operative Education and Work-Integrated Learning guidelines
- Expanded the use of Mitacs Accelerate funding for WIL opportunities, becoming the top institution in Canada using the program, with 119 funded positions in the academic year
- Invested in and set business development and sales targets in Corporate and Continuing Education, building and maintaining relationships with a wide range of clients to respond to skills gaps and create talent-pipeline strategies
- Saw the implementation of NAIT-wide customer relations-management tool by Corporate and Continuing Education, to more effectively share information and manage customer data across campuses
- Hired 51 students to work on industry-driven applied research projects, almost double the number compared with the previous year

PRIORITY INITIATIVE 4: Continue to highly prioritize the health and safety of staff and students as the pandemic evolves, with an emphasis on rebuilding our on-campus culture

2021/22 ACTIONS AND OUTCOMES

- Prioritized and applied a rigorous approach to student health and safety, resulting in minimal on-campus COVID-19 transmission and no outbreaks
- Implemented an on-campus safety campaign to ensure staff and students understood health and safety requirements
- Communicated regularly to students about their own and campus health being a priority, offering support to those making up missed labs or shops if they were required to quarantine or isolate
- Centralized and coordinated responses to the evolving pandemic under a Director, Pandemic Response and the Coordinated Response Team
- Provided staff with additional support and resources so they could take time for themselves and dependents for COVID-19-related absences
- Introduced a mandatory COVID-19 vaccination requirement for all students and staff
- Established a team to verify vaccine records (more than 12,000) and rapid tests
- Introduced a rapid test bridging program to support those who had their second dose but needed time to comply with the policy
- Conducted rotating entrance checks to ensure compliance with the policy, with a compliance rate of more than 99%
- Provided medical-grade masks to staff returning to campus in early 2022 and secured a contract for free rapid test services at several pharmacy locations
- Re-opened food outlets on campus as conditions permitted
- Proactively coordinated workshops and communications for international students travelling to Canada, to ensure their safe arrival and quarantine in alignment with the Government of Canada's Public Health Institutional Readiness Requirements
- Implemented well-being programs, including a fitness equipment loan program, virtual fitness programming and mental wellness-challenge online programs
- Created active fitness/study spaces on the main campus and offered an app to help students engage in movement
- Provided access to the Grant MacEwan pool

GOAL 2: Focus energy on becoming industry's source for top talent, providing the most credible, accessible and useful credentials in Alberta

SUPPORTING DATA

MEASURE	RESULT	ANALYSIS	SOURCE
Number of micro-credentials issued	Between April 1, 2021 and March 30, 2022, 1,603 micro-credentials were issued.	We continued to see solid uptake of micro-credentials, especially as industry and student awareness of them increases and we add more.	Credly and My Creds
Number of new programs (degree, diploma and certificate; apprentice; and non-credit) developed/in development	Across the schools, four trades programs were launched, five proposals were submitted, and two proposals were in development.	Efforts to develop relevant programs and pathways for student, industry and partner success is ongoing.	Internal data
Number of upskilling/reskilling corporate partners	More than 100 corporate partners are currently working with NAIT.	Engagement with businesses to develop mutually beneficial partnerships remains strong.	Internal data

PRIORITY INITIATIVE 1: develop new, innovative credentials to support economic recovery and diversification

2021/22 ACTIONS AND OUTCOMES

- Continued to develop relevant pathways and programs
 - The JR Shaw School of Business submitted proposals for three additional credit pathways, including Bachelor Business Administration - Accounting and Analytics, Bachelor of Business Administration - Finance, and Food and Beverage Immersive Industry Education
 - The School of Skilled Trades launched four two-year trades diploma programs (Electrical Installations, Automotive Service Technology, Advanced Welding Technology and Advanced Plumbing Technology) and submitted proposals for two new trades diploma programs (Industrial Mechanic and Carpentry)
 - The School of Health and Life Sciences suspended the Dental Assisting diploma program and implemented a Dental Assisting certificate to address increased demand for graduates
 - The School of Applied Sciences and Technology continued efforts to develop proposals for two post-diploma certificates (Cyber Security Embedded and the Internet of Things) within the immersive industry experience delivery model
- Introduced 13 new micro-credentials and are developing more than 35 new ones in Corporate and Continuing Education
- Completed development of more than 30 new non-credit course/certificate programs aligned with in-demand skills areas, including blockchain; data science; equity, diversity and inclusion; productivity and energy
- Developed an assessment-first and direct-credential framework to recognize and validate sought-after competencies and skill sets in Corporate and Continuing Education
- Assembled a coalition of provincial and national post-secondary partners to develop and promote a shared micro-credential framework
- Presented at the Colleges and Institutes Canada and the Polytechnics Canada annual conferences to promote a collaborative vision for micro- and direct credentials
- Advanced the Skills Centre, a capital project that will ensure learners have access to the latest technology, connection to industry and hands-on learning required in the work force (awaiting funding)
 - Demolished existing structures on the land where the Skills Centre will be located
 - Updated the project plan, focused on the impact the investment will have on learners, industry and Alberta at large and in light of changes to post-secondary and apprenticeship landscapes

PRIORITY INITIATIVE 2: Explore and develop new credit programs where there is increased learner and industry demand, and ensure the viability of current programs

2021/22 ACTIONS AND OUTCOMES

- Designed a system/process to better understand the validity of existing programs and industry demand for new ones
- Completed a program revenue and costing framework to evaluate the viability and sustainability of current programs and what is required for new programs to be sustainable
- Created a new staged process to explore, prioritize and develop new programs
- Submitted proposals and were approved for funding to explore three new credit programs
- Received approval for three new apprenticeship-style programs
- Requested additional funding to increase seats in high-demand programs

PRIORITY INITIATIVE 3: Engage in efforts to enhance Alberta's post-secondary system through collaboration and shared objectives

2021/22 ACTIONS AND OUTCOMES

- Engaged in relevant provincial, federal and municipal working groups and committees to improve access to, and the impact of, the post-secondary system
- Assembled post-secondary institution coalitions, in Alberta and across Canada, to collaborate on projects and initiatives of shared benefit
- Held preliminary meetings to take a collaborative approach to northern-system digital cybersecurity and information system development
- Developed a framework to support other institutions running PeopleSoft to handle service requests, patching, enhancement and custom developments, and helped Lakeland College use the framework
- Participated in license sharing agreements for non-credit curriculum between Corporate and Continuing Education and other Alberta post-secondary institutions
- Formed an Alberta post-secondary working group to respond to federal government upskilling/reskilling initiatives
- Led a coalition of province-wide post-secondary institutions on a hydrogen economy labour-market project
- Supported the development of a collegiate policy framework, led by Alberta Education, to define the post-secondary system's role in supporting pathways and creating innovative opportunities for Alberta's high school students
- Engaged in a due-diligence process to recommend an external proponent to carry forward the Edmonton collegiate concept
- Participated in business development activities with industry, industry associations, funders, government and collaborators on the hydrogen opportunity, to ascertain specific skills gaps and applied research services that NAIT can provide in support of realizing the Alberta Hydrogen Roadmap goals
- Created addendums in response to the pandemic to ensure continuity of the learning experience for collaborative delivery with Keyano College and Portage College of the Bachelor of Business Administration

GOAL 3: Grow applied research and corporate training capacity in areas of cleaner energy, environment and sustainable development to enhance global competitiveness of Alberta industries

SUPPORTING DATA

MEASURE	RESULT	ANALYSIS	SOURCE
Extent by which gross revenue from the Industry Solutions department is greater than \$36 million	With revenue of \$33.6 million, the department was still profitable.	This decrease was due to the impact that COVID-19 safety protocols had on Applied Research, and Corporate and Continuing Education activity.	Internal data (Microsoft Power Business Intelligence)
Industry partners engaged in applied research	A total of 117 companies were served.	There was a 27% year-over-year increase in the number of companies served.	Research Administration Module
New professional learning opportunities stemming from applied research activities	Twelve professional learning opportunities were completed and/or are in development.	Clear pathways to product development were established to meet market need.	Internal data (Microsoft Power Business Intelligence)

PRIORITY INITIATIVE 1: Remain industry's trusted applied research partner and maintain project activity without compromising staff safety

2021/22 ACTIONS AND OUTCOMES

- Increased the number of companies served by 27%, the number of active projects by 19% and the number of completed projects by 4% over last year
- Created and maintained partnerships with customers, whereby 62% of customers served were new and 38% served were repeat customers from previous years
- Incurred minimal disruption to operations by using a hybrid work model and modified operations plans, permitting on-campus work to continue
- Increased the number of paid student internships from 27 to 51 over last year
- Mapped and streamlined processes and procedures to improve efficiency and accelerate delivery of applied research services
- Developed and staffed key new positions for business development, knowledge to practice, and operations management in applied research centres
- Implemented net promoter-score surveys to measure client satisfaction

PRIORITY INITIATIVE 2: Continue to refine and grow applied research capacity and expertise in areas of energy, environment and sustainable development

2021/22 ACTIONS AND OUTCOMES

- Initiated the development of a new external web presence to showcase focused direction and enhance engagement with partners
- Grew the scope and impact of applied research in the focus areas of energy, environment and sustainable development. Specifically, we expanded the Technology Access Centre for Sensors and System Integration, as well as the team focused on the areas of natural resource circular economy, automation and waste valorization
- Expanded our applied research network by 40% compared with last year to include a broader range of colleges, polytechnics, universities and funders, nationally and internationally, paving the way for more collaborations and impact for Canadian industry
- Increased total applied research revenues by 50% (compared with the nine-month 2020/21 fiscal period)
- Developed and staffed new positions, including appointing industry-endowed chairs in both Industrial Automation and Energy, as well as software development specialists and research chemists

- Responded to demand for applied research by increasing the number of required staff in key applied research centres, such as the Technology Access Centre for Sensors and System Integration
- Developed new infrastructure assets for enhancing research capacity in tailings management and optimized oil sands extraction with membrane technology assessment program
- Secured \$3 million through the Canada Foundation for Innovation to add research infrastructure to address industry needs in circular economy and industrial water management

GOAL 4: Drive responsible financial planning to meet in-year objectives and provide for future investment in learners, staff, technology and capital renewal

PRIORITY INITIATIVE 1: Return to healthy surpluses in order to invest in the future

2021/22 ACTIONS AND OUTCOMES

- Recorded financial results for the period that were within 1% of the Board-approved budget
- Ended the fiscal year with a small operating deficit of \$2.4 million, less than 1% of total revenues, due mainly to lower-than-expected revenue arising from:
 - a decrease in international enrolment due in part to COVID-19 travel bans and study permits
 - fewer-than-expected people on campus to contribute to Retail and Ancillary revenues, including parking and food services
 - lower-than-anticipated earnings for investment income due to market volatility, although unrealized gains on investments had a significant rebound during the fiscal year

This deficit was slightly offset by a 7% increase in tuition.
- There are plans for balanced budgets and small surpluses in future years to rebuild financial health and replenish reserves (Detailed financial information is provided in the Management's Discussion and Analysis and the Consolidated Financial Statements)

PRIORITY INITIATIVE 2: Prioritize and make critical investments in people and technology

2021/22 ACTIONS AND OUTCOMES

- Completed program-costing analysis to better understand the full staff, facility and technology costs of program delivery
- Conducted large-scale digitization of paper records and automation, and expanded self-service capabilities
- Created a 10-year technology roadmap to identify and prioritize medium- and long-term information technology needs
- Launched a new employee engagement tool to better understand and improve overall employee engagement
- Completed the first phase of delivering technology to support blended learning in classrooms
- Deployed NAIT's first chatbot on nait.ca, servicing general student inquiries, investing in managing knowledge, and promoting future automation and self-service
- Completed a third-party assessment of learning-management and curriculum-management platforms as a first step to support decisions about key learning technologies
- Consolidated customer relationship management (CRM) and deployed the platform in Industry Solutions (Corporate and Continuing Education, and Applied Research), and completed significant planning to deploy the CRM for student recruitment
- Implemented a governance structure to oversee and fund small-scale investment in educational technologies to support successful experiments through to enterprise adoption

PRIORITY INITIATIVE 3: Begin to integrate Environmental, Social and Governance (ESG) principles into NAIT's planning and sustainability goals

2021/22 ACTIONS AND OUTCOMES

- Developed and received Board approval of NAIT's first ever Sustainability Policy, which included the full spectrum of ESG goals and activities
- Set and approved three environmental benchmarks and target metrics, including a target of net zero greenhouse gas emissions by 2050, and targets for 2025 for landfill target for solid waste diversion and water use
- Conducted full-scale rollout of Equity, Diversity and Inclusion (EDI) Lens toolkit for leaders as a part of social commitments
- Launched the International and Intercultural Community Centre (IICC), hosting more than 50 events and workshops to enhance intercultural community-building, EDI capacity, outreach and connection
- Saw 100 staff complete the Building Intercultural Competence course
- Created a sharing circle series called the Pìkskwetàn (Let's Talk), facilitated by the Nìsòhkamàtotàn Centre on Aboriginal perspectives and history, with more than 400 staff attending
- Supported the mental health and well-being of staff and students through:
 - a Make Some Noise for Mental Health campaign
 - an outreach and well-being leader peer-mentor program
 - a Campus Free of Sexual Violence course
 - a Mental Health and Well-Being course
 - an active study space initiative
- Partnered with four other Edmonton post-secondaries as part of the North Side Pride Collective to coordinate Pride week, offering 24 events, workshops and community celebrations over five days with events open to staff, students and alumni

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 fiscal year with an operating deficit of \$2,417, which represents less than 1% of NAIT's total revenues. The ongoing impact of COVID-19 impacted enrolments, resulting in revenue from student tuition and related fees being less than expected. Nevertheless, NAIT was able to respond and reduce operating expenses, offsetting most of the shortfall. The shortfall in enrolments and less-than-planned footfall on campus also resulted in reduced ancillary net revenues from food services and parking, contributing to the deficit. As well, the volatility in investment markets resulted in less-than-anticipated investment income being earned, although NAIT's unrealized gains on these investments had a significant rebound during the fiscal year.

The following is an overview of the consolidated financial results achieved in the 12 months ended March 31, 2022. NAIT changed its fiscal year end effective March 31, 2021, to coincide with that of the Government of Alberta, and information included in the consolidated financial statements are compared to the nine-month period ending March 31, 2021. **As a result, the two periods are not entirely comparable.** The consolidated financial statements include the accounts of NAIT, the NAIT Foundation and GO Productivity. The NAIT Foundation is a registered charity for the purpose of fundraising; it operates within the *Alberta Gaming and Liquor and Cannabis Act* and is exempt from the payment of income tax. GO Productivity is a not-for-profit organization with a mandate to support productivity improvement, increase innovation, and build a skilled workforce to improve competitiveness and economic sustainability.

This section of the annual report provides a discussion and analysis of the following:

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

OPERATING ENVIRONMENT AND OVERVIEW

NAIT's mandate as a polytechnic is aligned with the Alberta 2030: Building Skills for Jobs initiative, preparing learners for meaningful and successful careers to drive economic prosperity and providing existing and emerging industries with talent and innovation to compete locally and internationally. We strive to elevate the value of polytechnic education and applied research in the service of students, industries and communities whose successes require employees who have high-quality educations.

We focus on business and entrepreneurship, skilled trades, health and life sciences, and applied sciences and technology, offering 124 programs leading to baccalaureate degrees, applied degrees, diplomas and certificates, and 200 non-credit certificates and micro-credentials. In addition, we are one of the largest apprenticeship educators in Canada. We are continuously refining and adapting our programming in partnership with industries to meet their evolving needs; 98% of employers are satisfied with the NAIT graduates they hire, the vast majority of whom remain in Alberta.

We realize, however, that just as the needs of Alberta industries change, so too do the province's economic realities. Accordingly, NAIT launched a new institutional strategic plan in September 2021 that will guide our response to these changing needs and economic realities. This comprehensive plan, *The NAIT Effect*, informs and drives everything we do as a polytechnic. Through it, we will extend and leverage NAIT's identity to focus and deepen the impact that our polytechnic can have on learners, their careers and the industries we

help to thrive. The plan features six broad strategic imperatives essential to NAIT's future and it sets multi-year goals to transform and position our institution for success. These imperatives are the following.

1. The NAIT experience (The NAIT experience is transformative.)
2. The intersection of work and learning (We believe work and learning are inseparable.)
3. Putting innovation to work (We put innovation to work to improve learning experiences, optimize operations, and enhance the competitiveness of our industry partners.)
4. Industry's most trusted partner (We are intensely industry-focused, working hard to understand our partners' needs and supply them with the talent and innovation they need to be globally competitive.)
5. Plugged-in and connected (We value the NAIT network as an extension of our institution.)
6. Sustainability and adaptability (We are committed to social, financial and environmental sustainability.)

NAIT has always worked diligently to be fiscally responsible. Our delivery of practical, experiential learning is highly effective in producing career-ready graduates; however, because of the equipment and purpose-built spaces our programs require — anything from a ventilator to a mobile crane — the cost of delivery is expensive. Nevertheless, we continue to work hard to respond to the province's economic challenges, with a clear plan of action to reduce expenditures and adapt to the decreases in our base operating grant. We have made transformational changes to meet the funding reductions detailed in the October 2019 provincial budget. Although we incurred a large deficit in 2019/20 — from costs associated with downsizing and position abolishment, outsourcing and service reductions — our adaptability positions us to respond to expected challenges and turn them into opportunities.

During 2021/22, we undertook further measures to streamline our operations, despite the challenges of the COVID-19 pandemic. COVID-19 has had an impact on virtually every aspect of life in Alberta, including the economy. Although NAIT continued to operate throughout this time, tuition and many other revenue streams were negatively impacted. At the same time, pandemic-related costs rose, including those for implementing vaccine mandates and ensuring safety measures were in place on campus, including in situations where instruction could not be delivered virtually. NAIT adapted to these financial challenges by further reducing the number of employees, significantly decreasing overall spending, and deferring maintenance and repairs to future periods.

As a result of these financial pressures and our efforts to respond, NAIT ended the March 31, 2022, fiscal year with a small operating deficit of \$2,417. This deficit represents less than 1% of NAIT's total revenues for the year and is primarily a result of these lower-than-expected revenues. NAIT is on track to a balanced budget and is targeting small surpluses every year to rebuild the financial health of the organization and to replenish its reserves to invest in its future as a world-class polytechnic.

REVENUE STREAMS

NAIT continues to focus on developing new revenue streams to reduce our reliance on government funding. We have strengthened our service model for Applied Research, and Corporate and Continuing Education, and increased the related offerings to provide a wider range of services to our industry partners and help them become more competitive. In addition to this, we are seeking to increase enrolments to improve the skills of Alberta's growing and changing workforce. In this, we are focusing specifically on increasing the number and capability of international students.

However, the COVID-19 pandemic caused some setbacks during this past year to NAIT's efforts to increase the number and size of revenue streams. Student tuition and related fees were 13% less overall than budgetary targets, due to lower-than-planned enrolments. Revenues from corporate and international training contracts also fell short of budgetary targets, by 6%, largely due to the economic slowdown caused by the pandemic. As well, ancillary revenues, including parking and food services, were significantly impacted because of the lower number of people on campus. The budgetary targets had already been reduced due to COVID-19, and the recovery of these revenue streams will be critical for NAIT's long-term financial health. As Alberta's economy begins to rebuild from the pandemic, NAIT's innovation and solutions are needed more than ever by industry, and we will play a key role in contributing to the province's future.

Even with efforts to grow additional revenue streams, NAIT continues to be dependent on various Government of Alberta capital and operating grants and on regulated tuition revenues. Grant funding from the Ministry of Advanced Education will decrease again in 2022/23, and the tuition restrictions will remain in place. As well, the funding mechanisms for apprenticeship programs have been revised, and there is no longer a mechanism to fund growth in apprenticeship seats, which are our most expensive offerings. This decreased funding creates a risk, as the performance-based funding model for post-secondary institutions is being implemented and a portion of NAIT's provincial funding is tied to the achievement of certain key metrics, which include growth in student numbers, including apprenticeships. Unpredictability of future government funding is a risk and will continue to be a significant factor in NAIT's decisions.

NAIT also continues to rely on the generous contributions of its many donors, who play a critical role in supporting the institution and its learners through the funding of scholarships, bursaries and prizes. During the 2021/22 fiscal year, NAIT recognized donation and operating grant revenue that was 34% higher than budgeted. Fundraising achievements (which include items not recognized as revenue in NAIT's consolidated statement of operations) surpassed expectations and targets significantly.

In addition to our focus on student learning, NAIT is actively engaged in applied research that seeks to create solutions to the challenges businesses face today and will face in the future. We are leaders in supporting our industry partners, directing our attention to pragmatic innovation — from ideation to implementation — with all intellectual property rights remaining with those partners. A total of 98% of our applied research is undertaken for industry partners. And, in 2021, NAIT ranked second in research intensity (dollars funded per researcher) according to Research Infosource Inc., and fifth overall on Canada's Top 50 Research Colleges list. (Research Infosource Inc. annually tracks research income in the form of grants, contracts and contributions from partner organizations.)

Our capacity for innovation and applied research has been recognized with numerous grants, including two in 2021 from the Canada Foundation for Innovation, which funds research-related capital projects. The two grants, which total \$3,000, enable us to expand our research infrastructure to work with more industry partners in areas of industrial water processing and circular economy.

Through sound fiscal management, NAIT has accumulated a sizeable investment portfolio, the earnings of which help fund annual operations. As of March 31, 2022, NAIT had cash and investments totaling \$327,919. Excluding investments offset by debt or reserved for endowments, our net investments totaled \$140,912. We fell short of our budgeted investment revenue by 31% during the fiscal year, although there was an increase in the market value of investments during the period, which is reflected in an increase in accumulated remeasurement gains of \$9,599.

As NAIT meets its contractual obligations over the next several years, cash and investments will fall (see note 16 in the consolidated financial statements for more information). Our continuing strategic investment in opportunities such as the Blatchford land purchase, combined with deficits from prior years, have reduced the investment balances, and it will be critical for us to return to a period of financial stability with healthy surpluses to replenish them. However, the volatility of global investment markets makes it difficult to predict how investment income actually will be impacted.

EXPENSES

NAIT's 2021/22 expenses were 6% less than budgeted as a result of responding proactively to lower-than-expected revenues. NAIT adapted to lower-than-anticipated enrolments caused by the COVID-19 pandemic by moderating the number of new hires using a stringent approval process. This resulted in total salary and employee benefits being 4% lower than budget for the period. However, staffing levels and expenses are not immediately responsive to changes in enrolments or other revenues, so maintaining flexibility in our approach to staffing will be key to NAIT's financial sustainability. Continued capital and technological investment will also be needed to improve overall operations efficiency and effectiveness, and drive NAIT's strategic plan and growth.

Another significant variance was the amortization of capital assets, which is reflected in the facilities operations and maintenance expense line. In 2021/22, NAIT conducted a review of the estimated useful life of its assets and concluded that the useful life for buildings should be extended from 40 to 50 years and that the useful life for specified equipment should be extended from 10 to 25 years. The consequent reduction in amortization expense was offset by a decrease in the amount of expended capital recognized as revenue within the statement of operations.

FINANCIAL HEALTH INDICATORS

(financial data expressed in thousands unless otherwise noted)

NAIT views its financial health in terms of both its accumulated net asset position and its yearly operating deficit/surplus. Both are described below.

HEALTH OF NET ASSET POSITION - ACCUMULATED SURPLUS

As of March 31, 2022, NAIT had a total accumulated surplus of \$259,448 (March 31, 2021 - \$250,442), including the accumulated remeasurement gains of \$8,220, which are continuing to recover from the impact of COVID-19 (March 31, 2021 - loss of \$1,379). The surplus includes \$131,189 related to amounts invested in capital assets and \$51,004 held for endowments, which continue to grow. Of the remaining \$69,035 of accumulated surplus, \$17,731 is reserved for Main Campus renovations, \$4,048 for technology transformation, and \$1,829 for other capital priorities. NAIT has also targeted \$7,651 to priority operational activities such as COVID-19 response, course redevelopment, Applied Research, and Corporate and Continuing Education, and the advancement 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. As of March 31, 2022, this amount was \$45,996 or approximately 14.2% of NAIT's operating expenses. This represents an increase from the prior period of \$12,531, as there was a significant change in remeasurement gains, and amortization on capital assets outpaced acquisitions. Note 12 to the consolidated financial statements contains a more complete picture of NAIT's accumulated surplus.

HEALTH OF YEARLY OPERATING DEFICIT/SURPLUS

NAIT ended the fiscal year with a small operating deficit of \$2,417 (the surplus for the nine months ended March 31, 2021, was \$7,149). This is mainly due to the temporary lower-than-expected revenues as NAIT continues to recover from COVID-19, which were offset by lower-than-planned expenses in Instructional Delivery and other areas.

FINANCIAL SUSTAINABILITY - LOOKING FORWARD

NAIT will continue to face challenges as the economy recovers and the pandemic negatively impacts our operations. Ultimately, the key to maintaining a balanced budget and the financial health of the organization will depend on the success of several actions and transformations that we have taken. The main pillars of NAIT's financial-sustainability strategy are as follows.

- Grow earned revenues by raising our continuing education revenue, increasing our Applied Research, and Corporate and Continuing Education activities, and exploring commercial and ancillary streams.
- Grow credit-program revenues in a way that maximizes existing resources (instructors and classrooms), so new net growth creates greater tuition revenue and limits extra costs associated with this growth, where possible.
- Increase domestic and international enrolment to both diversify NAIT's campus and add revenue.
- Advocate for sustainable funding and tuition models that consider outcomes and support growth.
- Negotiate labour agreements with the appropriate balance of affordability and an ability to recruit the staff necessary to achieve NAIT's vision within an extremely challenging labour market.
- Continue to pursue and refresh the Capital Plan based on affordability and efficiency (the efficient use of space and the consolidation to one Main Campus) and provide space to meet NAIT's long-term vision. The proposed Skills Centre is the next major project and will produce learners in the skilled trades and technology-based programs that are in demand.
- Optimize the use of resources to ensure they are being employed as efficiently as possible.
- Continually assess services offered and ensure they continue to be supportive of NAIT's vision.
- Improve the productivity of our information technology and other systems and processes.

SIGNIFICANT FINANCIAL RISKS AND IMPLICATIONS

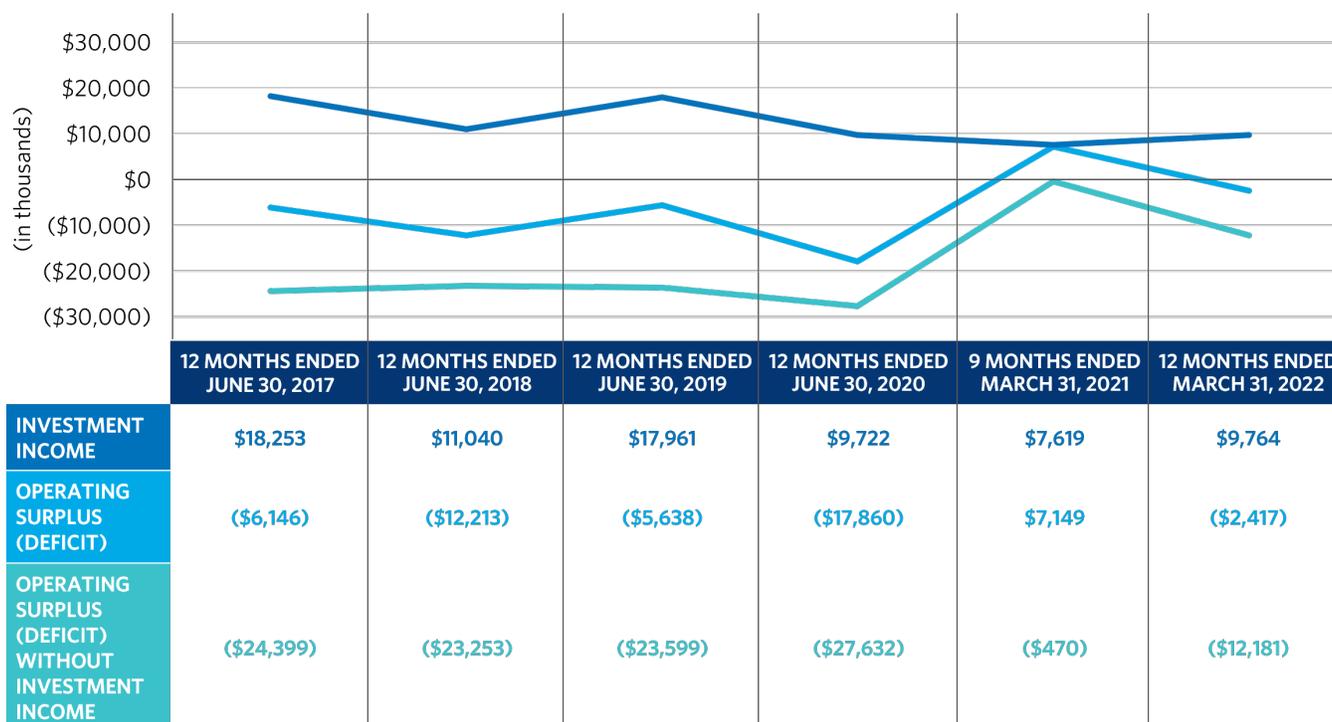
As a large institution with significant growth potential, NAIT has many risks and opportunities. Throughout the COVID-19 pandemic, NAIT has been innovative and resilient, nimble and responsive. Our learners and industry clients have remained our focus during this challenging time. Despite the challenges we face, NAIT remains optimistic yet prudent. We have identified the following items as the most significant financial risks.

- 1. Enrolments** – The restrictions to NAIT’s operations, and more broadly the effects of the pandemic on society, including the economy, caused a reduction in student enrolments in the 2020/21 academic year. In 2021/22, we saw some enrolment recovery; however, this recovery was not to anticipated levels. These reduced enrolments are continuing into 2022/23 as the lower number of students progress through their credentials. Domestic enrolments have declined throughout the pandemic and are expected to slowly return to pre-pandemic levels. The risk of COVID-19 having a continued impact on international enrolments remains, and NAIT is actively refining recruitment strategies to mitigate this risk.
- 2. COVID-19** – It is expected that COVID-19 will be in its final stages during 2022/23, and its effect on operations will continue to diminish through that period. However, enhanced cleaning measures and other safety precautions are expected to remain in place, generating continued expense. NAIT is planning no COVID-related restrictions on campus for the fall 2022 semester, and we expect a return of campus activities and footfall to pre-pandemic levels. However, as the last two years have demonstrated, it is extremely difficult to predict the impact that a potential pandemic resurgence may have on operations. We will quickly adapt and respond to any changes necessary as a result of the evolving COVID-19 pandemic.
- 3. Revenue sources** – NAIT continues to focus on diversifying revenues and reducing our reliance on government funding. We understand we are in uncertain times, yet we welcome funding certainty to help us plan. We continue to evaluate our programs and retain those that add the most value and contribute to our future sustainability, and we continue to invest in new programs that meet the changing needs of industry and Alberta. Other targeted revenue-generating opportunities include our continuing education programs, conference and events and industry training. The Applied Research portfolio continues to seek funding from diverse sources and to expand the funder network. The ongoing COVID-19 pandemic creates significant uncertainty as we try to diversify revenue sources, creating a substantial financial risk if they are not able to recover fully.
- 4. Government funding** – Government funding remains a key revenue source for NAIT. As the Government of Alberta introduces Investment Management Agreements as a part of its Alberta 2030: Building Skills for Jobs initiative, a portion of NAIT’s government funding will be at risk. Although we are confident we can meet our performance targets outlined in the Investment Management Agreement, uncertainty caused by the COVID-19 pandemic and other factors outside of NAIT’s control could impact the ability to achieve these goals.
- 5. Staffing** – NAIT employs approximately 1,900 people. This represents a significant reduction since 2016/17, when we employed some 2,800 full- and part-time staff. Much of this reduction has been due to decreases in funded apprenticeship seats and our focused transformational changes to operations. However, ongoing salary freezes, compensation caps and labour-market demands have increased staffing turnover within Alberta’s post-secondary sector, including at NAIT. This is compounded by overall challenges in the labour market, where the supply and demand for employees is extremely competitive. We must continue to attract and retain talent to continue to deliver high-quality education, and we are working to achieve this while we maintain efforts toward financial sustainability. We are actively looking for ways to improve our working environment by implementing distributed and flexible work arrangements.
- 6. Funding for capital** – With the changes to the *Skilled Trades and Apprenticeship Education Act*, NAIT is prepared to expand its leadership in skilled trades training. However, such training can be expensive, as it provides students opportunities to work with the latest industry equipment in the supervised and purpose-built environments of our shops and labs. Ongoing funding for capital equipment will be critical to ensure that NAIT continues to contribute to Alberta’s highly trained workforce. Furthermore, as we seek to make progress on several key initiatives within our capital plan, additional capital funding will be needed for new facilities. At the top of the list is the Skills Centre, which will be critical to building the skillsets necessary to accelerate Alberta’s economic prosperity.
- 7. Investment revenues** – NAIT’s sound financial management has enabled us to accumulate a sizeable investment portfolio, which has produced income that has helped sustain operations and produce operating surpluses. However, investment revenues by their nature are subject to unstable returns, due to the volatility of investment markets.

NAIT has used some of its existing investments to fund institutional capital priorities and repay debt, and therefore has lower investment revenues to support operations. We will need to produce healthy operating surpluses each year to replenish our investments in future capital and information technology priorities. We intend to keep a sizeable investment balance in our long-term investment fund to support endowments and other institutional 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 NAIT's deficits/surpluses over time. It indicates these and what the results would be without investment revenues. The chart is meant to show NAIT's reliance on a volatile revenue source.

NAIT ANNUAL SURPLUS (DEFICIT) ADJUSTED FOR INVESTMENT INCOME



DETAILED FINANCIAL RESULTS

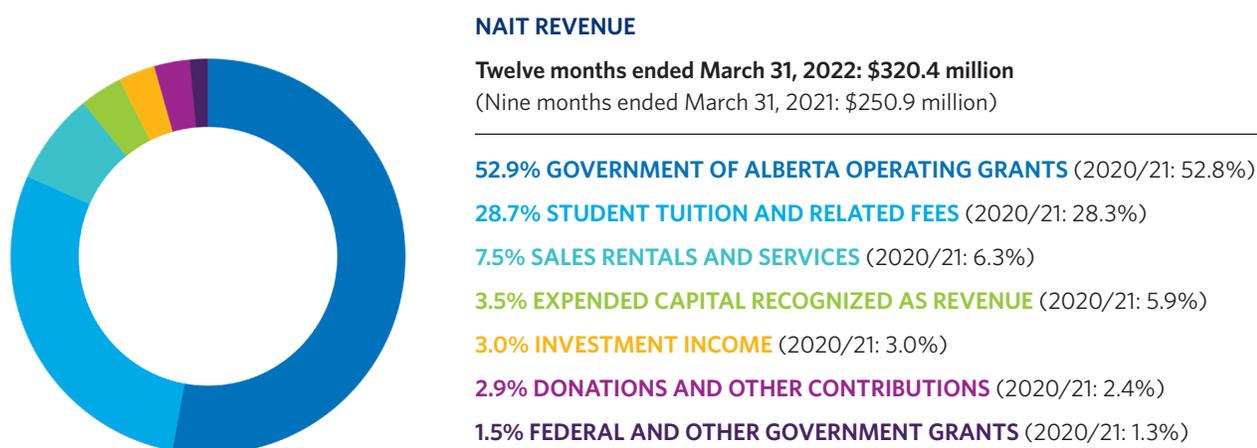
The detailed financial results included in the consolidated financial statements reflect the first complete fiscal period consisting of the twelve months ending March 31, 2022, as compared to the nine-month period ending March 31, 2021. In 2020/21, NAIT changed its fiscal year end to March 31 to coincide with that of the Government of Alberta, which resulted in reporting a nine-month period for the 2020/21 fiscal year. This change was made to reduce administrative burden in reporting and consolidation and was approved by the Minister of Advanced Education in September 2020. **As a result, the two periods are not entirely comparable.**

CONSOLIDATED STATEMENT OF OPERATIONS

REVENUE

NAIT's total revenue increased by \$69,513 (27.7%) from the nine-month period ended on March 31, 2021, to the twelve-month period ended on March 31, 2022. This rise is primarily due to the difference in the lengths of reporting periods, partially offset by the impacts of COVID-19 and the reductions in grant funding.

The distribution of total revenue among revenue sources for the twelve months ended March 31, 2022, is presented in the chart below. The comparative percentage for the previous year (based on the nine-month reporting period) is shown in brackets.



Highlights of the change in revenue are noted below.

Government of Alberta Grants

Government of Alberta operating grants, which include NAIT's base operating grant and several conditional and one-time grants, increased from the prior nine-month period by \$36,406 (27.5%). A summary is as follows.

- NAIT's base operating grant and targeted enrolment grant, which represents NAIT's base funding from the Ministry of Advanced Education, increased by \$28,638 (24.9%), due to the difference in the number of reported months. However, provincial funding reductions offset this increase.
- Apprenticeship-grant funding recognized as revenue increased by \$4,172 (49.0%), primarily due to the difference in the number of reported months and a minor increase in the apprenticeship grant.
- NAIT also posted a \$3,595 increase in grants from other Government of Alberta ministries and agencies, due to the difference in the number of reported months.

Investment Revenue

Investment revenue increased by \$2,145 (28.2%) compared to the prior nine-month period, mainly due to the difference in the number of reported months.

The portfolio investment balances increased by \$18,547 (6.3%) from the March 31, 2021 balance, from \$292,450 to \$310,997 as of March 31, 2022. This increase is due to the re-investment of dividends and excess cash.

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 \$1,484 (45.3%) from the prior nine-month period. These grants typically fund applied research activities. Applied research activities at NAIT continue to increase despite the pandemic. This increase in revenue is the result of increased activities and the difference in the number of reported months period to period. Additional applied research revenues are captured in Government of Alberta grants and sales, rentals and services revenue categories.

Student Tuition and Related Fees

Revenue from student tuition and related fees increased by \$21,383 (30.2%) from the prior nine-month period. This increase is primarily due to the difference in the number of reported months. (The prior period excluded the revenue of the last month of the winter term (April) and the spring term (May and June), although this was partially offset by the lower enrolments experienced in 2021/22. Student tuition and related fees represented a slightly higher proportion of NAIT's overall revenue, due to the decline in government funding.

There are several factors that influence the average tuition per Full Load Equivalent (FLE), such as the individual course mix, full-time versus part-time student mix, and the average number of courses per student. While an increase or decrease in FLE will explain most of the change in tuition revenue, it will not necessarily yield the exact same percentage change for the above noted reasons related to the different lengths of the 2020/21 and 2021/22 reporting periods. The below table illustrates the FLE trend over the last several years.

	Actual			
	2018/19	2019/20	2020/21*	2021/22
Degree, Diploma, Certificate Programs				
Domestic FLE	9,650	9,564	8,313	9,220
International FLE	1,278	1,631	1,386	1,582
Total Degree, Diploma, Certificate Programs	10,928	11,195	9,699	10,802
Apprenticeship FLE	2,455	1,406	1,595	1,934
Total FLE	13,383	12,601	11,294	12,736

*2020/21 FLE numbers are pro-rated for the nine months ended March 31, 2021

- Tuition and related fees from domestic students increased by \$9,979 (28.0%). This is mostly due to the difference in the number of reported months, with the prior fiscal period not including April and the spring term (May and June). Domestic tuition fee rates for the 2021/22 academic year increased by 7% as permitted in Government of Alberta regulations. NAIT had an overall increase in domestic degree, diploma, and certificate enrolments (FLEs) of 907 (10.9%), primarily as a result of the change in fiscal year end partially offset by negative COVID-19 impacts on enrolments.
- Tuition and related fees from international students increased by \$5,539 (26.6%) from the prior period. This is mostly due to the difference in the number of reported months, with the prior fiscal period not including April and the spring term (May and June). This increase was partially offset by the negative impact of COVID-19 restrictions on international travel. Total international FLE increased by 196 (14.1%), and international FLE as a percentage of overall FLE increased slightly from 12.3% for the nine months ended March 31, 2021, to 12.4% for the twelve months ended March 31, 2022.
- Tuition and related fees from apprenticeship training increased by \$2,596 (54.7%) from the prior period. This is mostly due to the difference in the number of reported months, with the prior fiscal period not including April and the spring term (May and June). NAIT was approved for 9,660 apprenticeship seats in the 2021/22 academic year, unchanged from the 2020/21 academic year; however, the overall fill-rate dropped to 76% in 2021/22 from 85% in 2020/21, due mostly to the negative impacts of COVID-19.

Sales, Rentals and Services Revenue

- Ancillary operations revenues increased by \$2,681 (37.3%), resulting from the difference in the number of reported months and increased on-campus activities. Ancillary operations consist of the following.
 - *shop AT NAIT* (Bookstore) operations (74% of total ancillary revenue), which increased by \$1,136 from the prior period
 - Parking (21% of total ancillary revenue), which increased by \$1,775 from the prior period
 - *eat AT NAIT* (3% of total ancillary revenue), which decreased by \$252 from the prior period
 - Conferences and Events (1% of total ancillary revenue), which increased by \$16 from the prior period
 - *one AT NAIT* (One Card), which makes up the balance of ancillary revenue
- Training contracts increased by \$2,599 (106.2%) from the prior nine-month period. This increase is attributed to a combination of the difference in number of months reported and a recovery from COVID-19 for both international and domestic revenues.
- Revenues from other sales, rentals and services include amounts from various sources, such as: application fees, NAIT's share of PanGlobal management fees, Individual Learning Module (ILM) maintenance fees NAIT collects as a result of producing and selling ILMs to apprenticeship students, locker rentals, conference room rentals, event revenues, and one-time revenues, such as gain on disposal of assets, insurance proceeds. These revenues increased by \$3,009 (48.1%), due to the difference in the number of months reported and increased locker and event revenues due to higher on-campus activities.

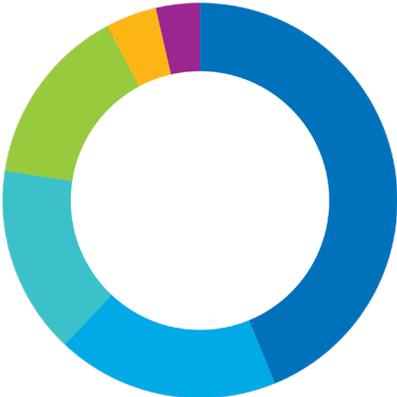
Donation and Other Contribution Revenue

Donation and other contribution revenue includes: the amount of revenue that is necessary to cover the fundraising costs for projects of NAIT Advancement Services; gifts in kind that are expensed; and scholarships, bursaries, and other expenses funded by donations. Donation revenue raised each year are not recognized as revenue until they are spent, so the financial statements reflect only those donations spent and not all monies raised through fundraising activity for the year. The recognized donations and other contributions increased by \$3,291 (54.3%), due to the difference in the number of months reported and an increase in in-kind donations.

EXPENSES

Total actual expenses increased by \$79,079 (32.4%), from \$243,767 for the nine months ended March 31, 2021, to \$322,846 for the twelve months ended March 31, 2022.

The distribution of total expenses by function for the twelve months ended March 31, 2022, is presented in the following chart. The comparative percentage for the previous year (based on the nine-month reporting period) is shown in brackets.



NAIT EXPENSES

Twelve months ended March 31, 2022: \$322.8 million
(Nine months ended March 31, 2021: \$243.8 million)

- 43.8% INSTRUCTIONAL DELIVERY** (2020/21: 41.6%)
- 18.2% FACILITIES OPERATIONS AND MAINTENANCE** (2020/21: 19.9%)
- 15.4% INSTITUTIONAL SUPPORT** (2020/21: 15.1%)
- 14.8% ACADEMIC AND STUDENT SUPPORT** (2020/21: 15.1%)
- 4.2% ANCILLARY SERVICES** (2020/21: 4.7%)
- 3.6% APPLIED RESEARCH** (2020/21: 3.6%)
- 0.0% FUNDRAISING** (2020/21: 0%)

The key expense highlights are as follows.

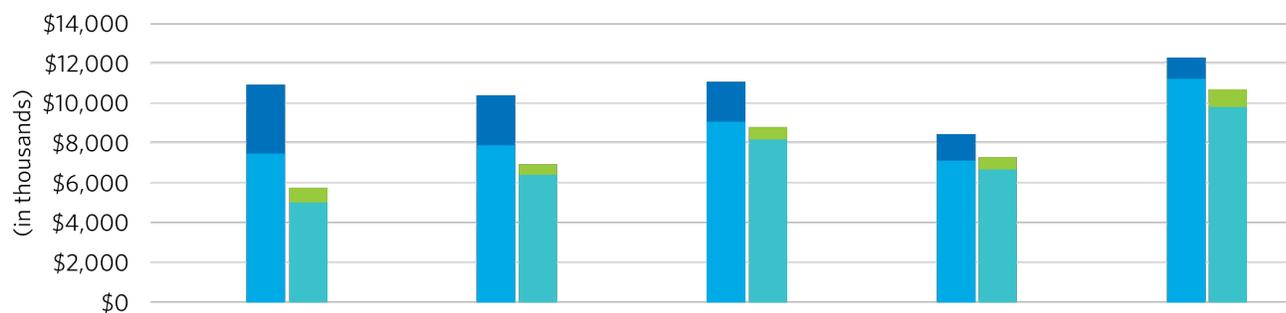
INSTRUCTIONAL DELIVERY

Instructional delivery expenses increased by \$39,076 (38.4%), mainly due to the difference in the number of months reported, and due to the negative impact of the COVID-19 pandemic on the prior reporting period, which caused a significant reduction in spending on travel, meetings and hospitality, and student events and competitions.

APPLIED RESEARCH

Applied research expenses increased by \$3,078 (35.5%), mainly due to the difference in the number of months reported and increased research activity. As illustrated by the following table, NAIT’s direct contribution to research has steadily declined over the past five years, from \$4,770 (43.6% of applied research expenditures) for the twelve months ended June 30, 2018, to \$841 (6.8% of applied research expenditures) for the year ended March 31, 2022.

APPLIED RESEARCH OPERATING REVENUES AND EXPENDITURES



	2018 ACTUALS	2019 ACTUALS	2020 ACTUALS	2021 ACTUALS (9 MONTHS)	2022 ACTUALS
DIRECT COST	\$ 7,475	\$ 7,885	\$ 9,059	\$ 7,119	\$ 11,214
INDIRECT COST	3,467	2,521	2,014	1,315	1,086
TOTAL COST	\$ 10,942	\$ 10,406	\$ 11,073	\$ 8,434	\$ 12,300
DIRECT FUNDING	5,386	6,875	8,766	7,157	10,522
INDIRECT FUNDING	787	557	658	665	937
TOTAL FUNDING	\$ 6,173	\$ 7,432	\$ 9,425	\$ 7,822	\$ 11,459
FUNDED BY NAIT	\$ 4,770	\$ 2,974	\$ 1,649	\$ 612	\$ 841

Direct costs and funding relate to the direct applied research-project activities, such as researcher salaries and raw materials. Indirect costs are items related to administration and project management, and NAIT typically charges a flat rate to industry partners to cover these costs.

FACILITIES OPERATIONS AND MAINTENANCE

Facilities operations and maintenance expense increased by \$10,542 (21.8%) and comprises a combination of the following factors.

- Higher on-campus activities, which led to increased maintenance and utility costs
- The difference in the number of months reported
- A reduction in amortization expense due to a change in the estimates for the useful life of assets

ACADEMIC AND STUDENT SUPPORT

Academic and student support expense increased by \$11,142 (30.3%), mainly due to the difference in the number of months reported. Additionally, there were slight increases in expenditures, as student support services opened with the easing of COVID-19 restrictions.

INSTITUTIONAL SUPPORT

Institutional support increased by \$13,065 (35.5%) from the prior period, mainly due to the difference in the number of months reported.

ANCILLARY SERVICES

Ancillary operations consist mainly of parking, *eat AT NAIT* (food services), Conferences and Events, and *shop AT NAIT* (bookstore) operations. Ancillary services expenses increased by \$2,057 (18.1%) from the prior fiscal period. In addition to the difference between the length of the two reporting periods, there were higher expenses related to costs of goods sold and parking revenues, which were offset by severance costs incurred in the prior period.

OPERATING RESULTS COMPARED TO BUDGET

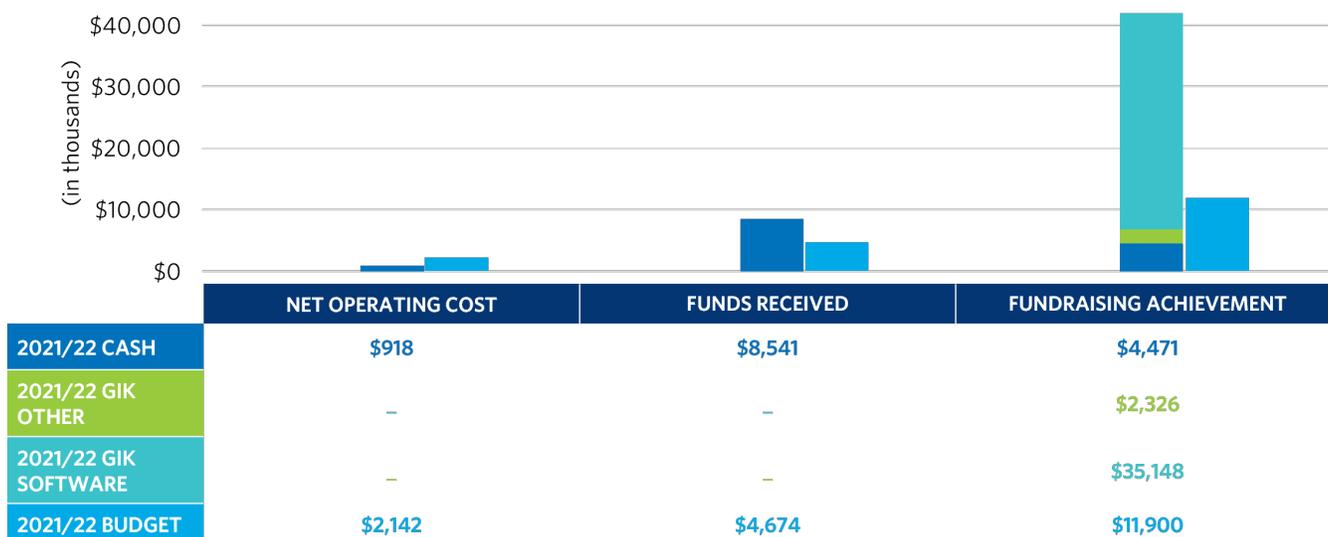
The consolidated statement of operations reports an operating deficit of \$2,417. Actual revenue was under budget by \$23,012 (-6.7%) and actual expenses were under budget by \$20,495 (-6.0%), as follows.

	BUDGET 2021/22	ACTUAL 2021/22	AMOUNT VARIANCE	PERCENTAGE VARIANCE
TOTAL REVENUES	\$ 343,441	\$ 320,429	\$ (23,012)	-6.7%
TOTAL EXPENSES	\$ 343,341	\$ 322,846	\$ (20,495)	-6.0%
OPERATING SURPLUS (DEFICIT)	\$ 100	\$ (2,417)	\$ (2,517)	

Overall actual revenues were below budget by \$23,012 for the following reasons.

- Student tuition and related fees were below plan by \$14,313 for the following reasons:
 - Domestic Degree, Diploma and Certificate revenues were \$5,175 below plan, as enrolments did not meet expectations. Enrolments were affected by the continued impact of COVID-19. International student revenues were less than plan by \$6,807, due to various travel bans and delays in study-permit processing.
 - Apprenticeship training revenues were \$825 lower than planned, due to the continued impact of COVID-19.
 - Non-credit training was lower than plan by \$1,506, as the recovery from COVID-19 was not as fast as anticipated.
- Expended capital recognized as revenue was \$8,179 lower than budget for Government of Alberta grants, federal and other government grants, donations, and other grants. This was due to a change in estimates for the useful life of assets and was offset by lower amortization.
- Applied Research revenues and expenses were lower than budgeted due to ongoing COVID-19 related restrictions regarding safe use of laboratory spaces, impacting the volume of work that could be completed. The efficiency ratio improved during the year to be more favourable than planned in the budget.
- Training contract revenues were lower than planned by \$315. International revenues were higher than planned, but domestic revenues did not recover as much as anticipated.
- Ancillary revenues were higher than budget by \$657 due to higher-than-anticipated revenues for parking and *shop AT NAIT*.
- Fundraising and donation revenues were higher than planned for the twelve months ended March 31, 2022. All fundraising activities (including cash, in-kind, and amounts not yet recognized) totaled \$41,945, well above the target of \$11,900. While all activities exceeded expectations, this large variance can be mainly attributed to large software gifts-in-kind received.

ADVANCEMENT AND ALUMNI RELATIONS



The overall actual expenses were below budget by \$20,495 for the following reasons.

- Instructional delivery costs were \$4,541 less than planned, as NAIT responded to the lower-than-anticipated enrolments by reducing contract staffing.
- Applied research costs were \$3,577 below plan due to COVID-19 protocols which limited use of the space and volume of work that could be completed.
- Facilities maintenance and operations costs were \$8,777 below plan. Amortization costs were \$9,468 lower than planned, due to a change in estimate for the useful life of NAIT's assets; however, this was offset by an increase of \$1,161 in utility costs.
- Academic and student support costs were less than planned by \$4,421, primarily due to vacant positions and lower-than-planned discretionary spending.
- Institutional support costs were below plan by \$506, primarily due to vacant positions and lower-than-planned spending on staff development. This was offset by higher-than-planned consulting costs to temporarily fill key positions within the organization.
- Ancillary services expenses were above plan by \$1,312, due to higher cost of goods sold and staffing related to higher-than-planned revenues.
- NAIT leadership continued to moderate the number of new hires this year, which resulted 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 NAIT as of March 31, 2022. It reflects NAIT's ability to finance activities and to meet its liabilities and contractual obligations, and illustrates NAIT's ability to provide future services.

CASH AND CASH EQUIVALENTS/PORTFOLIO INVESTMENTS

The total of cash and cash equivalents and portfolio investments (non-endowment) increased by \$1,576 from the prior period. This increase is due to the reinvestment of portfolio dividends, which was offset by a prepayment for the Blatchford land (detailed in note 16). Investments restricted for endowments also increased, by \$5,721 from the prior period. Further information on cash and portfolio investments are found in notes 4 and 5 of the consolidated financial statements.

ACCOUNTS RECEIVABLE

The accounts receivable balance consists of amounts owing from students, and commitments from government, government agencies and industry partners. There was an increase of \$1,480 in accounts receivable from the prior fiscal period, which was due to increases in receivables for training contracts, ancillary services and applied research.

INVENTORIES FOR SALE

The inventory of goods held for sale is for *shop AT NAIT* (NAIT's bookstore). The overall inventory decreased by \$89, due to improved inventory management.

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. There was an increase of \$1,678 in accounts payable and accrued liabilities from the prior period. The increase is largely attributable to a construction accrual for the bus barns site.

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 decreased by \$3,631 from the prior period, primarily due to a decrease in vacation liability through a focused reduction initiative.

DEBT

NAIT has two outstanding sources of debt: \$18,599 for the construction of the parkade, which matures in 2042, and \$105,226 for the construction of the Productivity and Innovation Centre and the purchase of the Blatchford land, which matures in 2049. The decline in balance from the prior period is a result of ongoing repayments on these loans to the Department of Treasury Board and Finance.

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 \$143 from the prior period.

DEFERRED CONTRIBUTIONS

Deferred contributions are targeted amounts received that are intended for specific purposes and will be spent in the future. These include endowment interest, conditional grants, research grants and restricted donations. Deferred contributions decreased by \$442 from the prior fiscal period. Further details about deferred contributions can be found in note 9 of the consolidated financial statements.

TANGIBLE CAPITAL ASSETS

The overall decrease in the value of capital assets of \$11,054 is primarily due to reduced capital spending compared to that in the previous fiscal period. NAIT recorded capital acquisitions of \$10,409, which is lower than amortization of \$21,222, led to the overall decline in the net value of capital assets. Further information on tangible capital assets is disclosed in note 10 of the consolidated financial statements.

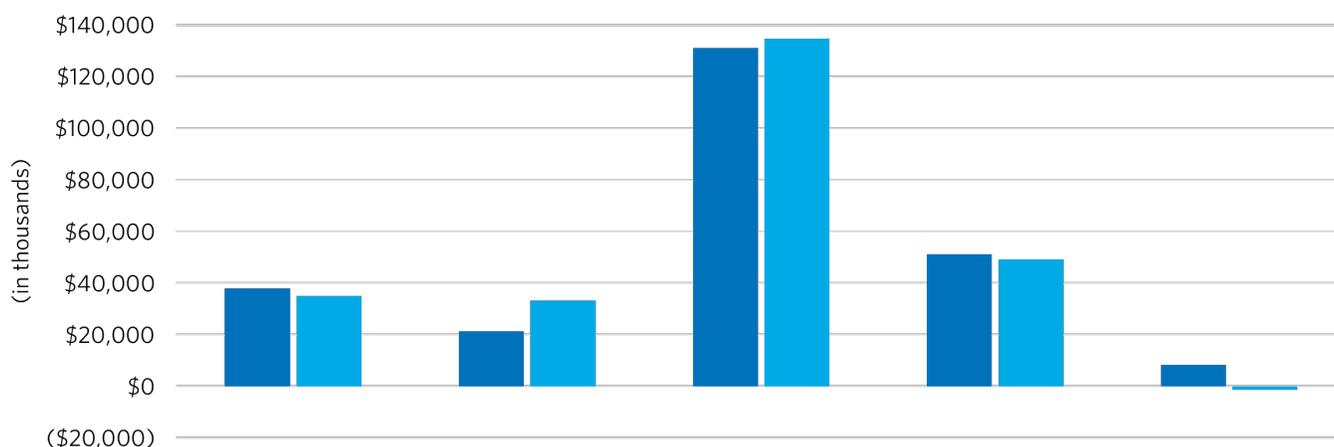
SPENT DEFERRED CAPITAL CONTRIBUTIONS

This category represents contributions from donors and government spent on capital assets that have not yet been recognized as revenue. This revenue is recognized as those assets are amortized. Much of the balance of \$306,168 as of March 31, 2022, relates to donations and grants that have been used for the construction of the Feltham Centre and the Productivity and Innovation Centre buildings, which will be recognized over the life of the buildings as they are amortized. Details are provided in notes 9 and 11 of the consolidated financial statements.

NET ASSETS

Net assets comprise accumulated operating surplus, funds and reserves, investments in tangible capital assets, endowments, and remeasurement gains, and is described in note 12 of the consolidated financial statements. Net assets increased by \$9,007 from the prior period and is broken down as follows.

NET ASSETS



	AS OF MARCH 31, 2022	AS OF MARCH 31, 2021	INCREASE (DECREASE)	% CHANGE
ACCUMULATED OPERATING SURPLUS	\$37,776	\$34,844	\$2,932	8.4%
FUNDS AND RESERVES	\$31,259	\$33,173	(\$1,914)	-5.8%
INVESTMENT IN TANGIBLE CAPITAL ASSETS	\$131,189	\$134,624	(\$3,435)	-2.6%
ENDOWMENTS	\$51,004	\$49,180	\$1,824	3.7%
ACCUMULATED REMEASUREMENT GAINS	\$8,220	(\$1,379)	\$9,599	-696.1%
TOTAL	\$259,448	\$250,442	\$9,006	3.6%

ACCUMULATED OPERATING SURPLUS

The accumulated operating surplus is the net result of life-to-date operating surpluses of NAIT that 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 \$1,914, mainly consisting of spending from the Strategic Investment Fund of \$247, Main Campus Renovation Fund of \$1,159 and the Technology Transformation Fund of \$573, offset by a \$341 increase in the Individual Learning Modules (ILM) Reserve Fund. The ILM Reserve is comprised of NAIT's share of the proceeds from ILM Fees collected and is intended to be reinvested into the creation and updating of ILMs. The details of the changes in funds and reserves can be found in note 12 of the consolidated financial statements.

INVESTMENT IN TANGIBLE CAPITAL ASSETS

The tangible capital assets of \$492,692 are funded by the following sources.

	2021/22	2020/21
Internally funded (invested in tangible capital assets)	\$ 131,189	\$ 134,623
Externally financed (debt)	64,680	65,267
Externally funded (expended capital contributions)	306,168	303,859
Prepaid deposit on Blatchford land	(9,345)	-
Net book value of tangible capital assets	\$ 492,692	\$ 503,749

The internally funded portion of \$131,189 as of March 31, 2022, decreased by \$3,434 from March 31, 2021, as the investment in new capital assets slowed and was less than the amortization of existing assets. See note 10 of the consolidated financial statements for additional information on tangible capital assets.

ENDOWMENTS

Endowments have increased by \$5,721 from the prior fiscal period. The increase is due to the new contributions from donors to the endowments and to additional investment income earned from the endowments, which are held to support inflation-proofing of the endowments for future spending. The details of changes to endowments can be found in note 12 of the consolidated financial statements.

ACCUMULATED REMEASUREMENT GAINS AND LOSSES

Remeasurement gains and losses are an instrument to adjust the investment portfolio to fair market value. As of March 31, 2022, the investment portfolio had a net remeasurement gain of \$11,817 (\$897 loss as of March 31, 2021), of which a \$3,597 gain was allocated to endowments (\$482 gain as of March 31, 2021) and recorded in deferred contributions. An \$8,220 gain was recorded as accumulated remeasurement gain (\$1,379 loss as of March 31, 2021). The effect of the remeasurement gains is disclosed in the last table in note 5 of the consolidated financial statements.

The table below provides an update of NAIT's priority projects as indicated in our Capital Plan and as submitted to Government of Alberta's (GoA's) Building and Land Information Management System.

The most critical of projects in the Capital Plan is the NAIT Skills Centre. This project will:

- support stronger pathways into skilled trades and technology-based programs for underrepresented groups;
- drive Alberta's reputation as a technology and innovation leader, with a skilled, agile and industry-driven workforce;
- increase the depth of Alberta's technology and innovation skills to attract investment in Alberta; and
- advance NAIT's long-term sustainability plan by consolidating campuses to reduce our carbon footprint.

TYPE OF PROJECT AND FUNDING SOURCES

TYPE	PROJECT DESCRIPTION	TOTAL PROJECT COST	FUNDING SOURCES	FUNDING RECEIVED TO DATE AND SOURCE	REVISED FUNDING SOURCES
PRIORITY PROJECTS (TOP THREE CAPITAL PRIORITIES)					
New	NAIT Skills Centre – Phase 1	\$500 million	Requested GoA funding of \$400 million (80%), remainder NAIT and donations	\$2.5 million received from NAIT	Updated
Maintenance	Consolidation of satellite campuses	\$51.8 million	100% GoA	No funds received from GoA to date	No change
New	Student residences	\$114.1 million	Exploring alternative financing models	\$1.75 million received from NAIT	No change
OTHER					
New	Transfer ownership of Heavy Equipment Technology (HET) building from GoA to NAIT	\$3.15 million	100% GoA	No funds received to date	No change
New	Acquisition of Crane and Hoisting building and land	\$17.5 million	100% GoA	No funds received to date	No change
New	Acquisition of Jefferson Armoury building	\$24 million	100% GoA	No funds received to date	No change
New	NAIT Skills Centre – remaining phases	\$237.2 million	Requested GoA funding of \$212.2 million (89%), remainder NAIT and donations	No funds received to date	Updated
Maintenance	Various capital planning, maintenance and rehabilitation projects	\$156 million	100% GoA	No funds received to date	No change
New	Main campus expansion land acquisition (Blatchford and Westwood)	\$73.3 million	40.9% GoA 59.1% NAIT	\$30 million land grant received from GoA \$19.9 million received from NAIT	No change
Maintenance	O building mechanical upgrade	\$8.1 million	100% GoA	Full funding received	No change

PROJECT DESCRIPTION	EXPECTED PROJECT START	EXPECTED PROJECT COMPLETION	PROJECT STATUS	PROGRESS MADE IN LAST 12 MONTHS
PROJECT TIMELINES AND STATUS				
NAIT Skills Centre - Phase 1	April 2023	September 2028	Project implementation is pending funding approval	Hired planning consultant to research models for program delivery and to complete pre-project planning
Consolidation of satellite campuses	April 2023	September 2028	Full project implementation is pending funding approval	Hired planning consultant to complete priorities in project planning
Student residences	April 2023	September 2026	Project implementation is pending funding approval	Hired transaction advisor to confirm market demand, assess options for delivery and develop a business case
Transfer of ownership of HET building from GoA to NAIT	April 2023	December 2023	Pending funding approval	Pending funding approval
Acquisition of Crane and Hoisting building and land	April 2023	December 2023	Pending funding approval	Pending funding approval
Acquisition of Jefferson Armoury building	April 2023	December 2023	Pending funding approval	Pending funding approval
NAIT Skills Centre - Remaining phases	TBD after approval of Phase 1	TBD after approval of Phase 1	Pending funding approval	No change
Various capital planning, maintenance and rehabilitation projects	April 2023	September 2027	Pending funding approval	Pending funding approval
Main campus expansion land acquisition	April 2014	Land agreements in place as of October 2018, expected closing date April 2023	In progress	All NAIT conditions have been satisfied
O building mechanical upgrade	September 2020	September 2022	Expected to be completed by time report is printed	Funding received from GoA

APPLIED RESEARCH WITH INDUSTRY

NAIT's applied research is driven by industry and the broader community. We work with partners to solve problems that matter to them today and position them for greater success in the future.

In 2021, NAIT ranked top in applied research west of Ontario (Research Infosource Inc.). We have eight major applied research centres, each of which leverages our existing institutional expertise. They all focus on strengthening economic sectors that are anchored in Alberta and Canada's rich natural resources and that are aligned with the Alberta Technology and Innovation Strategy.

NAIT also has seven applied research chairs who lead initiatives and teams to develop solutions for our business and community partners. Our expertise is focused on energy, environment and sustainable development, with major themes in circular economy, cleaner energy, digital and virtual environments, food product development, industrial process automation, and land management and restoration. We engage in the development of highly qualified personnel and capacity building to bolster Alberta's economic recovery and diversification, and support job creation.

Although the COVID-19 pandemic negatively impacted all economic sectors and businesses, the companies and communities we engage with continued to seek our expertise, as did new businesses, and this resulted in continued project execution and revenue growth. We experienced a 27% growth in companies served and a 19% increase in active projects. This resulted in increasing the number of required staff in key applied research centres. Overall, applied research operations advanced with minimal interruption, however COVID-19 protocols impacted the volume of work that could be completed compared with what was planned, and thus the amount of revenue that could be realized. Modified work plans ensured staff and student safety, enabling work that supports innovation, albeit at a slowed pace.

The 2021/22 fiscal period saw increased project activity across the portfolio compared with the previous reporting period, with 19% growth in active projects and 4% growth in completed projects. This increased activity led to a 50% increase in revenue compared with the prior reporting period of nine months. Repeat customers represented 38% of all customers and we quadrupled the number of partnerships with Indigenous communities and businesses over last year.

NAIT's applied research excellence, demonstrated by positive industry impact, has attracted significant new talent and funding, even during these challenging economic times. Many multi-year, high-value/high-impact projects continue to create financially sustainable operations across our applied research centres. For example, in 2021/22, we were awarded federal funds totaling more than \$3 million to support capital investments in critical infrastructure necessary to support our partners. These awards include funding from Prairies Economic Development Canada for 5G technology adoption and two grants from the Canada Foundation for Innovation for research infrastructure focused on circular economy and industrial water technologies.

As a leading polytechnic, NAIT plays a key role in Alberta's post-secondary sector by providing applied research expertise to help industry advance technology commercialization and productivity, and contribute to the diversification of Alberta's economy. We collaborate with several other post-secondaries throughout Alberta and elsewhere in Canada. Our collaborators and partners include: Athabasca University, Memorial University, Mount Royal University, Portage College, Red Deer Polytechnic, Red River Polytechnic, Saskatchewan Polytechnic, Southern Alberta Institute of Technology, University of Alberta, University of Calgary, Université Laval and University of Waterloo. During the 2021/22 reporting period, we also built relationships with: Aurora College, Cégep de la Gaspésie et des Îles, Collège d'Alma, Collège La Cité, Conestoga College, Fanshawe College, Lambton College, Northwestern Polytechnic and St. Claire College.

EXISTING APPLIED RESEARCH CENTRES

- **NAIT's Centre for Advanced Medical Simulation (CAMS)** provides realistic, immersive simulation training to NAIT students, partners and external clients. From June to November 2021, CAMS was part of the first phase of the Health Innovation Platform Partnerships (HIPP) Project Phase 1 with Alberta Innovates. During this time, CAMS provided proof of concept on how simulation can support health innovation, focusing on small- to medium-sized enterprises. In January 2021, CAMS was awarded \$1.2 million for the second phase of the HIPP project, which will run over three years.
- **NAIT's Centre for Boreal Research** develops best practices and technologies to enable industry to address the reclamation and management of disturbed landscapes and promote sustainable environmental practices. In 2021/22, the centre received funding from the Natural Sciences and Engineering Research Council to enable a community-based approach to incorporating traditional ecological knowledge into land reclamation practices. The project is supported by four First Nations and two forestry companies in Alberta.
- **NAIT's Centre for Culinary Innovation** provides access to state-of-the-art research kitchen facilities and culinary arts expertise so food companies can transform Alberta-grown ingredients into new food and beverage products. The centre is also partnering with agri-food producers, the Clean Technologies Team and the Centre for Innovative Media to convert starch wastes into novel food ingredients, reducing the sector's impact on the environment.
- **NAIT's Centre for Grid Innovation** helps industry develop solutions in the distributed-energy marketplace through laboratory-based innovation and product validation services – all in collaboration with the University of Alberta's Future Energy Systems, ATCO and Siemens Canada. Phase 1 of the specialized laboratory was completed in 2019 and Phase 2 was to be completed in early Summer 2022.
- **NAIT's Centre for Innovative Media** works with companies in many industries to optimize operations by developing innovative software and content, as well as data visualization tools and user interfaces, including virtual and augmented reality. The centre and its motion capture studio are supporting efforts to build capacity in Indigenous communities by advancing new ways to develop and deliver immersive 360° training in the forestry, digital media and other industry sectors.
- **NAIT's Clean Technologies Team** is focused on the development of methods and technologies that enable companies to adopt circular economic business models. The team works with a broad array of private sector and not-for-profit partners to transform plastic, forestry and agricultural wastes into value-added products. For example, it is developing novel methods for characterizing plastic contaminants in water through the Plastics Research in Action initiative and in partnership with Inter Pipeline Inc. and Dow Canada.
- **NAIT's Technology Access Centre for Oil Sands Sustainability** works with industry to develop technologies that improve the economic and environmental performance in oil sands development. The centre is committed to contributing to a future in which the environmental and economic challenges associated with the oil sands have been solved. Our diverse and resourceful team is helping to achieve this in collaboration with numerous partners by applying scientific principles, putting our knowledge to practice, and connecting partners with shared interests.
- **NAIT's Technology Access Centre for Sensors and System Integration** is a vital hub that supports applied research in several industry sectors and in partnership with multiple NAIT research centres. This centre helps industry develop prototype devices and improve existing technologies for addressing sensor-based challenges – primarily in resource extraction, energy efficiency and environmental monitoring. During the 2021/22 reporting period, significant funds from industry helped develop methods to detect plastics in industrial wastewater streams.

SCHOLARLY ACTIVITIES

NAIT continues to focus on strengthening and leveraging a powerful network of engaged faculty researchers in our journey of scholarly activity excellence. NAIT defines scholarly activity as any activity that involves intentional investigation, integration and dissemination of knowledge that is subject to polytechnic peer review. NAIT's scholarly activity leverages our existing institutional expertise and creates opportunities for collaboration, capacity building and dissemination.

Responding to the COVID-19 pandemic required adaptability in curriculum delivery for the safety of our community and to reduce the impact on the student learning experience. Planning for multiple delivery modalities and changing between face-to-face and remote scheduled delivery meant faculty had to focus on curriculum delivery, reducing the volume of scholarly activity projects completed this year.

While some faculty found their scholarly activity interrupted by the pandemic, others adapted their research. For example, one faculty member completed doctoral research during the shift online, observing how students responded to the change through their pre-existing methodology (action research) and how the pandemic impacted findings. Others found that the pandemic enabled them to explore online teaching and learning as new scholarly activity projects.

The JR Shaw School of Business Annual Scholarly Activity Day enabled faculty to present, receive peer feedback, recruit research collaborators and disseminate findings of their scholarly activity. This year's event saw an increase in attendance and participation over previous years, highlighting presentations from nearly 25% of full-time faculty.

NAIT continues to support rural pathways and let students remain in their home centres for education through collaborative partnerships with Keyano and Portage Colleges for the delivery of the Bachelor of Business Administration Degree – Management concentration. To support our collaborative partners in strengthening their capacity for scholarly activity, we provided shared learning opportunities for administration and faculty, and we are exploring cross-institutional scholarly research projects.

REGIONAL STEWARDSHIP, FOUNDATIONAL LEARNING, UNDERREPRESENTED LEARNERS

During the past year, NAIT continued its work to attract and support a diverse community of foundational and underrepresented populations. We did this by partnering with stakeholder communities to enhance access for Indigenous learners, build capacity for learners through workshops and technological resources, and review institutional processes and initiatives through a lens of equity, diversity and inclusion.

COMMUNITY PARTNERSHIPS TO ENHANCE PATHWAYS TO LEARNING

Despite pandemic-related restrictions, NAIT Corporate Training continued to train inmates at the Fort Saskatchewan Correctional Centre and the Edmonton Remand Centre to provide them with employable skills as they transition from incarceration back into the workforce. The training for Food Safety and Transportation of Dangerous Goods was delivered online in 2021/22, and 96 inmates were successfully trained.

NAIT Corporate Training continued to engage with Indigenous communities and provide training that is responsive to the needs identified by each community. Training was delivered to eight communities through 12 projects in a variety of disciplines, such as pre-trades, culinary and hospitality, office and business administration, field monitoring for forest disturbance, bookkeeping, small-engine repair and wild game meat processing. Eighty-eight students were successfully trained in the 2021/22 reporting period.

GREATER ACCESS FOR INDIGENOUS LEARNERS

A new admission pathway has been launched to address the educational barriers for Indigenous students in our competitive programs. For competitive programs with an interview component, prospective students have the option of using storytelling and reflection as an alternative to admissions interviews, honouring Indigenous cultural traditions. The stories serve to evaluate the students' resiliency, community engagement and competencies required for their career pathway.

Recognizing that Indigenous students often struggle to meet payment deadlines when they are seeking funding from a third party (e.g., from bands), NAIT developed processes to streamline handling of funding forms and permit tuition-payment extensions for Indigenous learners. Forty students were approved for a payment extension in 2021/22.

The School of Health and Life Sciences is responding to the Truth and Reconciliation Calls to Action through new curriculum. As part of this, all students take a course covering Indigenous health issues, including the history and legacy of residential schools, the United Nations Declaration on the Rights of Indigenous Peoples, treaties and Indigenous rights, and Indigenous teachings and practices. This is skills-based training in intercultural competency, conflict resolution, human rights and anti-racism. Extending from this work, the curriculum is being reviewed to include Indigenous ways of knowing in: Culinary Arts, Forestry Technology, Business Administration, Landscape Architectural Technology, Radio and Television, Professional Meat Cutting and Merchandising.

WORKSHOPS AND SUPPORTS FOR STUDENTS

In 2021/22, academic advising services continued to be offered entirely online at NAIT. Advising appointments were available to foundational learners, including upgrading and English as a Second Language (ESL) students, to help them make education plans and navigate the institute, its academic requirements and its resources. Additionally, academic advisors helped individual students navigate learning barriers and access accommodations, and they supported individual students with the tools and skills needed to find work.

NAIT curates resources and services to remove barriers to learning and support a diversity of learners to fully participate in their post-secondary program, including 32 different workshops and drop-in sessions highlighted here.

- **Overcoming Learning Barriers Workshop** – This workshop identifies common learning barriers and struggles and introduces students to strategies and techniques to overcome these barriers. Students are provided with a variety of situation-specific strategies to try.

- **Study Skills Refresher Workshop** – This workshop provides an overview of foundational study skills, such as time management, engagement, note-taking and task management. Students are encouraged to reflect on their current study skills, identify those that are working, and select one area to improve or one strategy to try.
- **Learning Strategies Drop-in and Outreach** – These provide on-campus drop-in support for students seeking help with study skills or strategies. Drop-ins are offered at various locations across campus, including the International and Intercultural Community Centre, the Nisohkamatotan Centre, the NAIT Students' Association and the Library.

The workshops are designed to reduce barriers to access for learning supports and services. They are embedded in locations that students frequent most often and areas that students are familiar with and consider to be comfortable, safe and associated with belonging. The intention is to take the services out to the students in the NAIT community, meeting them where they are at.

- **Before You Apply to NAIT** – Six workshops were offered to 60 ESL students. The workshops help foundational learners interested in further post-secondary studies navigate the next steps of their education journeys.

BUILDING CAPACITY THROUGH TECHNOLOGY

Information technology promotes the inclusion of, and participation by, students during their learning at NAIT, facilitating their autonomy and independence over the course of their studies. The following courses and services have been leveraged by NAIT to improve learner success.

- **Online supports for students with disabilities** – We have developed online courses to support students with disabilities. One course called Read&Write introduces students to a learning support application. Another includes resources and instructions for using Read&Write on an exam, including how to use an industry-leading online proctoring system.

Additionally, during onboarding, we help students who live with disabilities access accommodations using an online approach. A new course provides critical information about the accommodation services that are available, coaches students on self-advocacy and empowerment, and gives them access to a host of learning resources. This course was soft launched in Spring 2022 and will be fully available to students beginning Fall 2022.

- **Connect with Learning Services** – One hundred and seventeen students used this service, which is a virtual drop-in space and blog that NAIT provides using an online platform. It offers students individualized support related to study strategies and the use of the institute's learning technology.

- **Nimbus Learning (reducing barriers to accessing tutoring)** – In collaboration with the NAIT Students' Association (NAITSA), students can access this online platform to find tutors and mentors. It facilitates affordable access by students on their devices to video-supported off-campus individual and group tutoring and study sessions. If the cost of these sessions is a barrier to some students, they can use funds from the Canada Study Grant to pay for them. A total of 1,126 students accessed the tutoring service.

In another partnership with NAITSA, students are given free access to a digital writing platform that helps with grammar, spelling, style, tone and more. It is an essential online tool for foundational learners, including students with writing-based learning disabilities. It can be accessed 24 hours a day using any device, which means that the waiting time for in-person consultation is reduced or eliminated. There are currently 5,491 active members at NAIT.

EQUITY, DIVERSITY AND INCLUSION (EDI) LENS

In November 2021, NAIT launched the Equity, Diversity and Inclusion Lens toolkit. Our EDI Lens was developed to advance equity and cultivate inclusion through policy development, place-making (a collaborative process to shape public spaces) and capacity-building. It takes readers through a series of reflections that help them see themselves, others and their work (and the impact of their work) from different perspectives. Use of the EDI Lens for developing and reviewing policies, procedures and funding requests was identified as a priority outcome of *The NAIT Effect*, the institutional strategic plan. The Office of Equity, Diversity and Inclusion delivered more than 30 training workshops to support leaders and staff in applying the EDI Lens to their work.

NAIT'S SKILLS CENTRE – AN INCLUSIVE LEARNING EXPERIENCE

The Skills Centre will provide an inclusive gathering place for learners from all backgrounds and with all skillsets. The Centre will deliver the highest quality programs and services to support learner success, including providing a flexible environment to attract underrepresented learners.

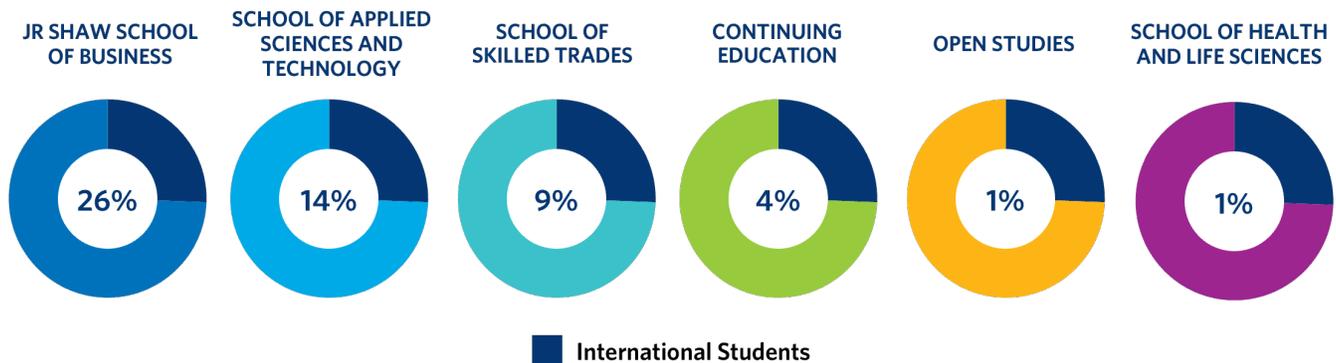
INTERNATIONALIZATION

The following highlights some key activities and initiatives that NAIT has undertaken in 2021/22 to align internationalization goals more closely with the polytechnic model, and to reflect our institute's commitment to diversity and inclusion.

GLOBAL TALENT ATTRACTION

International students enhance the social and cultural diversity of the NAIT community and contribute to the institute's overall financial sustainability. In 2021/22, NAIT hosted 2,637 international students from more than 80 countries. This accounted for 14.18% of the total student presence in degree, diploma and credit programming. Due to impacts of the pandemic and study permit-processing delays, NAIT continued to offer deferral opportunities to international students who had not obtained their study permit in time to start as anticipated.

Most of NAIT's international students are in the JR Shaw School of Business, followed by the School of Applied Sciences and Technology and the School of Skilled Trades.



International student enrolment in all programs is managed strategically by the Registrar's Office, in tandem with quotas for domestic student enrolment. We ensure instructor and student supports are factored into a program's capacity to sustainably increase international student enrolment.

- Diversification is critical to sustainable growth, and so NAIT continues to seek new partnerships to diversify and expand our international reach in Latin America, Africa and Asia to minimize risk associated with over-reliance on any one area.
- NAIT piloted an international cohort in the Digital Media and IT program in Fall 2021, and continues to explore whether this cohort model, with extra supports built in for students and instructors, will be part of our international strategy in the future.

GLOBAL AND INTERCULTURAL LEARNING

NAIT believes in providing students and faculty with the intercultural and global skills needed to succeed. Our approach aligns strongly with the polytechnic model and our Equity, Diversity and Inclusion Strategy, and is showcased in the following services.

- **Building Intercultural Competence** - This course develops intercultural awareness and skills among participants. In 2021/22, 100 NAIT staff completed the course. This year, we also introduced digital badging to further celebrate the accomplishments of participants completing the course.
- **Newcomer Booster course** - This two-week program, which we pivoted to a virtual format, prepares international and newcomer students to start their studies at NAIT and includes topics of cultural adaptation for the successful transition by students to a Canadian classroom. In 2021, 69 students attended Newcomer Booster, a 13% increase over 2020. Newcomer Booster is being revised to be the Culture and Transition program in 2022, with a goal of supporting a greater number of international students.

- **Orientation for international students** – NAIT’s online orientation ensured that international students whose connection with us was impacted by the pandemic could still access critical information about the institute and available resources. The orientation includes a self-select option for international students that includes sections specific to immigration and settlement. The overall 2021/22 orientation engaged the highest number of students accessing the platform to date, with 15% of participants being international students.
- **International and Intercultural Community Centre** – NAIT launched this centre in the winter of 2022. The centre is open to all students and staff and is the hub for international and intercultural community-building, capacity development, outreach and connection. The centre contributes to our vision of a diverse and vibrant campus.
- **Education Abroad** – NAIT received a \$462,608 Global Skills Opportunity grant from the Government of Canada to support the study-abroad component in the Global Energy Issues and Intercultural Competency course within the Alternative Energy Technology program. As a result, we can expand this offering to students in other programs, with a focus on improving access for low-income students, Indigenous students and students with disabilities.

With global travel restrictions being lifted this reporting period, we conducted our first instructor-led field school since the start of the COVID-19 pandemic. Ten students and two instructors participated in an off-grid solar installation project for a school in Ccollpapata, a remote community high in the Andes of Peru.

TRANSNATIONAL EDUCATION

NAIT signed three international articulation agreements in 2021.

- **Swiss Education Group** - This partnership permits graduates of NAIT's Culinary Arts diploma and Hospitality Management diploma to transition into a variety of prestigious international programs offered by César Ritz Colleges Switzerland (Switzerland), SHMS Swiss Hotel Management School (Switzerland) and the University of Derby (UK).
- **Columbia Southern University** - This partnership provides graduates of NAIT's Occupational Health and Safety diploma with a pathway to the associate or bachelor's degree program in Occupational Safety and Health at Columbia Southern University.
- **Technological University of the Shannon (TUS) (Ireland)** - This partnership offers several pathways to a range of TUS degree programs for NAIT graduates in more than 10 programs in the JR Shaw School of Business, School of Applied Sciences and Technology and School of Skilled Trades.

NAIT maintains valuable Corporate Training and Continuing Education programs.

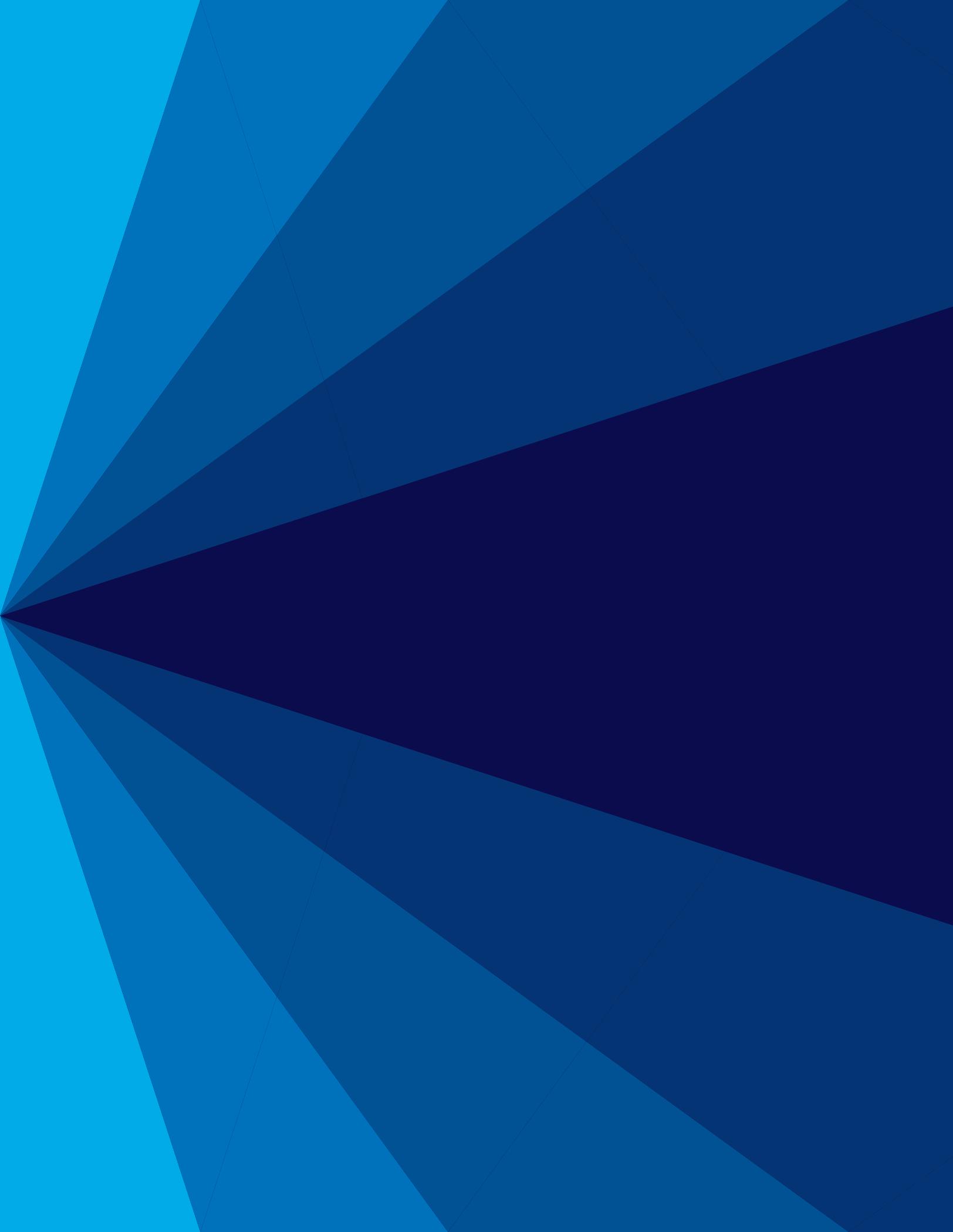
- We are involved in a World Bank-funded capacity development program at the **Uganda Technical College (UTC)**. The Train the Trainer portion of the program uses NAIT instructors to show qualified Ugandan instructors how to teach the theoretical and hands-on technical portions to future students.

Because ongoing travel restrictions prevented the commencement of the Train the Trainer program at UTC in Elgon and Lira, Uganda, it was decided that a portion of the theoretical training would proceed virtually and that the hands-on portion of the training would resume in Uganda once travel restrictions were lifted. In UTC Lira, 207 hours of road construction-related training was delivered virtually to 28 instructors. In UTC Elgon, 147 hours of residential construction-related training was delivered virtually to 35 instructors.

- In February 2022, NAIT welcomed nine instructors from **various technical institutions in Ghana** for a customized instructor-training program in industrial maintenance. The Ghanaians are at NAIT for nine months taking courses in pipefitting, industrial maintenance, welding, e-learning and Becoming a Master Instructor.
- NAIT continues its relationship with the **Heilongjiang University of Science and Technology** to offer NAIT's Digital Media and IT diploma in Harbin, China. NAIT instructors teach the courses virtually to enable training to continue regardless of the pandemic-caused travel restrictions. Eighty-four students completed the program in June 2021, and 236 students remain active in the program in three cohorts.

TABLE 1: TRANSNATIONAL EDUCATION - NAIT PARTNERS WITH THE HEILONGJIANG UNIVERSITY OF SCIENCE AND TECHNOLOGY TO OFFER NAIT'S DIGITAL MEDIA AND IT DIPLOMA IN HARBIN, CHINA.

NAME OF PROGRAM	TYPE OF CREDENTIAL	PRINCIPAL MODE OF DELIVERY	NAME OF PARTNER INSTITUTION	COUNTRY	NUMER OF STUDENT PARTICIPANTS	NUMBER OF GRADUATES
Digital Media and IT	<ul style="list-style-type: none"> • Diploma • Non-credit Certificate of Achievement 	Virtual and online delivery by NAIT instructors Advanced-credit and NAIT courses taught by instructors from Heilongjiang University of Science and Technology	Heilongjiang University of Science and Technology	China	Group 17: 84 Group 18: 79 Group 19: 79 Group 20: 78	44 Certificates of Achievement and 40 Letters of Completion



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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 March 31, 2022, 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 March 31, 2022, 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.

Emphasis of matter – corresponding information

I draw attention to Note 3 of the consolidated financial statements, which describes the change in fiscal year end. My opinion is not modified in respect to this matter.

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

May 31, 2022
Edmonton, Alberta

STATEMENT OF MANAGEMENT RESPONSIBILITY

FOR THE YEAR ENDED MARCH 31, 2022

The consolidated financial statements of the Northern Alberta Institute of Technology (NAIT) have been prepared by management in accordance with Canadian public sector accounting standards as described in note 2 to the consolidated financial statements. The consolidated financial statements present fairly the financial position of NAIT as at March 31, 2022 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 its responsibility for review of the consolidated financial statements principally through its Audit Committee. With the exception of the President and CEO, all members of the Audit Committee are not employees of NAIT. The Audit Committee meets with management and the external auditors and internal auditors to discuss the results of audit examinations and financial reporting matters. The external and internal auditors have full access to the Audit Committee, with and without the presence of management.

These consolidated financial statements have been reported on by the Auditor General of Alberta, the auditor appointed under the *Post-secondary Learning Act*. The Independent Auditor's 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.



Laura Jo Gunter, MBA
President and CEO



Jeff Dumont, CPA, CA, ICD.D
Vice-President Administration and CFO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2022 (IN THOUSANDS OF DOLLARS)

	March 31, 2022	March 31, 2021
Financial assets excluding portfolio investments restricted for endowments		
Cash and cash equivalents (note 4)	\$ 16,942	\$ 28,172
Portfolio investments - non-endowment (note 5)	247,795	234,989
Accounts receivable	7,148	5,668
Inventories held for sale	2,035	2,124
	273,920	270,953
Liabilities		
Accounts payable and accrued liabilities	32,200	30,522
Employee future benefit liabilities (note 7)	23,457	27,088
Debt (note 8)	123,825	126,787
Deferred revenue		
Unearned revenue	23,300	23,157
Deferred contributions (note 9)	74,200	74,642
	276,982	282,196
Net debt excluding portfolio investments restricted for endowments	(3,062)	(11,243)
Portfolio investments - restricted for endowments (note 5)	63,182	57,461
Net financial assets	60,120	46,218
Non-financial assets		
Tangible capital assets (note 10)	492,692	503,749
Prepaid expenses	12,804	4,334
	505,496	508,083
Net assets before spent deferred capital contributions	565,616	554,301
Spent deferred capital contributions (note 11)	306,168	303,859
Net assets	\$ 259,448	\$ 250,442
Net assets is comprised of:		
Accumulated surplus (note 12)	\$ 251,228	\$ 251,821
Accumulated remeasurement gains (losses) (note 5)	8,220	(1,379)
	\$ 259,448	\$ 250,442

Contingent assets and contractual rights (notes 13 and 15)
 Contingent liabilities and contractual obligations (notes 14 and 16)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2022 (IN THOUSANDS OF DOLLARS)

	Budget (Note 23)	March 31, 2022 (12 Months)	March 31, 2021 (9 Months)
Revenues			
Government of Alberta grants			
Operating grants (note 20)	\$ 165,223	\$ 168,871	\$ 132,465
Expended capital recognized as revenue	15,838	8,860	11,965
Federal and other government grants			
Operating grants (note 20)	4,699	4,763	3,279
Expended capital recognized as revenue	977	684	731
Student tuition and related fees			
Degree, diploma and certificate programs			
Domestic students	50,824	45,649	35,670
International students	33,175	26,368	20,829
Apprenticeship training	8,165	7,340	4,744
Continuing education	14,449	12,943	9,674
Sales, rentals and services			
Ancillary operations	9,212	9,869	7,188
Training contracts	5,362	5,047	2,448
Other	11,712	9,264	6,255
Donations and other grants			
Donations and operating grants	6,995	9,356	6,065
Expended capital recognized as revenue	2,559	1,651	1,984
Investment income (note 21)	14,251	9,764	7,619
	343,441	320,429	250,916
Expenses			
Instructional delivery	145,424	140,883	101,807
Applied research	15,315	11,738	8,660
Facilities operations and maintenance	67,770	58,993	48,451
Academic and student support	52,283	47,862	36,720
Institutional support	50,351	49,845	36,780
Ancillary services	12,094	13,406	11,349
Fundraising	104	119	-
	343,341	322,846	243,767
Operating surplus (deficit)	100	(2,417)	7,149
Endowment contributions and capitalized investment income			
Endowment contributions (note 12)		835	1,221
Endowment capitalized investment income (note 12)		989	715
		1,824	1,936
Deficit (surplus)		(593)	9,085
Accumulated surplus, beginning of period		251,821	242,736
Accumulated surplus, end of period (note 12)		\$ 251,228	\$ 251,821

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31, 2022 (IN THOUSANDS OF DOLLARS)

	Budget (Note 23)	March 31, 2022 (12 Months)	March 31, 2021 (9 Months)
Surplus (deficit)	\$ 100	\$ (593)	\$ 9,085
Acquisition of tangible capital assets	(6,900)	(10,409)	(5,208)
Proceeds from sale of tangible capital assets	145	41	262
Amortization of tangible capital assets	31,780	21,222	24,765
Loss (gain) on disposal of tangible capital assets	(50)	203	(249)
(Increase) decrease in prepaid expenses		(8,470)	224
Increase (decrease) in spent deferred capital contributions		2,309	(12,786)
Increase in accumulated remeasurement gains		9,599	1,993
Increase in net financial assets		13,902	18,086
Net financial assets, beginning of period		46,218	28,132
Net financial assets, end of period		\$ 60,120	\$ 46,218

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

YEAR ENDED MARCH 31, 2022 (IN THOUSANDS OF DOLLARS)

	March 31, 2022 (12 Months)	March 31, 2021 (9 Months)
Accumulated remeasurement losses, beginning of period	\$ (1,379)	\$ (3,372)
Unrealized gains attributable to:		
Portfolio investments - non-endowments (note 5)	11,396	4,598
Amounts reclassified to the consolidated statement of operations:		
Portfolio investments - non-endowments (note 5)	(1,797)	(2,605)
Change in accumulated remeasurement gains (losses)	9,599	1,993
Accumulated remeasurement gains (losses), end of period	\$ 8,220	\$ (1,379)
Accumulated remeasurement gains (losses) is comprised of:		
Portfolio investments - non-endowment	8,220	(1,379)
	\$ 8,220	\$ (1,379)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2022 (IN THOUSANDS OF DOLLARS)

	March 31, 2022 (12 Months)	March 31, 2021 (9 Months)
Operating transactions		
Deficit (surplus)	\$ (593)	\$ 9,085
Add (deduct) non-cash items:		
Amortization of tangible capital assets	21,222	24,765
Gain on sale of portfolio investments	(1,493)	(105)
Loss (gain) on disposal of tangible capital assets	203	(249)
Expended capital contributions recognized as revenue	(11,195)	(14,680)
Change in non-cash items	8,737	9,731
(Increase) decrease in accounts receivable	(1,480)	31,144
Decrease in inventories held for sale	89	534
Increase (decrease) in accounts payable and accrued liabilities	1,678	(9,314)
Decrease in employee future benefit liabilities	(3,631)	(2,193)
Increase in unearned revenue	143	14,068
(Decrease) increase in deferred contributions	(3,556)	3,576
(Increase) decrease in prepaid expenses	(8,470)	224
Cash (applied to) provided by operating transactions	(7,083)	56,855
Capital transactions		
Acquisition of tangible capital assets, less in-kind donations	(9,601)	(5,090)
Proceeds on sale of tangible capital assets	41	262
Cash applied to capital transactions	(9,560)	(4,828)
Investing transactions		
Purchase of portfolio investments	(37,644)	(63,731)
Proceeds on sale of portfolio investments	33,323	2,021
Cash applied to investing transactions	(4,321)	(61,710)
Financing transactions		
Debt - repayment	(2,962)	(1,445)
Increase in spent deferred capital contributions, less expended capital contributions recognized as revenue, less in-kind donations	12,696	1,776
Cash provided by financing transactions	9,734	331
Decrease in cash and cash equivalents	(11,230)	(9,352)
Cash and cash equivalents, beginning of period	28,172	37,524
Cash and cash equivalents, end of period	\$ 16,942	\$ 28,172

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2022 (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 and CEO, who is an *ex officio* member. Under the *Post-secondary Learning Act*, 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 develop innovative solutions to meet 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 Canadian public sector accounting standards.

The measurement of certain assets, liabilities, revenues and expenses 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's 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 consolidated financial statements and, together with the following notes, should be considered an integral part of the consolidated 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
Portfolio investments	Fair value and amortized cost
Inventories held for sale	Lower of cost or net realizable value
Accounts receivable	Lower of cost or net recoverable value
Accounts payable and accrued liabilities	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 revenue.

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

For financial assets and liabilities measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. 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 does not use foreign currency contracts or any other type of derivative financial instruments for trading or speculative purposes.

Management evaluates contractual obligations for the existence of embedded derivatives and elects 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 the end of the period is recognized as deferred revenue.

Government grants, non-government grants, and donations

Government transfers are referred to as government grants.

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

Government grants without terms for the use of the grant are recognized as revenue when NAIT is eligible to receive the funds. Unrestricted non-government grants and donations are recognized as revenue in the period received or in the period the funds are committed to NAIT if the amount can be reasonably estimated and collection is reasonably assured.

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

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 recognizes such in-kind contributions at nominal value.

Endowment contributions

Endowment contributions are recognized as revenue in the consolidated statement of operations in the period 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 include 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 March 31 (three months). The accrual is estimated 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 endowments to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowments; and
- encroachment on the capital of the endowments to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowments 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 period, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from NAIT's operating funds, from the accumulated deferred investment income, or from the cumulative capitalized 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 HELD FOR SALE

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

Leases of tangible capital assets which transfer substantially all the benefits and risks of ownership are accounted for as leased tangible capital assets. Capital lease liabilities are recognized at the present value of the future minimum lease payments at the inception of the lease, excluding executor costs (e.g., insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of NAIT's rate for incremental borrowing or the interest rate implicit in the lease.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over the following estimated useful lives as follows:

Buildings, leasehold and site improvements	10 – 50 years
Furnishings, equipment and systems	3 – 25 years
Vehicles	10 years
Library holdings	10 years

In accordance with PSAS, NAIT reviews on a regular basis the estimated useful life of the remaining unamortized portion of tangible capital assets. During the year, NAIT conducted a review of the estimated useful life of its assets and concluded that the useful life for buildings can be extended from 40 to 50 years and the useful life for certain equipment can be extended from 10 to 25 years. This change in estimate was applied prospectively and resulted in an approximate \$10.6 million reduction in amortization expense in the current year.

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. Net write-downs are recognized as expense.

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) 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. Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains and losses.

(h) 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 period, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

Supplementary retirement plan

NAIT maintains a supplementary pension plan for certain senior executives. NAIT provided non-contributory defined supplementary retirement benefits to executives up to December 31, 2018. As of January 1, 2019, any contributing plan members were transferred to a defined contribution supplemental retirement plan. One retired plan member still receives retirement benefits as a part of the defined benefit supplementary retirement plan, and the pension expense is estimated based off prior experience. The pension expense for the defined contribution supplementary retirement plan is the employer's current period contribution to the plan as calculated in accordance with the expected plan rules.

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.

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 consolidated financial statements.

Management retirement plan

NAIT provides a management retirement plan to employees who were 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.

(i) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial results of NAIT, the Northern Alberta Institute of Technology Foundation and GO Productivity. The Foundation is a registered charity for the purpose of fundraising, operates within the *Alberta Gaming and Liquor Act* and is exempt from the payment of income tax. GO Productivity is a non-profit organization with a mandate to support productivity improvement, increase innovation, and build a skilled workforce to improve competitiveness and economic sustainability.

Proportionate consolidation is used to recognize NAIT's proportionate share of the following partnership:

- Individual Learning Modules (ILM) Partnership (50% interest) – Partnership with the Southern Alberta Institute of Technology to administer, maintain, enhance, commercialize and distribute ILM learning materials

The accounts for consolidated entities, except those designated as government business enterprises (GBEs), are consolidated using the line-by-line method. All partnership inter-entity accounts and transactions between these organizations are eliminated upon consolidation.

NAIT holds a 33.33% share in a government business enterprise (PanGlobal Training Systems Ltd.) with the Southern Alberta Institute of Technology and the British Columbia Institute of Technology. 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.

These partnerships and GBEs are not material to NAIT's financial statements and, therefore, separate condensed financial information is not presented.

(j) LIABILITY FOR CONTAMINATED SITES

Contaminated sites are a result of contamination by a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. It does not include airborne contaminants. NAIT recognizes a liability for remediation of contaminated sites when the following criteria have been met:

- an environmental standard exists;
- there is evidence that contamination exceeds an environmental standard;
- NAIT is directly responsible or accepts responsibility for the contamination;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

A liability for a contaminated site may arise from operations that are either considered in productive use or no longer in productive use when environmental standards are exceeded. It will also arise when an unexpected event occurs resulting in contamination that exceeds an environmental standard.

Where an environmental standard does not exist or contamination does not exceed an environmental standard, a liability for remediation/reclamation of a site is recognized by NAIT when the following criteria have been met:

- NAIT has a duty or responsibility to others, leaving little or no discretion to avoid the obligation;
- the duty or responsibility to others entails settlement by future transfer or use of assets, or a provision of services at a specified or determinable date, or on demand; and
- the transaction or events obligating NAIT have already occurred.

These liabilities reflect NAIT's best estimate, as of March 31, of the amount required to remediate the sites to the current minimum standard of use prior to contamination. Where possible, provisions for remediation are based on environmental assessments completed on a site; for those sites where an assessment has not been completed, estimates of the remediation are completed using information available for the site and by extrapolating from the cost to clean up similar sites. NAIT currently does not have any liabilities for contaminated sites.

(j) 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, 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.

(l) 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.

(m) FUTURE CHANGES IN ACCOUNTING STANDARDS

In August 2018, the Public Sector Accounting Board (PSAB) issued PS 3280 Asset retirement obligations. This accounting standard has been deferred by PSAB and is effective for fiscal years starting on or after April 1, 2022. Asset retirement obligations provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

In November 2018, PSAB issued PS 3400 Revenue. This accounting standard has been deferred by PSAB and is effective for fiscal years starting on or after April 1, 2023. Revenue provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions.

In November 2020, PSAB issued PSG-8 Purchased intangibles. This accounting guideline is effective for fiscal years starting on or after April 1, 2023. Purchased intangibles provides guidance on how to recognize intangibles as non-financial assets.

In April 2021, PSAB issued PS 3160 Public private partnerships. This accounting standard is effective for fiscal years starting on or after April 1, 2023. Public private partnerships provides guidance on how to account for infrastructure when procured under these types of arrangements.

Management has not yet adopted these standards and is currently assessing the impact of these new standards on the consolidated financial statements.

3. CHANGE IN FISCAL YEAR END

NAIT changed its fiscal year end effective March 31, 2021 to coincide with that of the Government of Alberta. This change in fiscal year end was approved by the Minister of Advanced Education in September 2020. Information included in the consolidated financial statements reflect the fiscal period consisting of the twelve months ending March 31, 2022, as compared to the nine-month period ending March 31, 2021. As a result, the two periods are not entirely comparable.

4. CASH AND CASH EQUIVALENTS

	March 31, 2022	March 31, 2021
Cash	\$ 11,475	\$ 21,716
Money market funds, short-term notes, and treasury bills	7,580	8,155
Less: Funds held on behalf of others (note 18)	(2,113)	(1,699)
	\$ 16,942	\$ 28,172

Cash equivalents include short-term investments with a maturity less than three months from the date of acquisition.

5. PORTFOLIO INVESTMENTS

	March 31, 2022	March 31, 2021
Portfolio investments – non-endowment	\$ 247,795	\$ 234,989
Portfolio investments – restricted for endowments	63,182	57,461
	\$ 310,977	\$ 292,450

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

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Portfolio investments at fair value:				
Bonds and other fixed income				
Pooled investment fund	\$ -	\$ 116,110	\$ -	\$ 116,110
Equities				
Pooled investment funds – Canadian	-	38,926	-	38,926
Pooled investment funds – All World*	-	154,914	-	154,914
	-	309,950	-	309,950
Other at amortized cost				1,027
Total portfolio investments	\$ -	\$ 309,950	\$ -	\$ 310,977
	0%	100%	0%	100%

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Portfolio investments at fair value:				
Bonds and other fixed income				
Pooled investment fund	\$ -	\$ 110,803	\$ -	\$ 110,803
Equities				
Pooled investment funds - Canadian	-	38,228	-	38,228
Pooled investment funds - All World*	-	142,170	-	142,170
	-	291,201	-	291,201
Other at amortized cost				1,249
Total portfolio investments	\$ -	\$ 291,201	\$ -	\$ 292,450
	0%	100%	0%	100%

*All World equity includes investments in Canadian markets, equating to 10.0% (December 31, 2020: 9.6%) of the Fund at December 31, 2021.

The fair value measurements are those derived from:

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 within Level 1 that are observable for the assets, either directly (i.e., as prices) or indirectly (i.e., derived 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 always 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 .

	Endowments Recorded in Deferred Contributions (Note 9)	Accumulated Remeasurement Gains and Losses	Total
Balance as at June 30, 2020	\$ (204)	\$ (3,372)	\$ (3,576)
Unrealized gains attributable to portfolio investments	550	4,598	5,148
Amounts reclassified to statement of operations	136	(2,605)	(2,469)
Balance as at March 31, 2021	482	(1,379)	(897)
Unrealized gains attributable to portfolio investments	4,517	11,396	15,913
Amounts reclassified to statement of operations	(1,402)	(1,797)	(3,199)
Balance as at March 31, 2022	\$ 3,597	\$ 8,220	\$ 11,817

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 always 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 pooled funds have a year end of December 31. Where March 31 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 a change in the market value of the investment portfolio per the table below.

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Pooled investment fund - Canadian Equity		
S&P/TSX Composite Total Return Index benchmark	\$ 1,440	\$ 1,376
Pooled investment fund - All World* equity		
MSCI All Country World Index (Net Dividend, C\$) benchmark	5,577	4,692

*All World equity includes investments in Canadian markets, equating to 10.0% (December 31, 2020: 9.6%) of the Fund at December 31, 2021.

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 brokers/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.

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 minimal business activities conducted in a foreign currency. NAIT further mitigates risk by limiting international contracts that are not in Canadian dollars to only US dollars.

NAIT's portfolio investments do include equities that are held in foreign currencies, and there is some exposure to foreign currency risk if the currency that these equities are held in change in relation to the Canadian dollar. This risk is mitigated by NAIT's investment manager through its currency hedging strategy and through diversification of the portfolio. A 5% strengthening or

weakening in the Canadian dollar would result in a \$6,197 (March 31, 2021: \$5,402) decrease or increase, respectively, 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 honour 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 by restricting enrolment of students with delinquent balances and by maintaining standard collection procedures.

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

	March 31, 2022	March 31, 2021
AAA	20.3%	14.9%
AA	9.3%	8.4%
A	34.1%	42.2%
BBB	33.7%	31.2%
Short-term investments and other net assets (liabilities)	2.6%	3.3%
	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 March 31, 2022, NAIT has committed borrowing facilities of \$2,500 (March 31, 2021: \$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 by investment policies that limit the term to maturity of certain fixed income securities that NAIT holds. If interest rates increased by 1%, and all other variables were held constant, the potential loss in fair value would be approximately 2.6% (March 31, 2021: 2.5%) of total investments. Interest risk on NAIT's debt is managed through fixed-rate agreements with the Department of Treasury Board and Finance (note 8).

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

	March 31, 2022	March 31, 2021
< 1 year	5.6%	7.5%
1 - 5 years	31.9%	37.9%
> 5 years	62.5%	54.6%
	100.0%	100.0%
Average effective yield	3.23%	1.77%

7. EMPLOYEE FUTURE BENEFIT LIABILITIES

Employee future benefit liabilities are comprised of the following:

	March 31, 2022	March 31, 2021
Accrued vacation	\$ 17,776	\$ 20,051
Long-term disability	4,257	4,947
Supplementary retirement plan – defined contribution	945	1,498
Supplementary retirement plan – defined benefit	144	144
Special leave plan	285	400
Management retirement plan	50	48
	\$ 23,457	\$ 27,088

(a) DEFINED BENEFIT 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 March 31, 2022. 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 provided non-contributory defined supplementary retirement benefits to executives up to December 31, 2018. As of January 1, 2019, any contributing plan members were transferred to a defined contribution supplemental retirement plan. One retired plan member still receives retirement benefits as a part of this defined benefit plan and their employee future benefit liability is estimated based off prior experience. The last actuarial valuation of these benefits was carried out at June 30, 2019.

Special leave plan

NAIT provides compensated absences for its employees under a special leave plan. Under this plan, participating employees contribute 18% of their gross bi-weekly earnings for a contributory period of four years. For the fifth year, they receive 82% of their gross salary as of the last day of their contributory period. Alternatively, participating 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 for the twelve months ending March 31, 2022, is \$127 (nine months ending March 31, 2021: \$122) and has been discounted at a rate of 2.1% (March 31, 2021: 2.1%).

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

Local Authority Pension Plan (LAPP)

The LAPP is a multi-employer contributory defined benefit pension plan for staff and is accounted for on a defined contribution basis. As at December 31, 2021, the LAPP reported an actuarial surplus of \$11,922,370 (December 31, 2020: \$4,961,337 surplus). An actuarial valuation of the LAPP was carried out as at December 31, 2020, and was then extrapolated to December 31, 2021. The pension expense recorded in these consolidated financial statements for the twelve months ending March 31, 2022, is \$17,655 (nine months ending March 31, 2021: \$13,009). Other than the requirement to make additional contributions, NAIT does not bear any risk related to any potential LAPP deficit.

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 be eligible for retirement benefits from the LAPP. 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 2.70% (March 31, 2021: 2.45%).

(c) DEFINED CONTRIBUTION

Supplementary retirement

NAIT provides non-contributory supplementary retirement benefits under a defined contribution plan to eligible executive members. NAIT's total defined contribution supplementary retirement expense for the twelve months ending March 31, 2022, was \$199 (nine months ending March 31, 2021:\$396).

The expense and financial position of these defined benefit plans as described under A, B and C above are as follows:

	March 31, 2022 (12 Months)				
	LTD	SRP (Defined Contribution)	SRP (Defined Benefit)	Special Leave	Management Retirement Plan
Expense					
Current service cost	\$ (579)	\$ 57	\$ -	\$ (5)	\$ 2
Interest cost	131	142	10	-	-
Total expense	\$ (448)	\$ 199	\$ 10	\$ (5)	\$ 2

Financial Position

Accrued benefit obligation:

Balance, beginning of period	\$ 4,947	\$ 1,498	\$ 144	\$ 400	\$ 48
Current service cost	(579)	57	-	(5)	2
Interest cost	131	142	10	-	-
Benefits paid	(242)	(752)	(10)	(110)	-
Balance, end of period	\$ 4,257	\$ 945	\$ 144	\$ 285	\$ 50

	March 31, 2021 (9 Months)				
	LTD	SRP (Defined Contribution)	SRP (Defined Benefit)	Special Leave	Management Retirement Plan
Expense					
Current service cost	\$ (10)	\$ 61	\$ -	\$ 33	\$ 2
Interest cost	130	335	7	-	-
Total expense	\$ 120	\$ 396	\$ 7	\$ 33	\$ 2

Financial Position

Accrued benefit obligation:

Balance, beginning of period	\$ 5,069	\$ 1,723	\$ 144	\$ 367	\$ 78
Current service cost	(10)	61	-	33	2
Interest cost	130	335	7	-	-
Benefits paid	(242)	(621)	(7)	-	(32)
Balance, end of period	\$ 4,947	\$ 1,498	\$ 144	\$ 400	\$ 48

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

	LTD	
	March 31, 2022	March 31, 2021
Accrued benefit obligation:		
Discount rate	4.20%	2.90%
Long-term average compensation increase		
Year 1	0.00%	0.00%
Year 2 – 3	2.00%	0.00%
Year 4 and after	2.00%	2.00%
Estimated average remaining service life	5	6

8. DEBT

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

	Collateral	Maturity	Interest Rate	March 31, 2022	March 31, 2021
Debentures payable to the Department of Treasury Board and Finance:					
Parkade	(1)	December 2042	3.426%	\$ 18,599	\$ 19,196
Blatchford lands and Productivity and Innovation Centre	(2)	June 2049	3.184%	105,226	107,591
				\$ 123,825	\$ 126,787

Collateral - (1) Cashflows; (2) Security interest in all its present and after-acquired personal property exclusive of the Centre for Applied Technology.

Principal and interest repayments are as follows:

	Principal	Interest	Total
2023	\$ 3,058	\$ 3,963	\$ 7,021
2024	3,158	3,863	7,021
2025	3,260	3,761	7,021
2026	3,367	3,654	7,021
2027	3,476	3,545	7,021
Thereafter	107,506	42,343	149,849
	\$ 123,825	\$ 61,129	\$ 184,954

Interest expense on debt for the twelve months ending March 31, 2022, is \$4,032 (nine months ending March 31, 2021: \$3,082) and is included in the consolidated statement 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
Balance as at June 30, 2020	\$ 39,148	\$ 31,232	\$ 70,380
Grants and donations received	20,813	9,747	30,560
Investment income (note 21)	2,771	593	3,364
Transfer to spent deferred capital contribution (note 11)	-	(1,894)	(1,894)
Recognized as revenue	(27,739)	-	(27,739)
Transferred to endowment	(715)	-	(715)
Unrealized gain on investments relating to deferred contributions (note 5)	686	-	686
Balance as at March 31, 2021	\$ 34,964	\$ 39,678	\$ 74,642
Grants and donations received	42,819	1,763	44,582
Investment income (note 21)	3,784	727	4,511
Transfer to spent deferred capital contribution (note 11)	-	(13,517)	(13,517)
Recognized as revenue	(38,144)	-	(38,144)
Transferred to endowment	(989)	-	(989)
Unrealized gain on investments relating to deferred contributions (note 5)	3,115	-	3,115
Balance as at March 31, 2022	\$ 45,549	\$ 28,651	\$ 74,200

10. TANGIBLE CAPITAL ASSETS

	March 31, 2022							March 31, 2021
	Land	Buildings, Leasehold and Site Improvements	Furnishings, Equipment and Systems	Vehicles	Library Holdings	Work in Progress	Total	Total
Cost								
Balance, beginning of period	\$ 48,233	\$ 674,779	\$ 159,333	\$ 2,186	\$ 3,853	\$ 9,377	\$ 897,761	\$ 893,767
Acquisitions	-	-	4,673	-	-	5,736	10,409	5,208
Disposals, including write downs	-	-	(1,466)	-	-	-	(1,466)	(1,214)
	48,233	674,779	162,540	2,186	3,853	15,113	906,704	897,761
Accumulated Amortization								
Balance, beginning of period	\$ -	\$ (262,223)	\$ (126,337)	\$ (2,055)	\$ (3,397)	\$ -	\$ (394,012)	\$ (370,448)
Amortization expense	-	(12,030)	(9,035)	(78)	(79)	-	(21,222)	(24,765)
Effects on disposal, including write downs	-	-	1,222	-	-	-	1,222	1,201
	-	(274,254)	(134,147)	(2,134)	(3,477)	-	(414,012)	(394,012)
Net book value at March 31, 2022	\$ 48,233	\$ 400,525	\$ 28,393	\$ 52	\$ 376	\$ 15,113	\$ 492,692	
Net book value at March 31, 2021	\$ 48,233	\$ 412,556	\$ 32,996	\$ 131	\$ 456	\$ 9,377		\$ 503,749

Interest: Additions to capital assets includes capitalized interest of \$0 (March 31, 2021: \$0).

Cost includes work-in-progress totaling \$15,113 (March 31, 2021: \$9,377), comprised of land \$5,746 (March 31, 2021: \$4,669), buildings \$1,421 (March 31, 2021: \$107), equipment \$6,029 (March 31, 2021: \$3,783) and software \$1,917 (March 31, 2021: \$818).

Acquisitions during the period include in-kind contributions in the amount of \$808 (March 31, 2021: \$118).

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).

	March 31, 2022	March 31, 2021
Balance, beginning of period	\$ 308,859	\$ 316,645
Transfers from unspent externally restricted grants and donations (note 9)	13,517	1,894
Expended capital contributions recognized as revenue	(11,195)	(14,680)
Netbook value of asset disposals	(13)	-
Balance, end of period	\$ 306,168	\$ 303,859

12. NET ASSETS

	Accumulated Operating Surplus	Investment in Tangible Capital Assets	Funds and Reserves	Endowments	Total Accumulated Surplus
Net assets, as at June 30, 2020	\$ 19,752	\$ 141,156	\$ 31,212	\$ 47,244	\$ 239,364
Operating surplus	7,149	-	-	-	7,149
Endowments					
Contributions	-	-	-	1,221	1,221
Capitalized investment income	-	-	-	715	715
Tangible capital assets					
Amortization of tangible capital assets	10,085	(10,085)	-	-	-
Acquisition of tangible capital assets	(2,896)	3,314	(418)	-	-
Debt - expenditures from funds received in prior years	39	(39)	-	-	-
Debt - repayment	(291)	291	-	-	-
Net book value of tangible capital asset disposals	13	(13)	-	-	-
Operating expenditures funded from funds and reserves	1,678	-	(1,678)	-	-
Net Board appropriation to funds and reserves	(4,057)	-	4,057	-	-
Change in accumulated remeasurement gains and losses	1,993	-	-	-	1,993
Net assets, as at March 31, 2021	\$ 33,465	\$ 134,624	\$ 33,173	\$ 49,180	\$ 250,442
Annual operating deficit	(2,417)	-	-	-	(2,417)
Endowments					
Contributions	-	-	-	835	835
Capitalized investment income	-	-	-	989	989
Tangible capital assets					
Amortization of tangible capital assets	10,027	(10,027)	-	-	-
Acquisition of tangible capital assets	(5,350)	6,237	(887)	-	-
Debt - expenditures from funds received in prior years	13	(13)	-	-	-
Debt - repayment	(597)	597	-	-	-
Net book value of tangible capital asset disposals	229	(229)	-	-	-
Operating expenditures funded from funds and reserves	2,401	-	(2,401)	-	-
Net Board appropriation to funds and reserves	(1,374)	-	1,374	-	-
Change in accumulated remeasurement gains and losses	9,599	-	-	-	9,599
Net assets, as at March 31, 2022	\$ 45,996	\$ 131,189	\$ 31,259	\$ 51,004	\$ 259,448
Net assets is comprised of					
Accumulated surplus	\$ 37,776	\$ 131,189	\$ 31,259	\$ 51,004	\$ 251,228
Accumulated remeasurement gains and losses	8,220	-	-	-	8,220
	\$ 45,996	\$ 131,189	\$ 31,259	\$ 51,004	\$ 259,448

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, March 31, 2021	Appropriations from (returned to) Accumulated Operating Surplus	Disbursements During the Period	Balance, March 31, 2022
Appropriation for capital activities:				
Main Campus Renovations	\$ 18,890	\$ (1,124)	\$ (35)	\$ 17,731
Capital Renewal	1,600	229	-	1,829
Industry Solutions	-	55	(55)	-
Strategic Investment Fund	-	493	(493)	-
Technology Transformation Fund	-	304	(304)	-
	20,490	(43)	(887)	19,560
Appropriation for operating activities:				
Credit Education Enhancement Fund	1,079	-	(6)	1,073
ILM Reserve Fund	1,330	311	-	1,641
Industry Solutions	1,441	(53)	(416)	972
Main Campus Renovations	-	1,124	(1,124)	-
Strategic Investment Fund	4,212	339	(586)	3,965
Technology Transformation Fund	4,621	(304)	(269)	4,048
	12,683	1,417	(2,401)	11,699
	\$ 33,173	\$ 1,374	\$ (3,288)	\$ 31,259

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, though it is the opinion of NAIT's management that any settlement will not have a material effect on the financial position or the results of operations of NAIT.

14. CONTINGENT LIABILITIES

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.

NAIT continues to review environmental objectives and liabilities for its activities and properties as well as any potential remediation obligations. There may be contaminated sites identified that have the potential to result in remediation obligations. A liability has not been recorded for these sites because either the likelihood of NAIT becoming responsible for the site is not determinable, the amount of the liability cannot be estimated, or both.

NAIT's ongoing efforts to assess environmental liabilities may result in additional environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any changes to the environmental liabilities will be accrued in the year in which they are assessed as likely and measurable.

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 has not been estimated. Once the public sector accounting standard for asset retirement obligations comes into effect (see note 2(m)), retirement obligations related to asbestos removal will be recorded at that time.

NAIT has obligations for various asbestos remediation, as scheduled for future fiscal periods. Management estimates remediation costs of \$129 (March 31, 2021: \$1,613) based on contractual obligations and current industry costs. This amount has been recorded in the financial statements.

15. CONTRACTUAL RIGHTS

NAIT has contractual rights, which are the rights to economic resources arising from contracts or agreements, that will result in both assets and revenues in the future.

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
2023	\$ 17,082	\$ -	\$ -	\$ 17,082
2024	4,492	-	-	4,492
2025	2,069	-	-	2,069
2026	1,296	-	-	1,296
2027	1,248	-	-	1,248
Thereafter	1,751	-	-	1,751
Total at March 31, 2022	<u>\$ 27,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,938</u>
Total at March 31, 2021	<u>\$ 30,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,449</u>

16. CONTRACTUAL OBLIGATIONS

NAIT has contractual obligations which are commitments that will become liabilities in the future when the terms of the contracts or agreements are met. The estimated aggregate amount payable for the unexpired terms of these contractual obligations are as follows:

	Blatchford Land Purchase ⁽¹⁾	Capital Projects	Long-Term Leases	Total
2023	\$ -	\$ 7,705	\$ 1,620	\$ 9,325
2024	52,956	-	1,425	54,381
2025	-	-	1,392	1,392
2026	-	-	1,241	1,241
2027	-	-	1,165	1,165
Thereafter	-	-	5,092	5,092
Total at March 31, 2022	<u>\$ 52,956</u>	<u>\$ 7,705</u>	<u>\$ 11,935</u>	<u>\$ 72,596</u>
Total at March 31, 2021	<u>\$ 61,678</u>	<u>\$ 7,874</u>	<u>\$ 13,714</u>	<u>\$ 83,266</u>

(1) In October 2018, NAIT entered into a contract with the City of Edmonton to purchase a section of the Blatchford lands adjacent to main campus for future development. The contractual obligation of \$52,956 (March 31, 2021: \$61,678) represents the total purchase less deposits paid of \$9,345. The purchase is expected to be completed in 2023/24.

17. EXPENSE BY OBJECT

The following is a summary of expense by object:

	March 31, 2022		March 31, 2021
	Budget (Note 23) (12 Months)	Actual (12 Months)	Actual (9 Months)
Salaries and employee benefits	\$ 229,046	\$ 220,279	\$ 163,006
Materials, supplies and services			
Cost of goods old	6,499	6,953	6,086
Purchased labour and services	15,690	17,098	11,022
Classroom, lab and general supplies	13,494	14,053	10,116
Other materials, supplies and services	8,020	5,387	2,890
Maintenance and repairs	23,730	21,516	14,571
Utilities	8,004	9,152	6,138
Scholarships, bursaries and prizes	3,045	3,154	2,091
Interest expense	4,033	4,032	3,082
Amortization of capital assets	31,780	21,222	24,765
	\$ 343,341	\$ 322,846	\$ 243,767

18. 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 consolidated financial statements.

	March 31, 2022	March 31, 2021
Southern Alberta Institute of Technology	\$ 1,641	\$ 1,330
NAIT Student Association	472	369
	\$ 2,113	\$ 1,699

19. 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 2021/22, NAIT's key management personnel and their close family members did not have any material transactions with NAIT, the NAIT Foundation, GO Productivity, 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 period, 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 arm's length.

NAIT has liabilities with the Department of Treasury Board and Finance as described in note 8.

20. 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.

	March 31, 2022 (12 Months)	March 31, 2021 (9 Months)
Grants from Government of Alberta		
Advanced Education		
Base Operating Grant	\$ 143,648	\$ 115,010
Apprenticeship	13,944	7,991
Capital Maintenance Renewal Grant	9,675	-
Capital - O Building Mechanical Upgrade	-	8,132
Other	4,611	4,124
Total Advanced Education	171,878	135,257
Other Government of Alberta departments and agencies		
Ministry of Jobs, Economy and Innovation (including Alberta Innovates)	3,592	380
Agriculture and Forestry	750	(200)
Alberta Health Services	3	24
Total Other Government of Alberta departments and agencies	4,345	204
Total contributions received and receivable	176,223	135,461
Change in deferred contributions	(7,352)	(2,996)
Total Government of Alberta operating grant revenue	\$ 168,871	\$ 132,465
Grants from federal and other governments		
Federal government	\$ 4,522	\$ 2,912
Other government	154	353
Total contributions received and receivable	4,676	3,265
Change in deferred contributions	87	14
Total federal and other government operating grant revenue	\$ 4,763	\$ 3,279

21. INVESTMENT INCOME

	March 31, 2022 (12 Months)	March 31, 2021 (9 Months)
Investment earnings	\$ 12,217	\$ 9,910
Less transferred to Deferred Contributions (note 9)	(4,511)	(3,364)
Investment earnings from unrestricted sources	7,706	6,546
Add transfers from Deferred Contributions	2,058	1,073
Investment income	\$ 9,764	\$ 7,619

Investment earnings include an accrual of \$2,446 (nine months ended March 31, 2021: \$2,613). The accrual represents management's best estimate of revenue earned for the three months from January 1 to March 31 and not yet distributed, based on information provided by the Investment Manager (see note 2(c)).

22. SALARY AND EMPLOYEE BENEFITS

	March 31, 2022 (12 Months)			
	Base Salary ⁽¹²⁾	Other Cash Benefits ⁽¹³⁾	Other Non-Cash Benefits ⁽¹⁴⁾⁽¹⁵⁾	Total
Governance⁽¹⁾				
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	9	9
Executive				
President and CEO	353	6	91	450
Vice-President Academic and Provost ⁽²⁾	120	326	(18)	428
Vice-President Academic				
Interim ⁽³⁾	199	-	-	199
Incumbent ⁽⁴⁾	10	-	1	11
Vice-President Administration and CFO ⁽⁵⁾	291	48	(1)	338
Vice-President Industry Partnerships and CMO ⁽⁶⁾	27	55	(70)	12
Vice-President External Relations				
Interim ⁽⁷⁾	91	8	6	105
Incumbent ⁽⁸⁾	148	4	80	232

	March 31, 2021 (9 Months)			
	Base Salary ⁽¹²⁾	Other Cash Benefits ⁽¹³⁾	Other Non-Cash Benefits ⁽¹⁴⁾⁽¹⁵⁾	Total
Governance⁽¹⁾				
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	7	7
Executive				
President and CEO				
Interim ⁽⁹⁾	52	38	(14)	76
Incumbent ⁽¹⁰⁾	214	1	105	320
Vice-President Academic and Provost	219	4	74	297
Vice-President Administration and CFO ⁽⁵⁾	219	33	19	271
Vice-President Industry Partnerships and CMO	219	7	52	278
Vice-President External Relations				
Interim ⁽¹¹⁾	7	-	1	8

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 Vice-President Academic and Provost position was occupied until August 2021 and was not subsequently filled. The accountability of this position was moved to the interim Vice-President Academic and Provost position. A termination benefit of \$290 has been included in other cash benefits.
3. The interim appointment of Vice-President Academic and Provost was extended from September 2021 to March 2022.
4. The incumbent position of Vice-President Academic and Provost was filled in March 2022.

5. The Vice-President Administration and CFO position does not participate in the Local Authority Pension Plan (LAPP) or the supplementary retirement plan (SRP) described in note 7 to the consolidated financial statements.
6. The Vice-President Industry Partnership and CMO was occupied until May 2021 and was not subsequently filled. The accountabilities of this position were moved to the Vice-President External Relations and the President and CEO.
7. The interim appointment of Vice-President External Relations (see footnote 11 below) concluded August 2021.
8. The incumbent position of Vice-President External Relations was filled in August 2021.
9. The interim appointment of President and CEO concluded in August 2020.
10. The incumbent position of President and CEO was filled in August 2020.
11. The interim position of Vice-President External Relations was appointed in March 2021.
12. Base salary includes pensionable base pay.
13. 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. No bonuses or variable compensation payments were paid in the twelve months ended March 31, 2022.
14. Other non-cash benefits include NAIT's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short- and long-term disability plans, moving expenses, professional memberships, and tuition fees. Negative amounts may appear if accrued non-cash benefits are lower than actual cash benefits paid.
15. Under the terms of the 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 pension income over a post-employment period.

The 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.

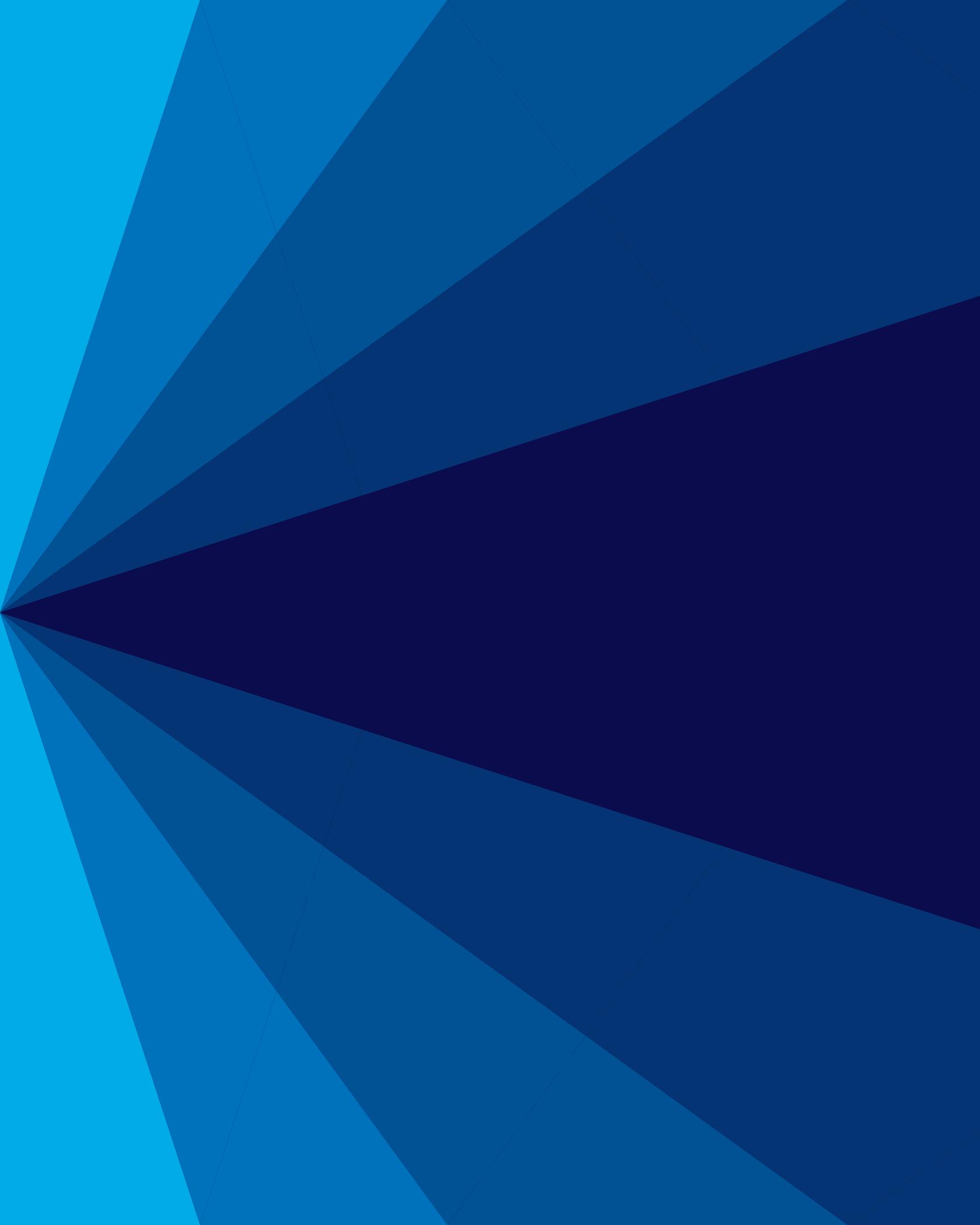
	Accrued Obligation March 31, 2021	Service Cost	Interest Cost	Benefits Paid	Accrued Obligation March 31, 2022
President and CEO					
Past incumbent	\$ 1,287	\$ -	\$ 132	\$ (730)	\$ 689
Incumbent	26	38	1	-	65
Vice-President Academic and Provost					
Past incumbent	166	10	8	-	184
Vice-President Industry Partnerships and CMO					
Past incumbent	19	2	1	(22)	-
Vice-President External Relations	-	7	-	-	7

23. BUDGET

NAIT's 2021/22 budget was approved by the Board of Governors and submitted to the Minister of Advanced Education.

24. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Governors.



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TRUE TO PURPOSE