



ANNUAL REPORT

2015/2016



WE ARE ESSENTIAL

VISION

To be the most relevant and responsive post-secondary institution in Canada and one of the world's leading polytechnics.

THE NAIT WAY

RESPECT

We treat each other with respect, including behaviours of honesty, integrity, transparency, trust and an appreciation for diversity.

COLLABORATION

We work together to advance NAIT and its academic mission in fostering relationships and in building community.

CELEBRATION

We come together in fun and enjoyment to recognize accomplishments and successes and to show appreciation.

SUPPORT

We support people through empowerment, providing a safe and caring workplace and providing opportunities for personal and professional growth.

ACCOUNTABILITY

We are accountable, individually and collectively, to each other and to NAIT for our actions and for achieving our promises.

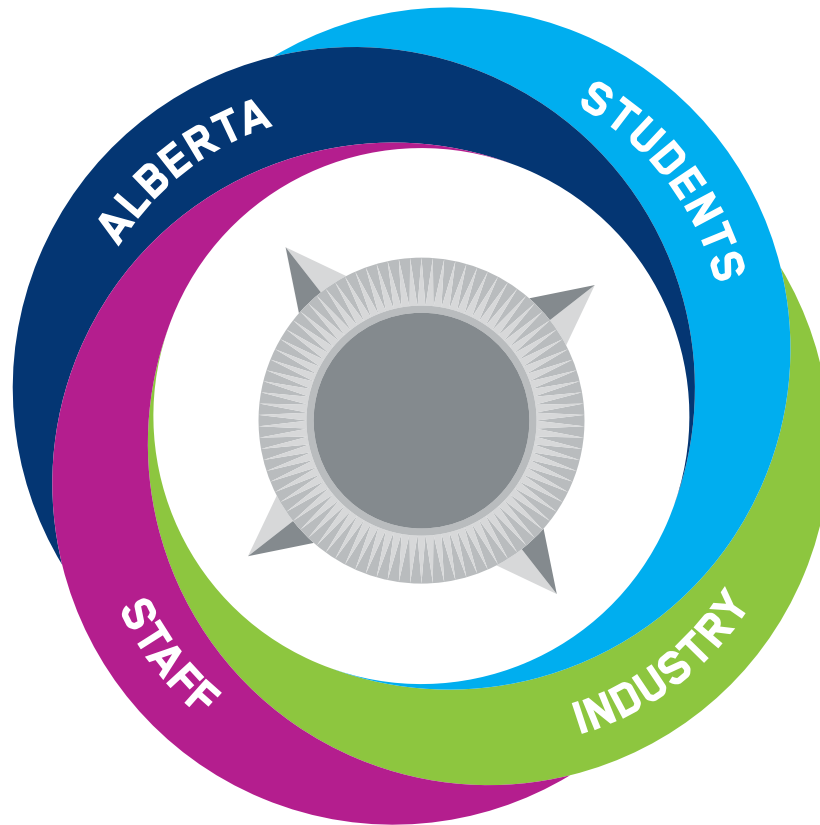
ON THE COVER (L TO R)

Clifton Lofthaug
Electrical Engineering Technology '04

Lindsay Beaudry
Respiratory Therapy '09

Kevin Carthy
Bachelor of Business Administration '16

NAIT'S PROMISES



PROMISE TO ALBERTA

NAIT's primary focus is on meeting the current and emerging needs for polytechnic education and applied research in Alberta. NAIT is relevant and responsive, providing outstanding technical education. While serving the needs of Alberta, NAIT is globally competitive and recognized.

PROMISE TO STAFF

NAIT is one of Canada's outstanding places to work, which follows from a culture of how we work together. This culture is reflected in our values of respect, collaboration, celebration, support and accountability.

PROMISE TO STUDENTS

NAIT provides a positive student experience that encompasses students' mental, emotional and physical well-being and defines success broadly. We prepare students to succeed in meaningful careers, find employment in their chosen field and graduate with the skills necessary to have an immediate impact.

PROMISE TO INDUSTRY

NAIT produces an exceptional skilled workforce, aligned directly to industry needs. Our programs are developed with industry's input and our research is industry-driven to create enterprises that compete worldwide.



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ACCOUNTABILITY STATEMENT

NAIT's Annual Report for the year ended June 30, 2016, 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,

A handwritten signature in black ink, appearing to be 'Brent Hesje', written over a faint horizontal line.

Brent Hesje
Chair, NAIT Board of Governors
December 13, 2016

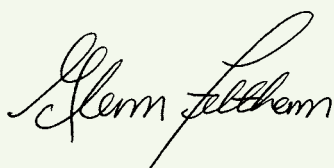
MANAGEMENT'S RESPONSIBILITY FOR REPORTING

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

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

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

On behalf of management,



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



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

MESSAGE FROM THE PRESIDENT AND CEO

NAIT continues to play an essential role in Alberta and in Canada. We provide the relevant and responsive education needed for outstanding careers. Our over 200,000 alumni are making an impact every day. NAIT's presence can be felt in many areas, from health, science and technology to trades and business. Our contributions are aligned with and support renewed prosperity for our province.

Alberta is facing challenges with the low price of energy. It is affecting all aspects of the economy. Many people are looking to upgrade their skills or even switch careers. NAIT is here to provide the education needed to gain new skills and find a different career path whether through a full-time program, apprenticeship training, continuing education or corporate training. We are committed to providing the relevant knowledge and skills needed for a rewarding career.

NAIT's polytechnic education serves students. At the same time, industry, business, donors and government continue to be important partners in all that we do. They have been critical in supporting the necessary growth and expansion of NAIT. The demand for polytechnic education has increased rapidly. Applications have more than doubled in the past five years. The opening of the Centre for Applied Technology (CAT) is transformative for NAIT, allowing us to accept more students.

CAT provides the critical capacity for students studying in the areas of health, business and applied sciences and technology. It is one of the largest post-secondary buildings in Canada and includes 45 labs and simulation rooms. The integration of purpose-built simulation spaces ensures our students are even better prepared to seamlessly integrate into the workforce. These spaces are state-of-the-art and can simulate everything from day-to-day operations to emergencies and once-in-a-lifetime situations.

NAIT broke ground at our Spruce Grove Campus in November 2015 - now the new home for our Crane and Hoisting program. The new campus will allow NAIT to significantly expand this apprenticeship program - helping to meet Alberta's growing need for crane operators.

We want as many qualified applicants to receive a NAIT education as possible. Our largest fundraising campaign in NAIT's history, Essential: The NAIT Campaign supports student success including scholarships and bursaries, applied research and the construction of the newly opened Centre for Applied Technology. We are well on our way to meeting our \$100 million dollar goal, thanks to the generosity of many donors.

The NAIT Students' Association's (NAITSA) \$5 million gift will transform the student experience at NAIT. The donation will be used to centralize and expand NAITSA's offices, services and operations; enhance the Learning and Teaching Commons; bring SMART ID card technology to NAIT; and create a \$2.45 million dollar student enhancement fund to support further campus improvements.

Applied research at NAIT continues to support innovation in our province. We are helping industry to be more competitive in the global marketplace by increasing their productivity and partnering with them to solve challenges they are facing.

We welcomed several new research chairs, including Dr. Amanda Schoonmaker in Boreal Reclamation and Reforestation. Dr. Schoonmaker is partnering with industry to find more effective ways of returning thousands of former oil and gas well sites to their natural state.



Dr. Andrea Sedgwick was named the Ledcor Applied Research Chair in Oil Sands Sustainability where she is leading essential research to improve economic and environmental performance of the oil sands.

Dr. Paolo Mussone was named the Bio/Nanotechnology Industrial Research Chair within NAIT's School of Applied Sciences and Technology. Dr. Mussone is working closely with industry partners in the resource extraction, environmental remediation and bio economy sectors.

NAIT continues to focus on being more environmentally sustainable. We have reduced our greenhouse gas emissions by 21 per cent since 2007. We received a silver sustainability ranking, the highest of any Canadian polytechnic from the Sustainability Tracking, Assessment and Rating System (STARS). NAIT's goal is to achieve a STARS gold rating by 2021.

Supporting our community is important to NAIT. We hosted a debit card distribution centre at Main Campus for evacuees of the fire in Fort McMurray. We provided assistance to Keyano College including providing temporary office space for their Human Resource staff so they could continue to support their staff during this stressful time. We also assisted Keyano College students while they were displaced. In addition, we provided free summer kids' camps for recent refugees and Fort McMurray evacuees, with support from The Butler Foundation.

NAIT's strong financial oversight in 2015/16 was evident with a surplus of \$5.629 million. NAIT's growth is essential to the prosperity of our province. We want everyone who desires a polytechnic education to be able to obtain one while, at the same time, recognizing that growth impacts our ability to maintain a surplus year over year.

NAIT is an integral part of our city, province and country. We are ready and able to meet the demand of students and industry for relevant and responsive polytechnic education, solution-focused applied research and industrial innovation supports and services that increase productivity and accelerate the success of our industry partners.

Sincerely,

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

PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

The *Public Interest Disclosure (Whistleblower Protection) Act* facilitates the disclosure and investigation of wrongdoing in the public sector and protects employees in the public sector from reprisal for making a disclosure of wrongdoing in good faith. NAIT's Designated Officer received no disclosures during the 2015/16 year pursuant to the Institute's Safe Disclosure Policy and Procedure developed in compliance with the *Public Interest Disclosure (Whistleblower Protection) Act*.

OPERATIONAL OVERVIEW

NAIT continues to be essential to Alberta. Despite the 2015 contraction of Alberta's economy by 4.0%¹, we remained focused on purposeful growth and increasing our capacity to meet the current and future needs of Alberta's economy. Education, applied research and innovation remain key drivers that will help position our province for future economic growth and sustainability.

The demand for polytechnic education at NAIT continues to grow. NAIT's ratio of applications over enrolment targets reached a historic high in 2015/16. Further, despite current economic conditions and high unemployment rates, NAIT graduate satisfaction with improved earning potential and employment opportunities was very high at over 85% for diploma, degree and certificate graduates and over 90% for apprenticeship completers. NAIT understands the critical role of polytechnic education in supporting the diversification of Alberta's economy through existing programs such as Alternative Energy and the development of future new programming related to tailings reclamation and disposal. We also understand the value of supporting learners throughout their lives, whether this involves education for a first career, a new career or staying current in an existing career.

While industry has also experienced a decline due to Alberta's current economic situation, NAIT's industry-driven applied research activity more than doubled in 2015/16. We continue to partner with industry to find solutions that will enable businesses to increase productivity and innovation. Key to Alberta's sustainable future are applied research projects in areas such as boreal forest reclamation, next generation energy and the remediation of tailings ponds.

NAIT embarked on a number of key administrative changes in 2015/16 to allow for a redefinition of roles; a renewed focus on program leadership; and a stronger focus on quality instruction, curriculum development, applied research and student learning supports. Specifically, NAIT's five schools were reconfigured into four, programs were grouped into departments, and the roles of leaders within the schools were refocused. NAIT also reviewed its student services functions through the creation of a Campus Life department and developed a one-stop-shop to support faculty and student learning through the creation of a Learning and Teaching Commons. Despite significant change within our organization, over 85% of NAIT staff reported high levels of job satisfaction, which, while below our target, is a significant accomplishment during a time of change and transition.

NAIT is firmly committed to delivering polytechnic education, applied research and innovation to serve Alberta, industry and students. To this end, we remain committed to our vision of being the most relevant and responsive post-secondary institute in Canada and a world-leading polytechnic, and we believe we are making significant progress towards achieving this goal. In 2015/16, we experienced a further maturing of our institution in terms of its polytechnic identity and our role within the six-sector model that defines Alberta's advanced education system. Finally, as we continue talking with educational partners and stakeholders across Alberta - including students, industry, government and the public - their voices provide further validation of the critical role polytechnic institutions play in supporting and securing a prosperous future for Alberta.

¹ <http://www.albertacanada.com/business/overview/economic-results.aspx>

GOALS, PRIORITY INITIATIVES, EXPECTED OUTCOMES AND PERFORMANCE MEASURES

NAIT's vision is to be the most relevant and responsive post-secondary institution in Canada and a world-leading polytechnic. This vision was developed through a broad engagement process in 2011 and 2012 that resulted in a strategic, future-focused document entitled NAIT 2021 that includes fundamental promises to Alberta, students, industry and staff. The following section provides a summary of each promise, and reports on performance measures outlined in our Comprehensive Institutional Plan.

Our four promises represent the broad goals we are trying to achieve. Our strategies represent the priority initiatives under each goal.

Except where noted, the metrics presented in each of the four promises are collected and reported from NAIT's internal financial and administration systems, and through surveys conducted by NAIT's Department of Institutional Research.



PROMISE TO ALBERTA

PROMISE TO ALBERTA

NAIT meets the current and emerging needs for polytechnic education and applied research in Alberta. NAIT is relevant and responsive and provides outstanding technical education. While serving the needs of Alberta, NAIT is globally competitive and recognized.

SUMMARY OF PROGRESS

Over the reporting period, NAIT continued to grow to meet the demands of Alberta and industry while remaining focused on financial sustainability. While we work to remain nimble and responsive, the implementation of additional quality assurance and continuous improvement processes support our efforts toward becoming a world-leading polytechnic. Work also continues to develop growth plans with a focus on specific program expansion.

The opening of the Centre for Applied Technology and Spruce Grove Campus provided NAIT with the opportunity to grow a variety of programs and increase our capacity to provide polytechnic education. The new Heavy Equipment Technician facility, which opened in 2015, also allows for a significant increase in students. These additional spaces alleviated some of the stress on our physical footprint; however, space constraints continue to affect growth in a number of programs.

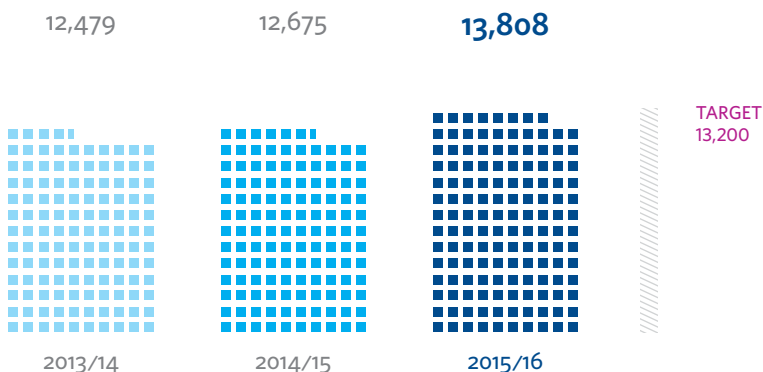
OUTCOME 1

Our growth meets and anticipates the emergent polytechnic needs of Alberta.

- | | |
|---------------------|--|
| Strategy 1.1 | Align programs to the changing labour market needs of Alberta. |
| Strategy 1.2 | Optimize NAIT's physical, technological and human resource capacity to accommodate growth. |
| Strategy 1.3 | Ensure business processes are nimble and responsive. |

TOTAL CREDIT FLE*

The total number of full-load equivalent (FLE) enrolments in credit programming at NAIT during the academic year, validated by Alberta Advanced Education.

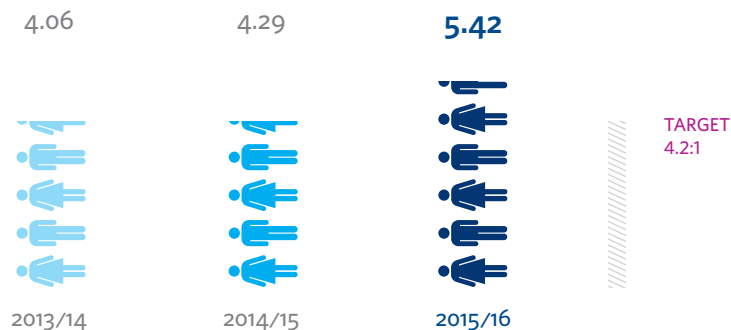


FLE surpassed the 2015/16 target by a considerable margin, demonstrating the strength of the structures put in place in previous years to support growth toward NAIT 2021. FLE growth exceeded last year's numbers by nearly 9% overall.

*Source: Ministry of Advanced Education

RATIO OF APPLICATIONS TO ENROLMENT TARGET

A ratio of all applications to programs in all terms divided by the enrolment targets of programs.

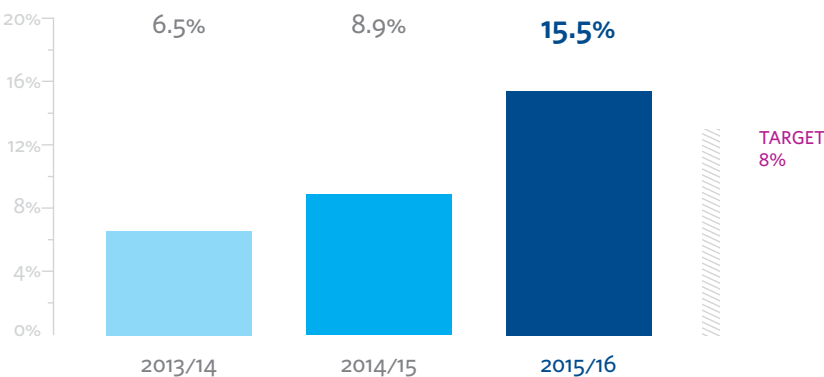


NAIT's ratio of applications over enrolment targets continued to grow to a historic high in 2015/16. The demand for polytechnic education is growing, and this ratio is illustrative of the demand for the types of programs NAIT offers.

CAPITAL EQUIPMENT RENEWAL

The ratio of the spending on capital assets in a given year to the total value of capital equipment at NAIT.

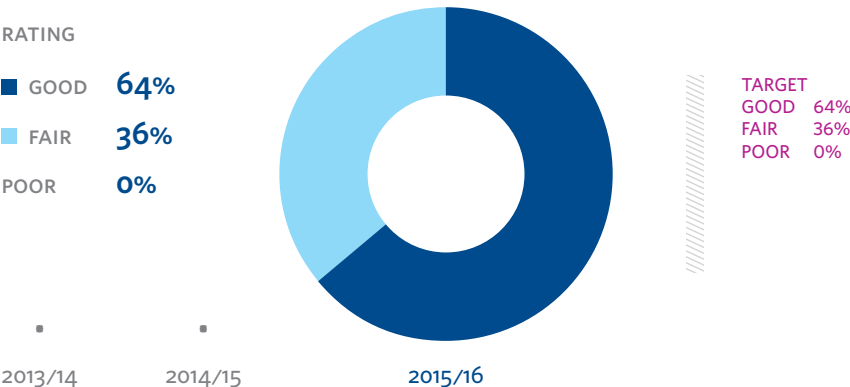
NAIT exceeded the target due to significant equipment purchases to outfit the Centre for Applied Technology.



FACILITIES CONDITION INDEX*

The ratio of the cost to address accumulated maintenance and renewal needs relative to the replacement value of the facility.

Facilities Condition Index is an aggregate measure of the condition of buildings at NAIT. As infrastructure at NAIT ages, it is a growing challenge to keep up with maintenance and repairs. However, NAIT is committed to maintaining student and staff space at the highest level possible.



*Source: Alberta Infrastructure

▪ Due to methodological differences within the design of the new metric, values for the previous year have not been reported



THE CENTRE FOR APPLIED TECHNOLOGY - THE NEW HEART OF NAIT

The Centre for Applied Technology presents untold opportunities for NAIT to meet the current and emerging needs for polytechnic education and applied research in Alberta.

Home to the School of Health and Life Sciences, the JR Shaw School of Business and the School of Applied Sciences and Technology, the five-storey building features technologically advanced laboratories and simulation rooms.

For instructor Kate Andrews, the Centre provides new directions in learning through teaching technologies, from high-tech audio visual systems in classrooms to whiteboards on every wall for group work. A “firm believer in human connection,” Kate is able to collaborate with colleagues more regularly than when programs in the School of Health and Life Sciences were spread across campus.

JR Shaw School of Business student Justin Nand agrees. “It’s nice to see so many programs in one location,” he says. “It gives us the chance to meet other students. It’s a great way to network and find new opportunities.” With 11 student lounges for studying, relaxing and collaborating, the Centre is a welcoming and supportive home away from home. “You want to be in a safe and comfortable environment that has everything you need to be successful.”

The former president of the NAIT Students’ Association feels “proud and lucky” to have led an executive that made a gift of \$5 million to NAIT: The Essential Campaign, part of which supported construction of the Centre.



NEW FACILITY IS TRANSFORMATIVE FOR HEAVY EQUIPMENT TECHNOLOGY STUDENTS

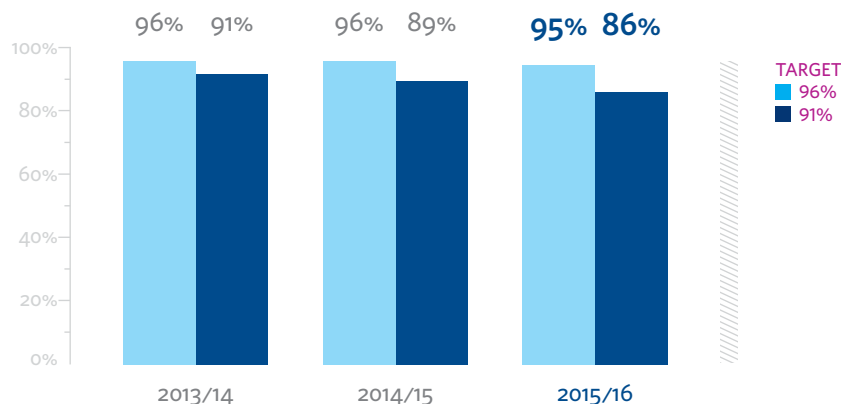
A repurposed airplane hangar near Main Campus was transformed into a 2,800-square-metre teaching facility for Heavy Equipment Technology students. Before acquiring the new space, capacity was limited to 1,050 students. With the new facility and renovations to the existing shop at Main Campus, 1,400 apprentices and diploma students can take the program, with room for future increases.

Demand for heavy equipment technicians is strong, with NAIT graduates employed in the construction, mining, forestry, agriculture, materials handling, landscaping and transportation sectors.

In congratulating NAIT on opening the new building, Minister of Advanced Education Marlin Schmidt said a “highly skilled and educated workforce will be key to help lead Alberta towards economic recovery. This new facility at NAIT is a tremendous resource for apprentices and instructors and is helping to meet industry needs by expanding access to training for heavy equipment technicians.”

SATISFACTION WITH IMPROVED EARNING POTENTIAL

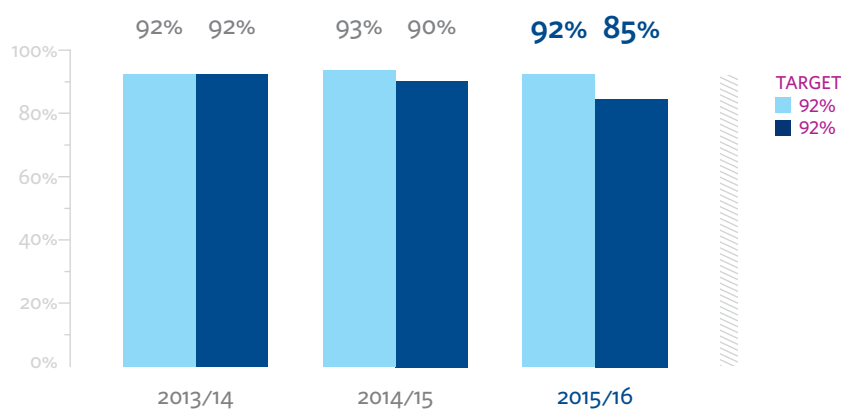
Percentage of graduates and final period apprentice completers satisfied with improved earning potential.



Satisfaction with improved earning potential and employment opportunities is below target for degree, diploma and certificate program graduates and trails apprentice satisfaction. This is very likely to be related to the current economy and high unemployment rates. Apprentices will typically have employment before and after attending training and are often covered by collective agreements that provide for fixed pay increases as they progress through their training. Graduates often do not have such employment conditions.

SATISFACTION WITH IMPROVED EMPLOYMENT OPPORTUNITIES

Percentage of graduates and final period apprentice completers satisfied with improved employment opportunities.



■ APPRENTICE COMPLETERS*
■ GRADUATES**

*Apprentice completers within the report are defined as apprentices completing their final period of training.

**Graduates within the report are defined as students that have earned a credit credential within the academic year.

OUTCOME 2

There are lifelong learning pathways and connections.

Strategy 2.1 Enhance barrier-free learner pathways into NAIT, within NAIT and beyond NAIT in support of lifelong education.

CONTINUING EDUCATION OPENS NEW DOORS

Ziada Abdella is proudly enrolled in her second year at NAIT's JR Shaw School of Business in pursuit of a BBA. The four-year degree program is allowing Ziada to realize her goal of a business career with a special interest in human resources.

The Continuing Education Business Foundation courses Ziada completed in 2015 served as a pathway to her successful enrolment at NAIT's JR Shaw School of Business BBA degree.

"Besides providing a solid foundation to prepare you academically, the foundation courses give you the drive to want to learn, contribute and succeed."

The full-time, one-term continuing education program helps students identify strategies for personal and professional growth. It is also a pathway to NAIT's Business Diploma program for students who do not have all the prerequisites.

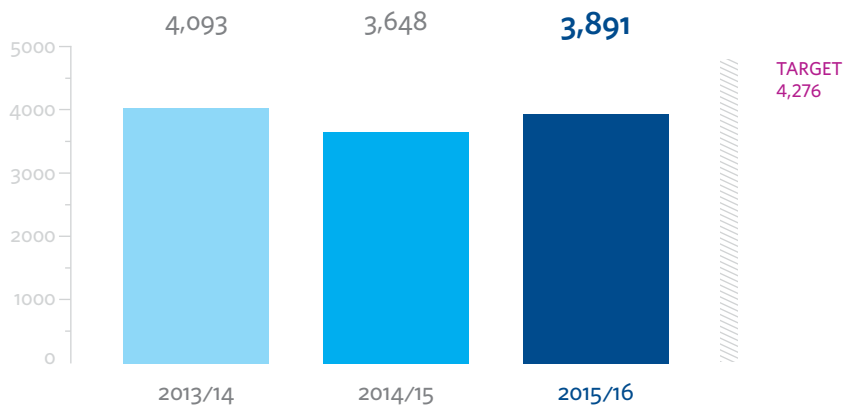
Ziada believes you can't teach 'real-world business' straight from a textbook. One-on-one time with instructors in NAIT's Business Foundations courses gave her the knowledge and confidence to clarify her education goals. Ziada is pursuing a BBA degree with an emphasis in Human Resources.



TOTAL NUMBER OF PROGRAM DEGREE, DIPLOMA AND CERTIFICATE GRADUATES

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

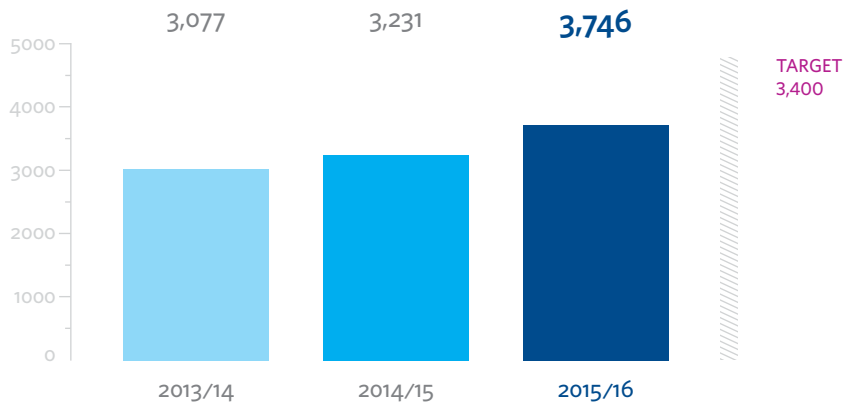
The number of program graduates is up over 7% from 14/15. While the 14/15 graduate count was less than anticipated, many of those students completed their programming in 2015/16. Program graduates play a critical part in fulfilling all of NAIT's promises.



TOTAL NUMBER OF APPRENTICE COMPLETERS

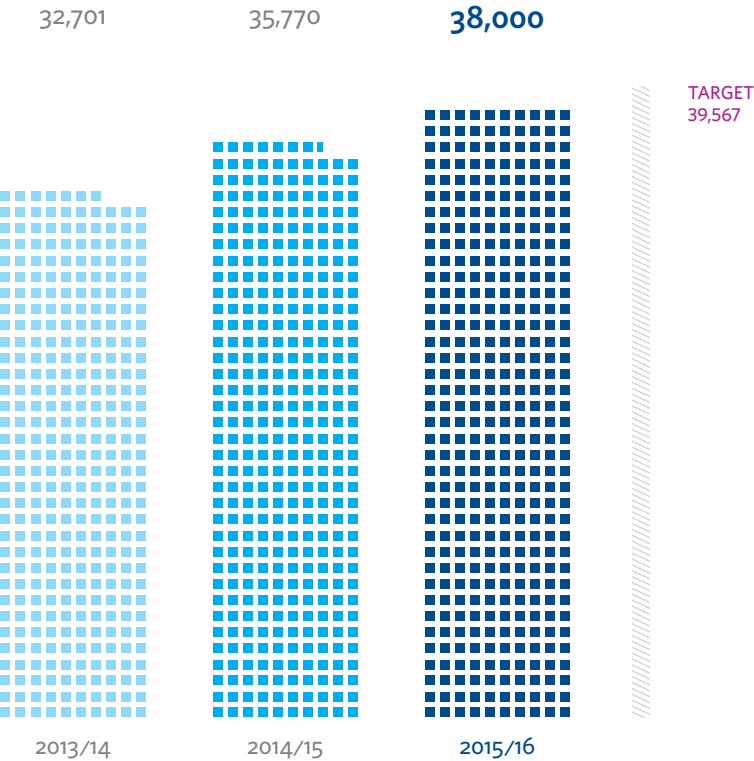
Count of all apprentices who complete their final period of apprenticeship training at NAIT.

Final period apprentice counts for 2015/16 exceeded target by more than 10%. This represents stronger than anticipated demand for final period training as overall apprentice enrolment only rose 1.4% from 14/15 to 2015/16.



TOTAL NON-CREDIT REGISTRATIONS

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



While not quite reaching the 15/16 target, non-credit attendance rose more than 6% over 14/15. Despite a considerable softening in demand for both corporate and ESL training in 2015/16, NAIT’s non-credit offerings continue to support a wide range of academic and corporate training needs, now and in the future.

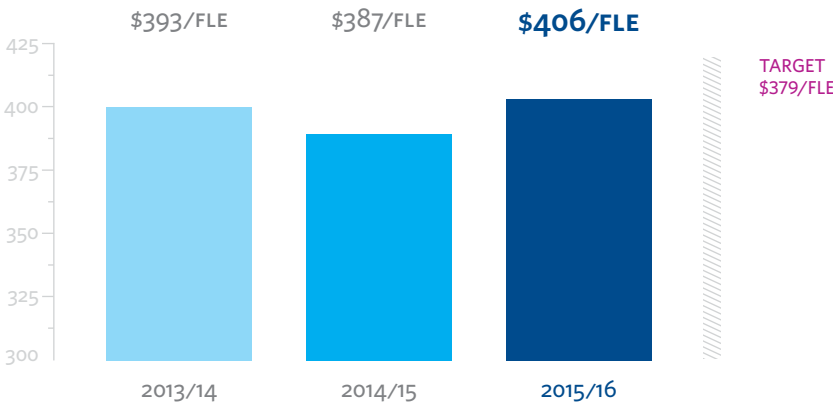
OUTCOME 3

There is demonstrable pride in the unique polytechnic advantage.

- Strategy 3.1.** Build knowledge and understanding of polytechnics and the value proposition of applied, hands-on, technology-based education and applied research and innovation.
- Strategy 3.2.** Embrace alumni as ambassadors and forever learners and givers within the NAIT family.

STUDENT SCHOLARSHIP AND BURSARY FUNDS AVAILABLE

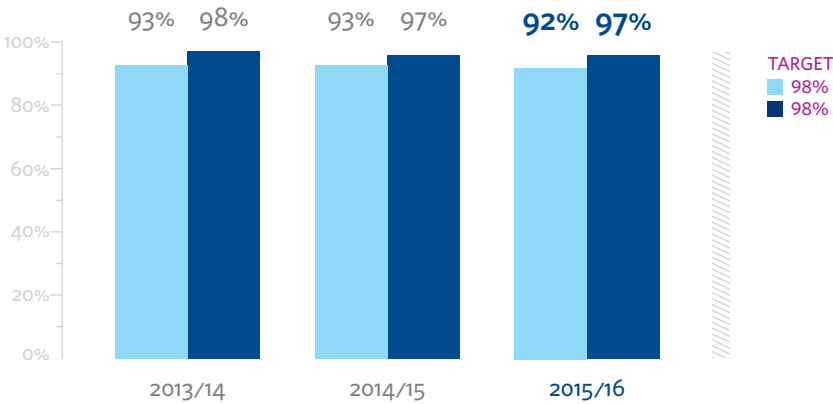
Ratio of all scholarship and bursary funds available for distribution in the current academic year divided by the FLE count.



With over 200 new awards established in 2015/16 and a large, one-time return on endowments, the amount of money NAIT was able to disperse to students was well above target. Variability of market returns and student demand for aid will add some volatility to this measure in the future.

RECOMMEND NAIT TO OTHERS

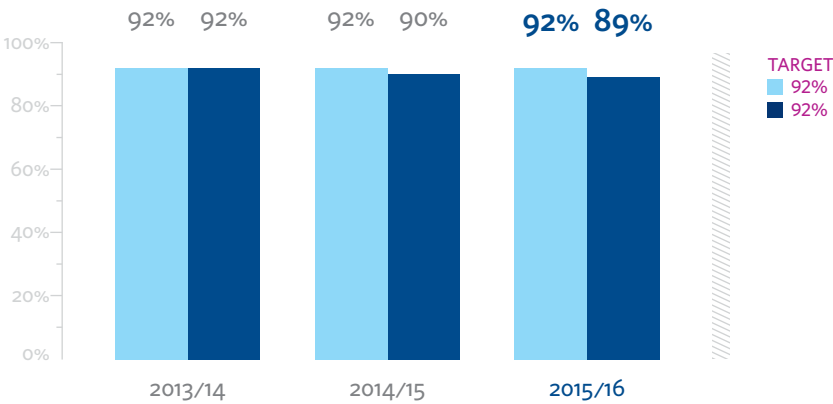
Percentage of NAIT graduates and final period apprentice completers who would recommend NAIT.



Positive recommendations for programs and for NAIT overall continued to be very high. This is an important indicator that NAIT is maintaining its very high educational standards and its commitment to quality polytechnic education.

RECOMMENDING PROGRAM TO OTHERS

Percentage of graduates and final period apprentice completers who would recommend their program to others.



■ APPRENTICE COMPLETERS
■ GRADUATES

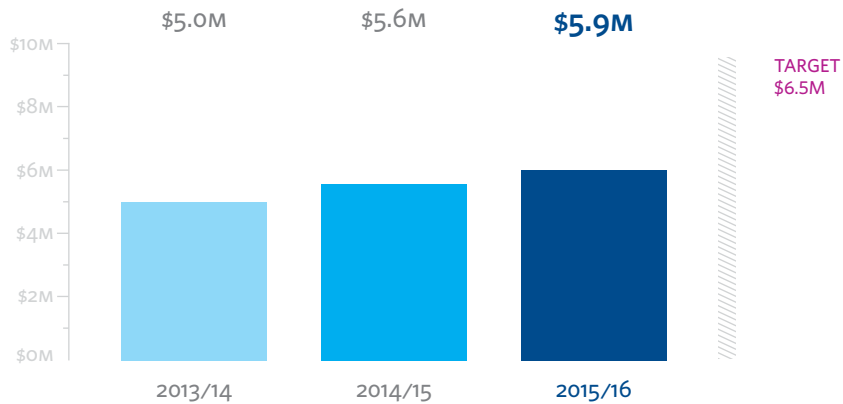
OUTCOME 4

We are financially sustainable.

Strategy 4.1 Develop and implement short- and long-term financial strategies.

NET REVENUE FROM NON-CREDIT AND CONTRACT TRAINING

Net revenue from Continuing Education, Corporate and International Training and NAIT's Shell Manufacturing Centre (excess revenue after expenses).



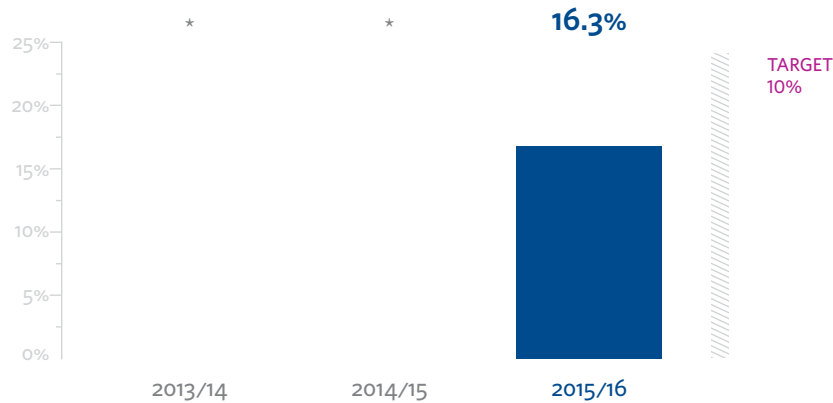
Net revenue in 2015/16 was up more than 5% from 14/15 but was not able to reach target. Nonetheless, net revenue growth in this economic climate is commendable and a further testament to the value of NAIT non-credit and corporate training opportunities.

* Due to methodological differences within the design of the new metric, values for the previous year have not been reported

PRIMARY RESERVE PERCENTAGE

A measure of expendable financial resources in relation to the annual operating expenditures.

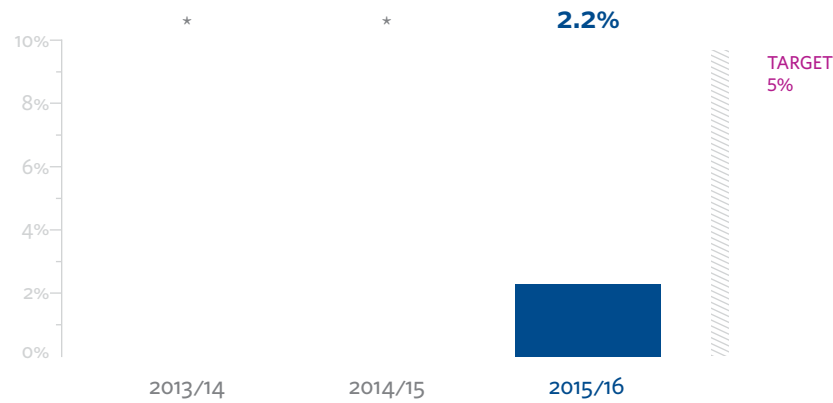
The Primary Reserve Percentage has exceeded the target largely because of resource allocations and holding funds for future projects. Refer to the financial reports for further details.



NET INCOME PERCENTAGE

A measure of NAIT’s ability to operate within its means, based on its yearly operating surplus and adjusted for one-time strategic expenditures as compared to its annual expenditures.

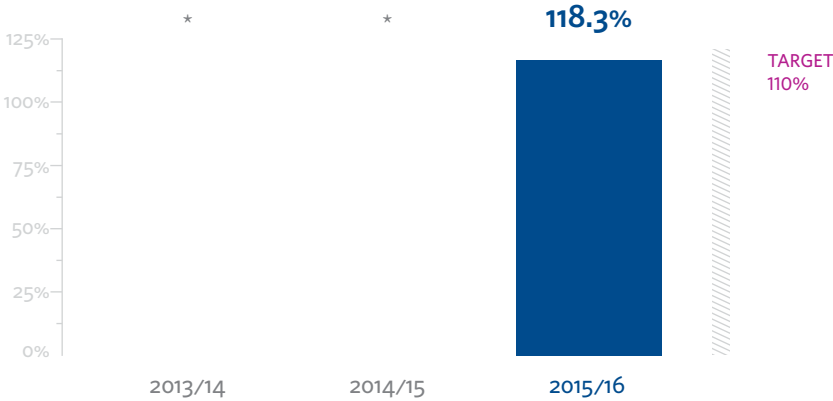
In line with the strategic plan, NAIT has continued to grow its FLEs. This lowered the Net Income Percentage below the target but kept it in a surplus position. NAIT is actively monitoring future growth plans to ensure financial sustainability.



* Due to methodological differences within the design of the new metric, values for the previous year have not been reported

DEBT LIMIT THRESHOLD

A measure of the affordability of NAIT’s debt levels, providing the level of debt as a percentage of total revenues, excluding government grants and donations.



The debt limit threshold is a measure of the amount of debt relative to revenue that NAIT deems acceptable. While the level of debt that NAIT currently holds slightly exceeds the target threshold of 110% of revenues, it is still within manageable levels and will continue to be closely monitored.

* Due to methodological differences within the design of the new metric, values for the previous year have not been reported



Powerful Magnet
Always On



M Avanto
im System

SIEMENS
Healthcare



PROMISE TO STUDENTS

PROMISE TO STUDENTS

NAIT provides a positive student experience that encompasses students' mental, emotional and physical well-being and defines success broadly. NAIT prepares students to succeed in meaningful careers, find employment in their chosen field and possess the skills necessary to have an immediate impact.

SUMMARY OF PROGRESS

Building on NAIT's reputation for teaching excellence, student spaces were improved and expanded, communication with students increased and technology solutions were created to support the campus experience. A Quality Assurance process was developed to review and revise policies and procedures that govern campus development and planning, and space management. As well, 2015/16 marked the second year of NAIT's Trades to Degrees pathway; over 50 students with trades designations are currently working towards degrees.

NAIT started to develop a set of core enabling skills foundational to career success. These skills represent the competencies we believe every student needs to be successful - beyond the specific technical skills learned within each program. A new department - Student Well-being and Community - was established under Campus Life, encompassing Aboriginal Liaison Services, Counselling, Student Engagement, Campus Recreation and Health Services. This area will support aspects of holistic student success that include mental, emotional and physical well-being.

NAIT International was established as a department with three portfolios: International Pathways and Enrolment, International Programs & Services and International Learning Opportunities. The student experience was enhanced through pre-departure webinars, increased hours of service, improved governance and a greater focus on Citizen and Immigration Canada compliance.

OUTCOME 5

Polytechnic education that enables transformative careers.

- Strategy 5.1** Deliver programs that incorporate leading practices and are hands-on, relevant and applied.
- Strategy 5.2** Integrate quality and continuous improvement processes.
- Strategy 5.3** Ensure that learners have the enabling skills (in addition to the technical skills) that provide the foundation for a meaningful career.



EMBRACING ABORIGINAL CULTURE AND INSPIRING OTHERS

Dawn Lameman credits NAIT with helping her meet her educational goals and embrace her Aboriginal culture. With a Bachelor of Business Administration and a Business Administration – Accounting diploma, she welcomed the hands-on learning and small class sizes at NAIT.

Soon after this single mom with two children began visiting NAIT's Encana Aboriginal Student Centre, she was hired as a peer mentor. She became involved in the Prospective Aboriginal Youth program where she speaks to teens about the value of post-secondary education.

Dawn served as vice president of the Aboriginal Student Council and won two student awards through the Encana Aboriginal Centre.

Her long-term plan is to complete a Master of Education and continue mentoring youth in Beaver Lake.

"Growing up, we continually put down the fact that we were native, which I believe goes back to colonization and the residential school system," she says. "People brush it off as if it's ok, but it's not. Native people putting down other native people is not ok. I want to change that."



NAIT STUDENTS DEVELOP INNOVATIVE BANK DESIGN IDEAS

The annual Architectural Technology design contest exemplifies NAIT's strong relationship with industry, ensuring opportunities that prepare students for meaningful careers.

Sponsored by ATB Financial and Kasian Architecture Interior Design and Planning Ltd., the competition requires Architectural Technology students to design an innovative and functional bank branch that incorporates concepts of environmental sustainability.

"The contest builds personal equity for the students that will ultimately benefit the entire community," says Dale Lechelt, managing director, facilities and real estate, ATB Financial.

Entries are judged on concept, aesthetics, functionality, sustainability and corporate identity. The Kasian Award for Design Innovation was added to the 2016 competition.

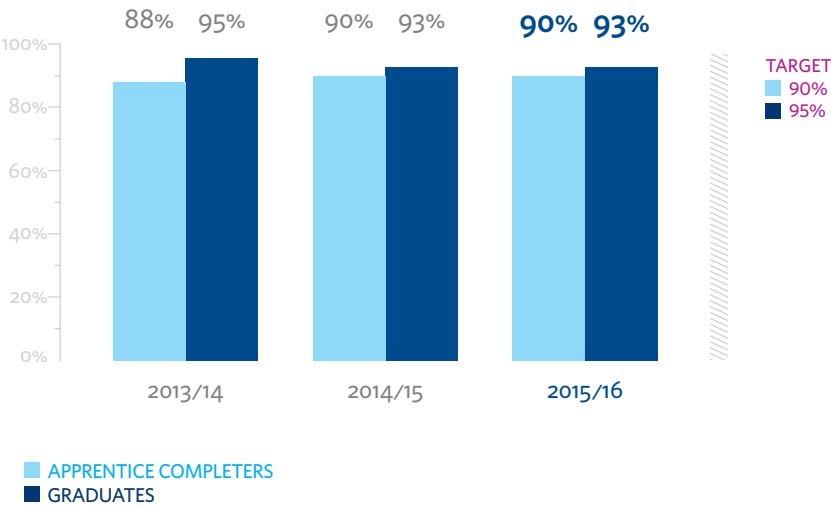
Winner Kory Andel received \$2,000 while second place winner Kienna Gibbard received \$1,500 and third-place winner Carolyn Fillion received \$1,000. Thomas Principe received the \$1,000 Kasian Award for Design Innovation.

"The students made a great impression on us. We're confident that their overall NAIT education and participation in this competition has equipped them to become valued members of the design and construction industry," said Jim Dobie, senior associate, Kasian Architecture Interior Design and Planning Ltd.

SATISFACTION WITH OVERALL QUALITY OF PROGRAM

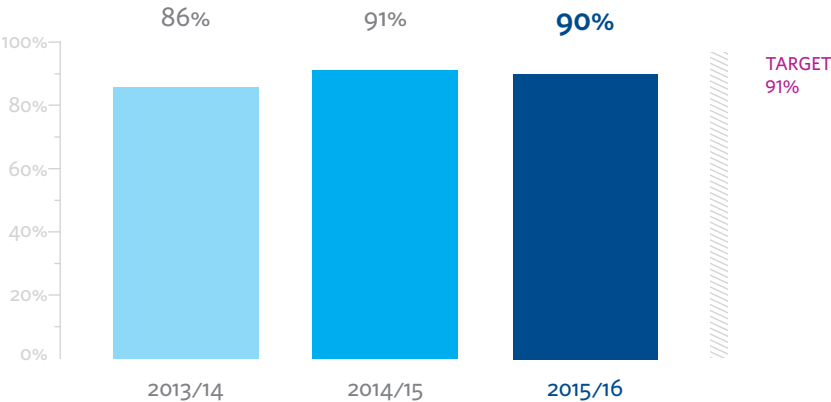
The percentage of program graduates and final period apprentice completers satisfied with the overall quality of their program.

Satisfaction with program quality remained at very high levels for current students, graduates and apprentices. This speaks to the commitment to quality education that is paramount at NAIT.



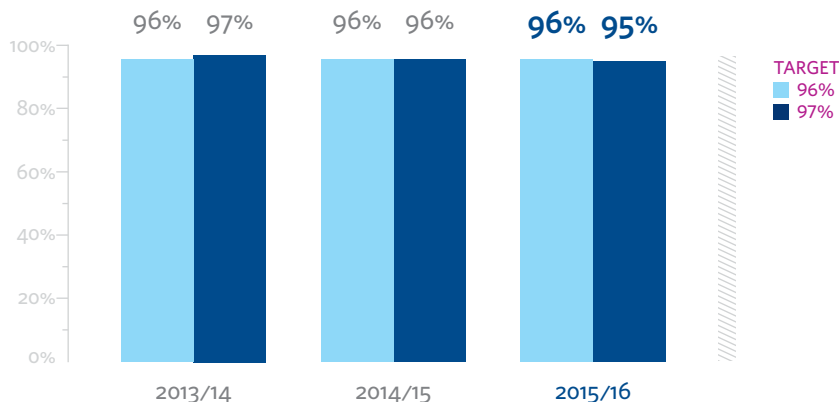
SATISFACTION WITH OVERALL QUALITY OF PROGRAM (CURRENT STUDENTS)

The percentage of current students satisfied with the overall quality of their program.



SATISFACTION WITH RELEVANCE OF SKILLS ACQUIRED

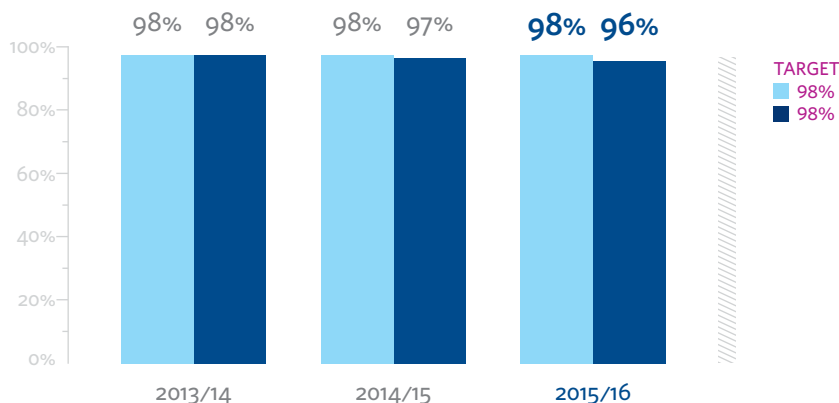
Percentage of NAIT graduates and final period apprentice completers satisfied with the workplace relevance of the skills they learned at NAIT.



Supporting a high rating of program quality, program graduates and apprentices are very satisfied that their programs have provided the skills and knowledge they need to be successful in their chosen fields. Continued partnership with industry and focused curriculum development and review ensure skills and knowledge stay relevant and responsive to industry's needs.

SATISFACTION WITH RELEVANCE OF KNOWLEDGE ACQUIRED

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



■ APPRENTICE COMPLETERS
■ GRADUATES

OUTCOME 6

A student-centred experience beyond the classroom that supports and inspires lifelong success.

Strategy 6.1 Provide support structures and opportunities that enable student success.



NAIT IS COMMITTED TO HELPING ALL STUDENTS REACH THEIR POTENTIAL

NAIT's Learning Services played a pivotal role in helping Lana McLaughlin earn a diploma from the Civil Engineering Technology program and embark on a new career.

The 41-year old Peace River woman suffered a severe traumatic brain injury in a car crash when she was 19. After years of rehabilitative therapy and successfully raising two children, she decided to pursue her education. She chose NAIT.

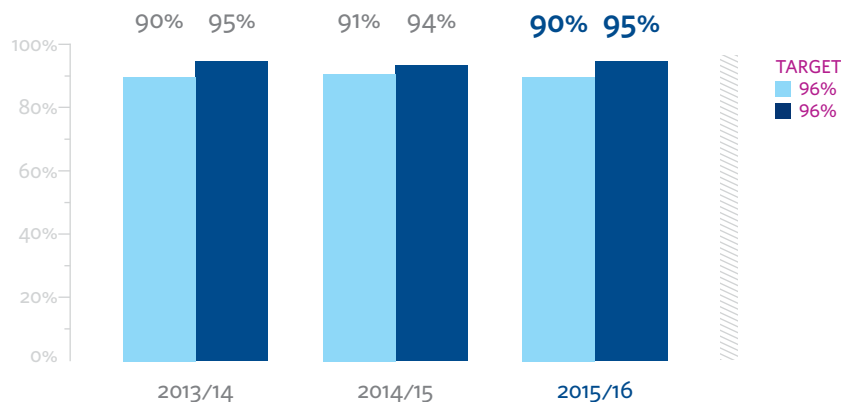
She moved to Edmonton and turned to Learning Services to help her deal with winter depression and being away from her family. She struggled to keep up, failing her first exam. Again, she turned to Learning Services for help.

Learning Services conducted a comprehensive assessment and discovered that her old injury had led to a disability. The caring staff at Learning Services helped Lana improve her study skills and boosted her confidence. "The best part was going from failing a year ago to honour roll the second term," said McLaughlin. "I'm really looking forward to my new career that I'm getting later in life."

SATISFACTION WITH EDUCATIONAL EXPERIENCE

Percentage of NAIT graduates and final period apprentice completers satisfied with their overall educational experience at NAIT.

It is important that NAIT students and apprentices have a positive educational experience. Credit graduates continued to report a very high satisfaction with their educational experience. Apprentices reported a high satisfaction as well. With a differing program structure (full days for a few weeks), often at a variety of locations, supporting a positive experience for apprentices continues to be a priority.

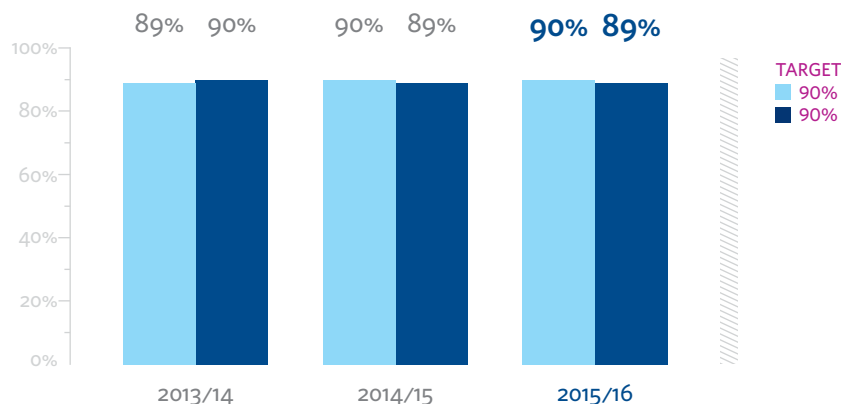


■ APPRENTICE COMPLETERS
■ GRADUATES

SATISFACTION WITH QUALITY OF STUDENT SERVICES

Percentage of NAIT graduates and final period apprentice completers satisfied with the overall quality of student services at NAIT.

Satisfaction with the quality of the support services offered to students remains very high for graduates and apprentices.



■ APPRENTICE COMPLETERS
■ GRADUATES

NAIT HELPS BASKETBALL PLAYER DISCOVER HER PASSION

When Shea-Lynn enrolled in Academic Upgrading in 2012, having been recruited to play basketball out of high school, she was undecided about her academic direction.

NAIT set her on a path to academic and athletic excellence.

Her experience on the basketball team helped her explore NAIT and discover a passion for design and architecture. An athletic scholarship eased financial pressures, allowing her to excel in the classroom. She graduated with honors from the Architectural Technology diploma program and is pursuing a diploma in NAIT's Interior Design Technology program.

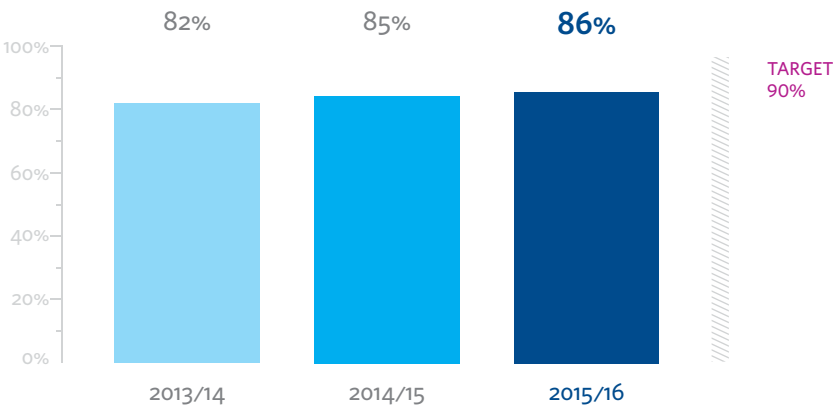
Her performances on the court helped the Women's Basketball team win two Alberta Colleges Athletic Conference (ACAC) bronze medals, an ACAC championship and a Canadian Collegiate Athletic Association (CCAA) bronze medal.

Named an ACAC first and second team All-Conference Athlete, she was awarded the ACAC Academic All-Conference Award four times and the CCAA National Scholar Award twice, as well as the most prestigious CCAA Academic All-Canadian Award.



**SATISFACTION WITH QUALITY OF STUDENT
SUPPORT SERVICES (CURRENT STUDENTS)**

Percentage of current NAIT students satisfied with the overall quality of student services at NAIT.



Maintaining a high quality of student services remains a priority for NAIT. The satisfaction level of current students in 2015/16 is very high at 86%, just slightly below our target.



PROMISE TO INDUSTRY

PROMISE TO INDUSTRY

NAIT produces an exceptionally skilled workforce, aligned directly to industry needs. Our programs are developed with industry's input, and our research is industry-driven to create enterprises that compete worldwide.

SUMMARY OF PROGRESS

Opportunities for industry to benefit from applied research continued to grow at NAIT. Working with industry partners, NAIT was awarded 49 applied research projects, representing \$3.9 million in leveraged funding. The projects span six major research areas: complex energy systems; growing the bio-economy; smart building technologies; health and care; manufacturing Alberta's future; and business, new venture and productivity. NAIT's new venture programming focuses on the pre-accelerator model of startup support. This included the globally-recognized 3 Day Startup component of New Venture programming. New Venture increased program event delivery from six in 2014/15 to 34 in 2015/16.

NAIT launched Phase One of an industrial "maker-campus" infrastructure initiative, which provides access to NAIT's equipment and expertise. NAIT supports industry by providing services, courses and programs that allow them to improve their ability to stay competitive. New offerings are continually being developed to meet industry need such as the Foundational Drilling Program that will be launched in September 2017.

NAIT continues to help business and industry increase productivity by training over 500 managers and staff from over 50 organizations. NAIT's productivity education encompasses project leadership, project management, quality management, operations management, robotics automation and control, programmable logic control and lean six sigma. It also promotes technology adoption so organizations are able to improve their ability to compete on a global scale.

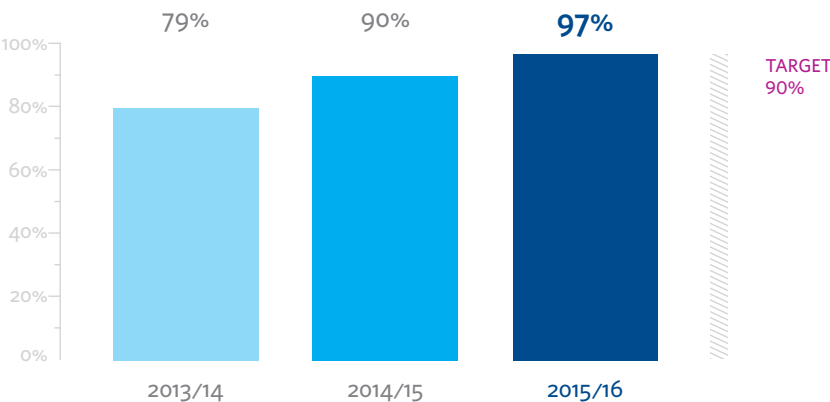
OUTCOME 7

We help industry increase its productivity and competitiveness.

Strategy 7.1. Expand NAIT's capacity, delivery models and scope to support Alberta's economic growth, especially in the areas of productivity improvement and technological competitiveness.

PROPORTION OF APPLIED RESEARCH PROJECTS THAT ENGAGE EXTERNAL PARTNERS

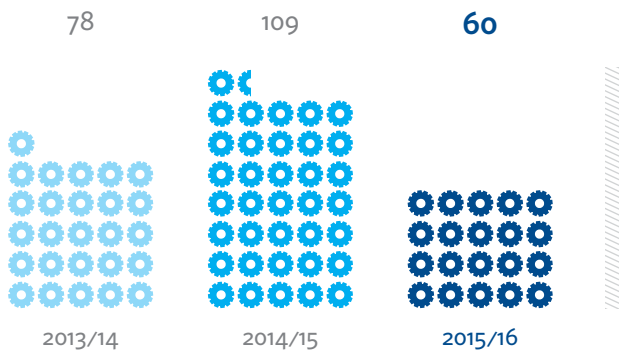
Count of active applied research projects with identified external partners as a ratio of all active applied research projects



Engagement of external partners had been identified as a key element of developing applied research projects within NAIT. This metric has exceeded the target for 2015/16, as has the number of active applied research projects for 2015/16. In combination, these metrics demonstrate the potential focusing on relationships and engagement with a wide range of industry partners in developing applied research initiatives.

NUMBER OF APPLIED RESEARCH PROJECTS ACTIVE DURING THE YEAR

Count of applied research projects active within the academic year.



The number of applied research projects declined from 2014/15 to 2015/16 as greater attention was placed on engaging external partners and ensuring each project was aligned with NAIT's strategic research and innovation priorities, which are directly aligned with the needs of the Alberta economy. Though there is no specific target, the number of projects is anticipated to grow as NAIT's applied research and innovation portfolio matures.

OUTCOME 8

We are a leader in bridging applied research, innovation and commercialization of new ventures.

Strategy 8.1. Develop leading-edge applied research and innovation through close industry connections.

THE SPEED OF SCIENCE

Dr. Krista Uggerslev, NAIT's Applied Research Chair in Leadership and Talent, has helped develop a search engine that could quicken advancements in science, medicine, commerce and more.

Researchers can spend months locating scholarly publications. MetaBUS, which Dr. Uggerslev built with colleagues Dr. Piers Steel, the S in BUS, of the University of Calgary, and Dr. Frank Bosco, the B, of Virginia Commonwealth University, solves that problem by zeroing in on the most relevant information.

"What we did with metaBUS is say, 'The system is broken. How can we make this better?'" says Uggerslev.

While metaBUS focuses on human resource studies, work is underway to include other fields, such as health care. "Once we have all that information in one place, we can answer so many questions we couldn't answer before."



WORKING TO CREATE A CLEANER TOMORROW

NAIT's new Ledcor Applied Research Chair in Oil Sands Sustainability Andrea Sedgwick wants Alberta's oil sands to have a positive impact on the economy and the environment for years to come.

"To help make a better picture for the oil sands is something that any Albertan should be trying for," she says.

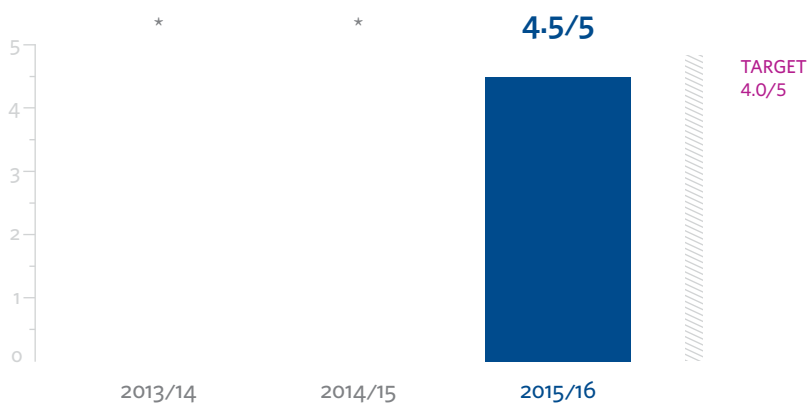
Her work, based at NAIT's Centre for Oil Sands Sustainability, includes collaborating with industry partners to remediate tailings ponds, reduce fresh water use during extraction and help bring sustainability-oriented technologies to market.



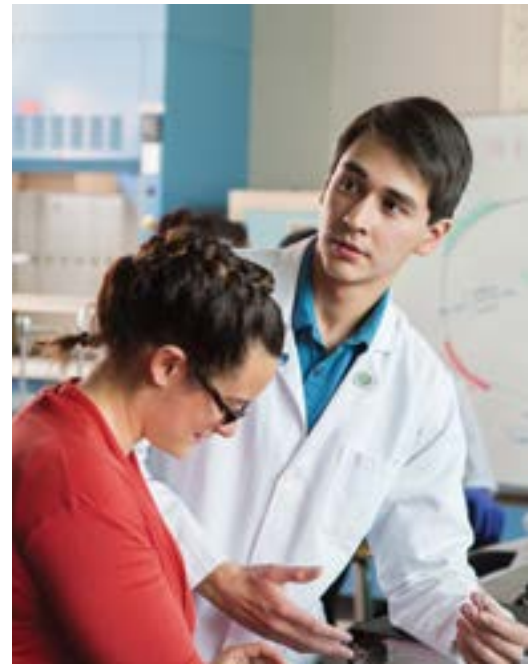
APPLIED RESEARCH PORTFOLIO ALIGNMENT

Demonstration of the degree of alignment of NAIT applied research initiatives with NAIT's strategic objectives.

Consistent with the focus on external partners with new applied research projects, alignment with NAIT's Strategic Plan is also a priority.



* Due to methodological differences within the design of the new metric, values for the previous year have not been reported



GROUNDBREAKING GENETIC RESEARCH

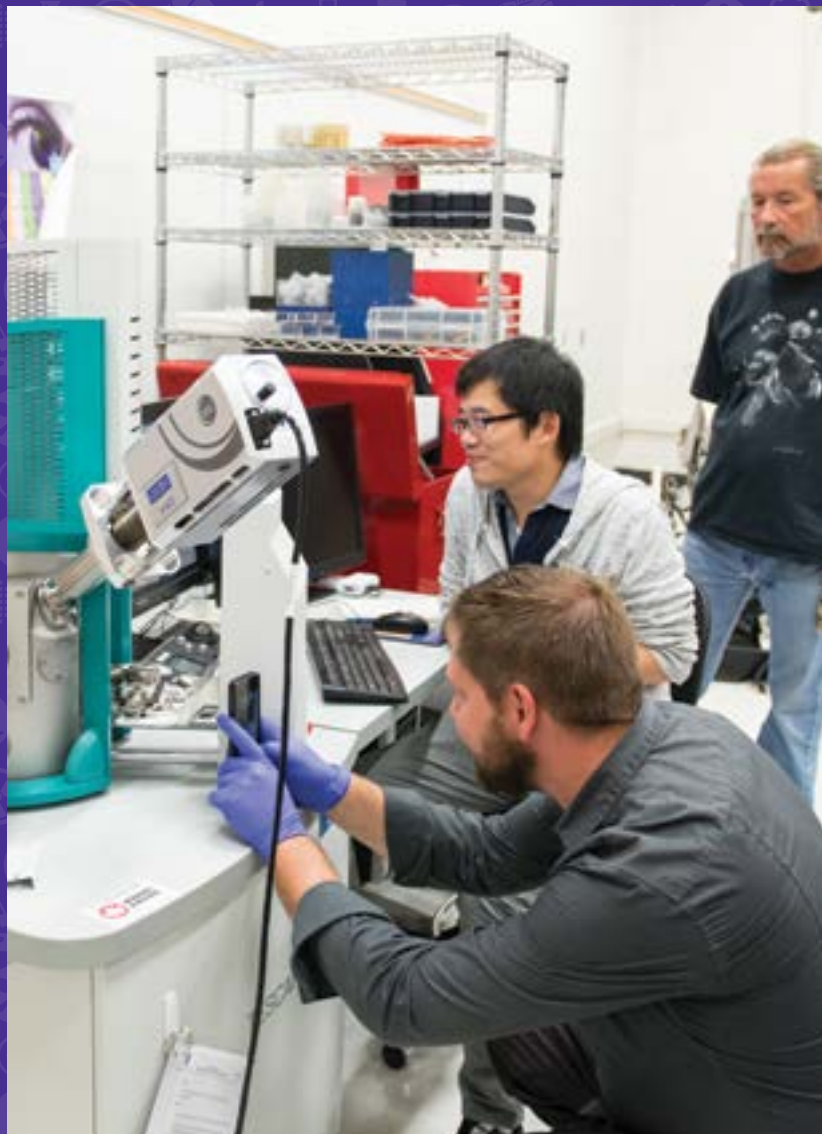
Applied research carried out by NAIT students could help scientists identify proteins faster, a breakthrough with the potential to benefit several industries and lead to quicker development of pharmaceuticals. Team NAIT, comprising six students from three programs, a lead researcher and lab technologist, was awarded a silver medal at the annual International Genetically Engineered Machine (iGEM) competition in Boston, MA.

“This silver medal achievement is a clear demonstration of the ability and ingenuity of our students. They were able to compete with teams of graduates from some of the most elite universities,” says Dr. Chris Dambrowitz, associate vice president, NAIT Research and Innovation. Proteins are complex molecules that play an essential part of all living organisms. Team NAIT developed a unique colour-coding process to streamline the process of isolating proteins.

“For the students, being involved in this research is invaluable. Millions of researchers worldwide use common techniques to study proteins. This discovery will help those researchers by improving identification of the proteins while also doing it faster,” says Dr. Marcelo Marcet-Palacios, researcher, Biological Sciences Technology instructor.

The silver medal achievement demonstrates the NAIT value of collaboration.

“We all came with various strengths and that’s what made our team great and helped us achieve more. This was a great opportunity to work with students from a variety of programs. It wasn’t just about winning a medal. This was a life-changing experience,” says team leader and Biological Sciences Technology student Eduardo A. Reyes-Serratos.



PROMISE TO STAFF

PROMISE TO STAFF

NAIT will continue to be one of Canada's outstanding places to work, which follows from a culture of how we work together. NAIT's culture reflects the values of respect, collaboration, celebration, support and accountability.

SUMMARY OF PROGRESS

NAIT was once again recognized as a top employer in the province, winning "Top 70 Employers" by Mediacorp Canada. Part of the reason we were recognized as a Top Employer is because we recognize our staff. This past year, we launched a revamped employee recognition program to be more inclusive as well as to more explicitly embrace NAIT's values. Numerous professional development opportunities were enhanced or newly launched. These offerings included several to support employees with change and transition, which was particularly timely given some of the organization and facility changes, including relocating almost 500 staff to the newly opened Centre for Applied Technology. A priority was not only addressing the physical relocation but also assisting staff with the transition to new teaching spaces, new technology and different work spaces.

Operationalization of the Strategic Health and Safety Plan continued. We are working towards enhancing the health and safety culture at NAIT. This included a new inspection procedure and development of a Hazard Assessment process in collaboration with other Alberta post-secondary institutions. The academic year also saw 196 staff take the Mental Health First Aid Canada (MHFA) training, bringing the total to 435. These proactive initiatives help to identify risk and prevent losses through injuries and damage. NAIT also adopted a Health Safety and Well-being Policy in January 2016 to broaden the scope beyond legislative requirements to be more inclusive and holistic in creating a healthy workplace. Activities this year included an anti-bullying campaign, blood donor clinics, well-being activities such as fitness, public influenza vaccination clinics offered on campus and a continued focus on mental health.

A principle- and values-based Delegation of Authority was approved by NAIT's Board of Governors, which serves to guide staff regarding decisions on resources and operations, as well as procedures for temporary delegation in the absence of the individual with authority.

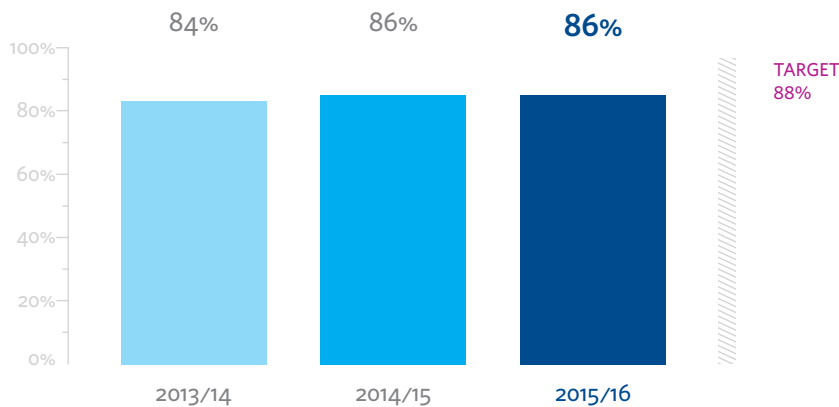
OUTCOME 9

We will grow our own talent while practicing the values of the NAIT Way.

- Strategy 9.1** Advocate and encourage staff involvement in personal and professional development programs.
- Strategy 9.2** Ensure decision-making, actions and behaviours are guided by the NAIT Way values.
- Strategy 9.3** Support all staff in their instructional, administrative, applied research and/or student services' activities.

AWARENESS OF THE NAIT WAY VALUES

The percentage of staff aware of NAIT's values of respect, collaboration, celebration, support and accountability.



The NAIT Way values guide the behaviours and actions of all employees and serve as a constant reminder to all staff. Awareness of the values has held steady from 14/15 and is a contributing factor to NAIT's success as an employer of choice in Alberta. NAIT's values are reinforced at the time of staff recruitment, at key milestones in their careers and via all communications and decision-making.

TAKING A STAND AGAINST BULLYING

The NAIT community took a stand against bullying at Pink Shirt Day in February. Staff and students learned about services that support a working environment free from discrimination and harassment. This day is just one example of NAIT's commitment to inclusivity and making staff well-being a priority.

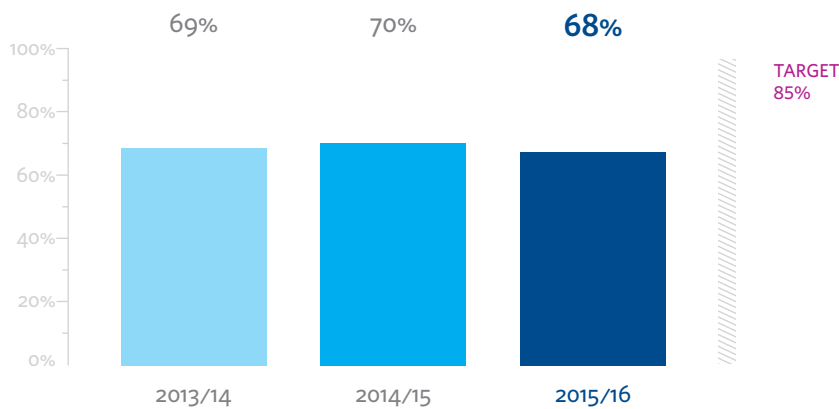
"We're working to make sure everyone can come to work and thrive," says Clayton Davis, executive director of human resources.



STAFF PERSONAL AND PROFESSIONAL DEVELOPMENT

The percentage of staff who agree that NAIT supports work-related learning and development.

The progress towards our targets slowed this past year in part due to organizational changes. We will continue our efforts in the upcoming years to achieve our desired target.



OUTCOME 10

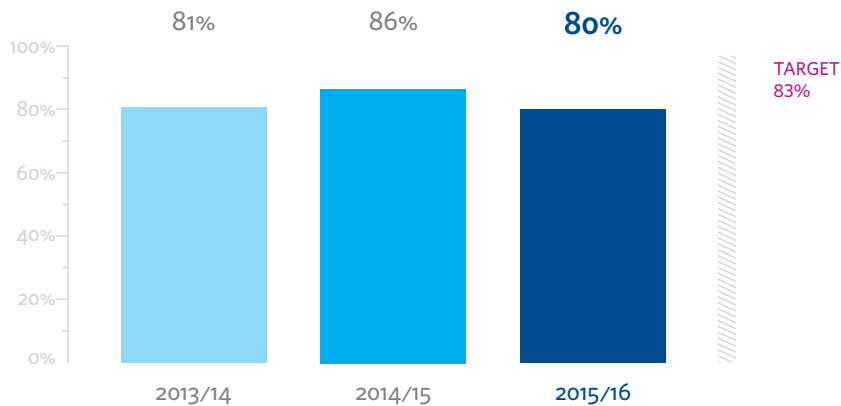
We will become one of the healthiest workplaces in Alberta.

Strategy 10.1 Embed health and safety across NAIT that focuses on best practices.

Strategy 10.2 Expand well-being supports to all staff.

WORKPLACE SATISFACTION

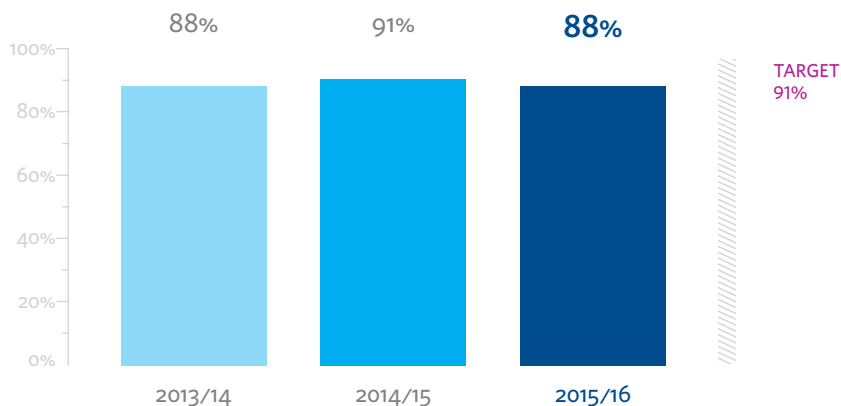
The percentage of staff who recommend NAIT as a place to work.



The proportion of staff who recommend NAIT as a place to work has decreased somewhat from 14/15 and is below target but remains strong. The presence of a number of change initiatives during the year, including academic restructuring, is likely having an impact on staff opinion. As operational rhythms begin to normalize, workplace satisfaction will rise.

JOB SATISFACTION

The percentage of staff who report that they like their job.



Much like workplace satisfaction, staff assessment of whether they like their job has decreased slightly from last year but is still remarkably strong. As role clarity increases and new processes normalize, it is anticipated that this measure will rise.

SEXUAL VIOLENCE PREVENTION AND RESPONSE AT NAIT

All members of the NAIT community have the right to work and study in an environment that is free from any form of sexual violence. In 2015/16, Alberta post-secondary institutions worked together to develop a guiding framework for sexual violence prevention and response. Following from this broader collaboration, NAIT began a project to prevent and respond to sexual violence on campus. NAIT's project objectives include:

1. Review needs of the NAIT community to prevent and respond to sexual violence on campus, including the identification of gaps and opportunities for improvement.
2. Determine what is necessary to ensure the campus community is aware, informed, and involved in establishing a proactive climate to prevent sexual violence.
3. Propose a system of support for survivors of sexual violence, including a first response process and a designated team to address sexual violence disclosures that meets the needs of survivors and the community, as well as providing options respecting the confidentiality of survivors.
4. Establish a process for handling instances of sexual violence, including procedures for investigation and dispute resolution.
5. Propose a centralized reporting structure for tracking reports, data, and responses.

Work completed in 2015/16 included drafting a new policy and procedure, offering first responder training, sexual violence awareness training, and launching a website with information on prevention and response. The project is expected to close in 2017.

NAIT RECOGNIZED AS A TOP EMPLOYER FOR FIFTH CONSECUTIVE YEAR

On-site amenities for staff, retirement planning assistance and a defined-benefit pension plan were among the reasons NAIT was recognized as one of Alberta's Top Employers for the fifth consecutive year.

The annual Mediacorp Canada Inc. competition evaluates employers on the physical workplace; work and social atmosphere; health, financial and family benefits; vacation and time off; employee communications; performance management; training and skills development; and community involvement.





ACCESS AND QUALITY

NAIT is committed to creating a positive student experience that encompasses students' mental, emotional and physical well-being and defines success broadly. NAIT makes the following fundamental promises to its students:

- Prepare students to succeed in meaningful careers, find employment in their chosen field and graduate with the skills necessary to have an immediate impact;
- Provide an exceptional educational experience centered on high-quality, practical instruction and a relevant curriculum;
- Provide a safe environment where diversity is supported; and
- Maintain up-to-date technology and facilities.

In keeping with its promises, NAIT continues to meet the emerging needs of Alberta. As demand for access to full-time and part-time studies increases with the changing economic situation, more adults are returning to school. NAIT is exceptionally positioned to meet these needs with its career-focused programs.

Program review and quality assurance are foundational to being a world-leading polytechnic. NAIT has a history of quality upon which new processes were built in 2015/16. Credit structure alterations were implemented to increase efficiency and enhance transfer pathways between post-secondary institutions. Collaborative partnerships between academic units and programs facilitated progression and career pathways for students. For example, students from Computer Engineering Technologies applied their database and algorithm knowledge within Finance to support industry's need for big data skills within traditional finance career streams.

Our program incubation process is considering new certificate and diploma programs within our pillars of health and life sciences, business and applied sciences and technology. A potential new one-plus-one pathway for existing Dental Assisting Certificate holders to complete our new Dental Assisting Diploma will not proceed as employer and student surveys revealed no perceived value proposition.

The specialization in Land Reclamation is under review.

As a result of industry input, the Bachelor of Technology in Environmental Design is being considered as a transition into a Bachelor of Landscape Architecture. This change aligns with the intention of the Landscape Architects Association to make a bachelor degree standard for certification.

The Bachelor of Science in Tailings Reclamation and Disposal is a long-term intention aligned with our applied research activity in that discipline. We are working with key stakeholders in the oil sands sector on current and future educational needs, but the dramatic slide of oil prices has drawn attention to other challenges and industry priorities at this time.

ENROLMENT PLAN

In keeping with our promise to Alberta, NAIT has been intentionally expanding access to credit programs. This can be seen in the following FLE enrolment numbers as represented by what was planned versus what was achieved. NAIT's intent is to achieve planned, responsive growth, and this continues to be projected as an incremental increase. However, it is also important to recognize growth sometimes comes in more sudden step increases.

2015/16 FLE Enrolment by Credential

	Projected 2015/2016	Actual 2015/2016
Non-credential	780	837
Certificate	650	736
Diploma	6838	7131
Degree	1247	1248
Total	9515	9952

	Projected 2015/2016	Actual 2015/2016
Apprentice	3685	3769
Total	3685	3769

2015/16 FLE Enrolment by Program

	Projected 2015/2016	Actual 2015/2016	Significant Variance	Variance Explanation
Certificate	650	736		
Applied Banking and Business	20	18	-	
Baking Certificate	24	24	-	
CNC Machinist Technician	34	34	-	
Computer Network Administrator	32	40	8	Expansion
Culinary Arts Certificate	45	55	10	Increased interest in early exit
Emergency Management Certificate	6	6	-	
Emergency Medical Technician - Ambulance	60	65	5	Expansion
Graphic Communications	38	37	-	
HVAC Specialist	35	39	-	
Magnetic Resonance Imaging-Second Discipline	23	29	6	Expansion
Medical Laboratory Assisting	40	43	-	
Medical Transcription	26	26	-	
Millwork & Carpentry	58	57	-	
Optical Sciences - Contact Lenses	40	77	37	Response to specific industry request
Power Engineering Certificate	30	27	-	
Pre-Employment - Autobody& automotive	40	41	-	
Professional Meat Cutting and Merchandising	20	18	-	
Veterinary Medical Assistant	25	27	-	
Water & Wastewater Technician	54	73	19	Expansion

	Projected 2015/2016	Actual 2015/2016	Significant Variance	Variance Explanation
Diploma	6838	7131		
Alternative Energy Technology	41	40	-	
Animal Health Technology	65	63	-	
Architectural Technology	160	172	12	Expansion
Biological Sciences Technology - 1st Year	60	65	-	
Biological Sciences Technology - Environmental Sciences	15	14	-	
Biological Sciences Technology - Laboratory & Research	18	15	-	
Biological Sciences Technology - Renewable Resources	18	25	-	
Biomedical Engineering Technology	36	40	-	
Building Environmental Systems Technology	20	19	-	
Business Administration Diplomas	1860	1858	-	
Captioning and Court Reporting	46	46	-	
Chemical Engineering Technology	90	94	-	
Chemical Technology	90	89	-	
Civil Engineering Technology	240	251	11	Expansion
Civil Engineering Technology Co-op	30	30	-	
Computer Engineering Technology	100	115	15	Expansion
Computer Systems Technology	40	41	-	
Construction Engineering Technology	120	155	35	Expansion
Culinary Arts Diploma	90	90	-	
Cytotechnology	6	2	(4)	This program has limited opportunities
Dental Assisting Technology	68	68	-	
Dental Technology	32	30	-	
Denturist Technology	40	40	-	
Diagnostic Medical Sonography	72	72	-	
Digital Media and IT	610	661	51	Expansion
Electrical Engineering Technology	120	140	20	Expansion
Electronics Engineering Technology	52	64	12	Expansion
Emergency Management Diploma	52	67	15	Expansion
Emergency Medical Technology - Paramedic	40	40	-	
Engineering Design and Drafting Technology	100	108	8	Expansion
Forest Technology	70	71	-	
Geological Technology	78	75	-	
Geomatics Engineering Technology	60	59	-	

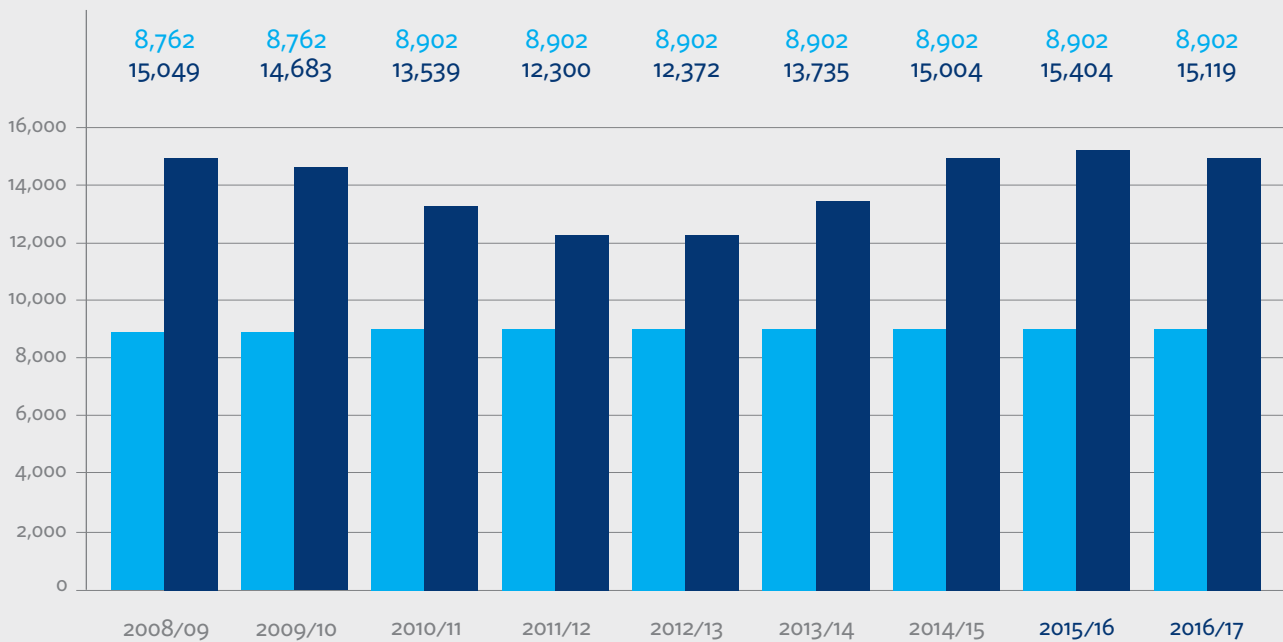
	Projected 2015/2016	Actual 2015/2016	Significant Variance	Variance Explanation
Hospitality Management	80	81	-	
Industrial Heavy Equipment Technology	55	53	-	
Instrumentation Engineering Technology	270	277	7	Expansion
Interior Design Technology	75	77	-	
Laboratory and X-Ray Technology Combined	80	83	-	
Landscape Architectural Technology	60	55	-	
Magnetic Resonance First Discipline	36	36	-	
Materials Engineering Technology	50	49	-	
Mechanical Engineering Technology	175	176	-	
Medical Laboratory Technology	64	64	-	
Medical Radiologic Technology	95	95	-	
Nanotechnology Systems	34	34	-	
Network Engineering Technology	40	41	-	
Occupational Health and Safety	70	71	-	
Optical Sciences - Eyeglasses	300	389	89	Response to specific industry request
Personal Fitness Trainer	210	210	-	
Petroleum Engineering Technology	135	142	7	Expansion
Photographic Technology	50	51	-	
Power Engineering Technology	180	188	8	Expansion
Radio and Television	100	94	(6)	Changes within the industry are discouraging students
Respiratory Therapy	132	132	-	
Wireless Systems Engineering Technology	44	44	-	
Degree	1247	1248		
Bachelor of Applied Business Administration - Accounting	70	70	-	
Bachelor of Applied Business Administration - Finance	35	35	-	
Bachelor of Applied Information Systems Technology	92	110	18	Expansion
Bachelor of Business Administration	850	827	(23)	Student fee imbalance within Edmonton impacted student choices
Bachelor of Technology in Construction Management	30	30	-	
Bachelor of Technology in Technology Management	170	176	6	Expansion
Non-Credential	780	837		
Academic Upgrading	400	425	25	Expansion
Open Studies	380	412	32	Expansion

The volume of apprenticeship training in programs and courses offered is based on requests from the Apprenticeship and Industry Training (AIT) branch of Alberta Advanced Education and NAIT's capacity to deliver on those requests. Until last academic year, NAIT's peak enrolment for apprenticeship training was in 2008/09 when the number of scheduled seats was 15,049. Subsequently, enrolment dropped for each of the next three years due to the slowdown in the Alberta economy. In 2012/13, AIT reversed that trend and requested a modest increase of 72 apprentice training seats over the 2011/12 enrolment. Seat numbers continued to increase every year until 2015/16 when NAIT reached a new historical peak of 15,404 seats requested.

Industry demand initially indicated these large increases would continue beyond 2015/16. However, given the current economic situation, AIT requested a hold on overall increases, and NAIT experienced a modest drop in requests for the current year as the following charts indicate. It is, however, anticipated that as the economy recovers, enrolment will again increase to meet industry demand.

These large fluctuations in the demand for apprenticeship training puts instructional consistency and sustainability at risk. As seat requests increase, recruitment for qualified apprenticeship instructors occurs during periods of strong economic growth and low unemployment in the very trades requiring an increase in faculty numbers. As seat requests drop, the institution is required to bear the costs of downsizing programs through voluntary or involuntary redundancies or find alternative ways to deploy faculty. This can create uncertainty, leading to staff recruitment and retention issues at NAIT which may jeopardize our ability to deliver on our promises.

SCHEDULED SEATS 2008 - 2017



Campus Alberta Grant Funded Apprenticeship Seats

Scheduled Seats

Projected Apprenticeship Enrolment	2015/16	Change	2016/17	Trade Commitment Level	Trades in Excess of Commitment Level	Trades Less than Commitment Level
Trades with decrease						
Crane & Hoist - Boom Truck	96	(24)	72	96		24
Crane & Hoist - Mobile Crane	180	(12)	168	108	60	
Ironworker	324	(18)	306	216	90	
Power Systems Electrician	168	(48)	120	28	92	
Rig Technician	108	(60)	48	-	48	
Roofer	108	(12)	96	60	36	
Steamfitter/Pipefitter	1,080	(120)	960	320	640	
Welder	2,130	(480)	1,650	1,410	240	
	<u>4,194</u>	<u>(774)</u>	<u>3,420</u>	<u>2,238</u>	<u>1,206</u>	<u>24</u>
Trades with increase						
Automotive Service Technician	640	48	688	630	58	
Boilermaker	216	72	288	108	180	
Electrician	3,084	294	3,378	1,050	2,328	
Gasfitter	72	24	96	72	24	
Heavy Equipment Technician	1,241	7	1,248	600	648	
Instrument Technician	592	16	608	450	158	
Insulator	240	48	288	144	144	
Lather - Interior Systems Mechanic	60	12	72	60	12	
Millwright	700	120	820	420	400	
Parts Technician	268	20	288	170	118	
Plumber	960	144	1,104	600	504	
Power Lineman	456	24	480	70	410	
Refrigeration Mechanic	200	40	240	140	100	
Sheet Metal Worker	288	48	336	232	104	
	<u>9,017</u>	<u>917</u>	<u>9,934</u>	<u>4,746</u>	<u>5,188</u>	<u>0</u>
Trades with no change						
Auto Body Technician	163	0	163	240		77
Baker	36	0	36	96		60
Cabinet Maker	72	0	72	150		78
Carpenter	810	0	810	500	310	
Communication Technician	64	0	64	96		32
Cook	132	0	132	230		98
Electronic Technician	0	0	0	84		84
Floorcovering Installer	24	0	24	48		24
Machinist	320	0	320	330		10
Outdoor Power Equipment Technician	36	0	36	0	36	
Painter and Decorator	36	0	36	48		12
Structural Steel/Platefitter	72	0	72	96		24
	<u>1,765</u>	<u>0</u>	<u>1,765</u>	<u>1,918</u>	<u>346</u>	<u>499</u>
	<u>14,976</u>	<u>143</u>	<u>15,119</u>	<u>8,902</u>	<u>6,740</u>	<u>523</u>

RESEARCH, APPLIED RESEARCH AND SCHOLARLY ACTIVITIES

SCHOLARLY ACTIVITY AT NAIT

Scholarly activity in the polytechnic context is defined as any activity that involves the intentional creation, integration and/or dissemination of knowledge with a view to informing professional practice, contributing to the state-of-practice within a field and/or impacting the broader external environment. In a polytechnic environment, scholarly activity is key to NAIT's instructional staff staying current in both their field of expertise and in the discipline of teaching.

Alberta's polytechnics believe scholarly activity is one important indicator of quality. In 2014/15, in response to an invitation from the Campus Alberta Quality Council (CAQC), NAIT and SAIT began a partnership to revisit scholarly activity from a polytechnic perspective.

A framework was created to help scholars, their peers, industry, government and other external stakeholders consider what it means to be scholarly within a polytechnic environment. The framework is grounded in program evaluation best practice and considers how inputs, activities, outputs, outcomes and impacts can be used to measure and define scholarly activity. The framework aligns with the expectation that polytechnic education and research serves the needs of business and industry and that a wide range of scholarly activities enables teaching and research excellence.

In April 2015, NAIT and SAIT presented their collaborative work to CAQC, which subsequently endorsed the work and asked that polytechnics begin using the framework for the 2016/17 scholarly reporting cycle. Key to this work is the continued emphasis that, for polytechnic institutions, a background of experience in relevant employment is an acceptable alternative for faculty who do not hold a Master's or Doctoral degree (CAQC Handbook, April 2015 revision, section 2.2, p. 82).

The acceptance of a polytechnic scholarly activity framework is vital to the success of quality monitoring of Alberta's degree programs within the polytechnic sector. NAIT will continue to align scholarly reporting with its annual and five-year program review processes and request self-monitoring status once these processes are fully in place.

APPLIED RESEARCH AND INNOVATION AT NAIT

Building on our strong polytechnic history, NAIT partners with industry to deliver high-impact services focused on the current and emergent needs of five of Alberta's industry sectors: energy; construction; the bio economy; health and care, and business. NAIT's integrated approach generates economic, environmental and societal benefits for Alberta through the development of solution-focused, industry-driven applied research projects; the adoption of innovations by Alberta-focused industry partners; the support of the economic competitiveness of our region's key industrial sectors; and the launch of student- and alumni-focused new ventures. Applied research is part of NAIT's complement of industrial innovation services and reflects our commitment to assist industry partners to excel and become globally competitive.

Highlights from 2015-16 include:

- Updating our research and innovation policies to better reflect and support NAIT's dual mandate for education and applied research.
- Completion of an independent process audit validation of NAIT's financial systems and internal controls for managing and operating applied research and innovation.
- A strengthening of NAIT's focus on impactful and industrially aligned research outcomes, meaning growth and development of major applied-research initiatives is now coordinated across six research thrusts that align with each of the five strategic industrial sectors prioritized by NAIT.
- Growth in the following areas of applied-research and innovation-service:
 - Expansion of existing and emerging applied-research initiatives relevant to bio economic and energy and environment value chains in Applied Sciences and Technology.
 - Deployment of major applied-research collaborations in Health and Care such as primary-care worker utilization models for urban emergency-room systems, enabling technologies in rehabilitation medicine and bio diagnostic and medical device product development.
 - Expansion of Innovation Services pilot in Skilled Trades based on market needs assessments and comparative model analysis – leading to increased deployment of capabilities in early-stage form-factor prototyping in direct support of Alberta-based firms.
 - Establishment of major applied-research initiatives in advanced manufacturing, industrial safety and construction practices within and among Skilled Trades and Applied Sciences and Technology.
 - Build out of new venture innovation services from pre-startup entrepreneurs to startup and scale-up support systems.

COMMUNITY

The diverse and welcoming environment that brings students and industry to NAIT reflects the essential role of the polytechnic in the continued success of Alberta. Along with preparing graduates for meaningful careers, NAIT's education, applied research and innovation services also build business, cultural and social connections.

Longstanding partnerships with industry, recreational and sporting engagements and other connections enhance the student experience, making NAIT an integral part of the wider community.

Opportunities for community involvement are varied. Matching students with an industry sponsor for the annual Capstone Applied Research Symposium; sharing First Nations, Métis and Inuit traditions at the Encana Aboriginal Student Centre; and partnering with Inclusion Alberta to support students with developmental disabilities are among the many ways NAIT sustains strong relationships with community.

ADVOCATING FOR A BETTER WORK LIFE FOR EVERYONE

NAIT alum Crystal Bowen wants to effect cultural change that will improve work life for everyone.

An advocate for women in the trades, Crystal sees herself as a proponent of safe, flexible, family-friendly workplaces for all. Flexible work environments help improve work-life balance and benefit anyone caring for children and/or aging parents.

“We need to be able to have that conversation in the field, so that it’s not a taboo subject,” says Crystal.

She earned her carpenter journeyperson’s ticket at NAIT in 2013. A contract worker with Shell, Crystal is on the executive committee of her local union and is a board member of the Aspen Foundation for Labour Education board of directors.



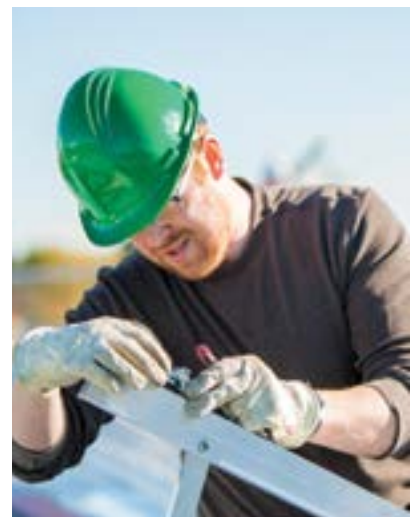
COMMUNITY COLLABORATION

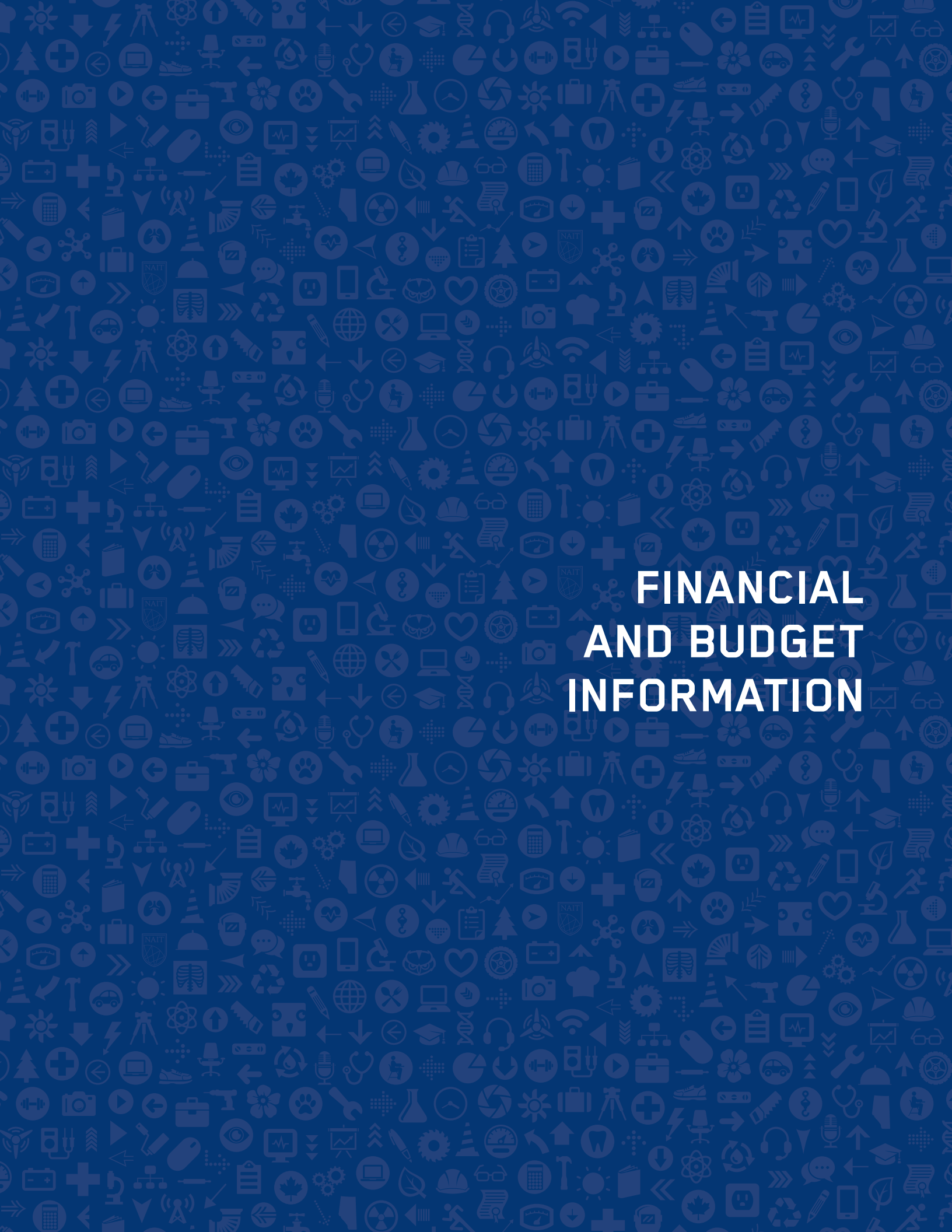
Collaboration with Hillview Elementary School, Edmonton Public Schools and the City of Edmonton took NAIT’s Alternative Energy Technology staff and students into the community.

Students and staff designed and installed a solar photovoltaic array on the roof of Hillview School to help children learn about alternative energy production. Energy captured by the solar modules helps power the school.

“This array is an important tool in teaching our students about conservation,” said Principal Duncan McColl. The three-kilowatt array consists of 12 solar modules and can produce four megawatt hours a year. Real-time data is available to students and the general public.

“This applied research project provided our students with a valuable opportunity to gain real-world experience while making a meaningful contribution to the community,” says Dr. Jim Sandercock, Chair, Alternative Energy Technology program.





FINANCIAL AND BUDGET INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(financial data expressed in thousands unless otherwise noted)

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

The following is an overview of the consolidated financial results achieved in the fiscal year ended June 30, 2016, of NAIT and the NAIT Foundation. It provides a discussion and analysis of the following:

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

OPERATING ENVIRONMENT AND OVERVIEW

NAIT's financial position remains healthy, but the revenue and expenditure trends will lead to significant challenges ahead as expense growth has exceeded sustainable revenue growth. NAIT's annual operating surplus in 2015/16 was \$5.6 million, or 1.6% of operating budget, down from the previous year's surplus of \$10.9 million. In short, NAIT is preparing for growth, has led to higher costs related to the two biggest expenses: staffing and capital. NAIT has remained financially strong and has produced surpluses over the last several years despite these trends, in large part due to unsustainable investment revenues.

NAIT is on a path of growth to achieve the 2021 vision. What underlies this vision are demographics and the careers that will be needed to fuel Alberta's growth – NAIT's vision of growth ties squarely to the Alberta Government's projections for needed graduates in all four of NAIT's pillars of technology-based education: science, technology, and the environment; health; trades and business. Further, in becoming a world-class polytechnic institution and in line with the Alberta Government's priorities, NAIT is growing its capacity to carry out applied research. NAIT's growth is essential to the Alberta economy by ensuring Alberta has a skilled workforce to support traditional industries as well as new industries and to diversify the economy.

With the opening of the Centre for Applied Technology (CAT) building in September 2016, NAIT now is better able to accommodate the aggressive growth planned, which started to be achieved last year. NAIT has also opened its new Spruce Grove Campus in September 2016. Initially, it will be focused on Crane and Hoisting training, but it will also accommodate future growth in other programs better delivered outside of Main Campus.

Further, NAIT received approval in August 2016 to build a Productivity and Innovation Centre focused on providing industry with training; applied research; and access to space, equipment and expertise. In short, it will be an important space for NAIT to interact with industry to enable their success. This facility, budgeted at \$85.5 million, will be funded partially from a \$35 million federal grant from the Strategic Investment Fund. The remaining amount will be funded by NAIT as it operates this facility from the revenues generated, as opposed to ongoing government support.

By enabling growth, NAIT's expenses will continue to grow. The next sections detail key constraints on NAIT's revenue streams related to this growth, NAIT's cost pressures and risks and strategies. NAIT has to ensure that it can continue to grow and maintain financial health.

Revenue Streams

NAIT continues to be effective in developing its own revenue streams independent of government funding. Through its strong ties to industry and the community, which will continue to grow with the building of the Productivity and Innovation Centre, NAIT has plans to grow its corporate, international and continuing education revenues. NAIT will continue to expand its reach into industry to provide value-added services and expand applied research initiatives. While NAIT's continuing education revenues were up in 2015/16, NAIT's corporate training numbers were down due to the significant downturn in the Alberta economy. However, as the economy improves, NAIT is positioning itself to increase the training that industry will need.

Through sound fiscal management, NAIT has accumulated a sizeable investment portfolio that helps provide operational funding. At June 30, 2016, NAIT had cash and net investments totaling \$176 million, excluding investments offset by debt or reserved for endowments, which is down from the balance at June 30, 2015, of \$226 million. NAIT continued to use some of this money to complete the Centre for Applied Technology building and will continue to use a portion for renewing the older campus buildings tied to the CAT expansion and other potential expansion capital projects, so the revenue from investments will be reduced in the future.

Despite efforts to grow other revenue streams, NAIT continues to be highly dependent on Government of Alberta capital and operating grants, which accounted for approximately 57% of total revenues for 2015/16 and regulated tuition revenues, which were approximately 20% in 2015/16, to fund its operations. In 2013/14, there was a significant decrease in the Campus Alberta operational grants. These grants remained at the same level for 2014/15, and a small increase of 2% was provided in 2015/16. Also, the Government of Alberta announced a two-year freeze in tuition fees effective July 1, 2015, where tuition fees would have normally been adjusted for inflation. Government funded an amount to cover part of this shortfall.

Over the past three years, NAIT has received funding for targeted enrolment increases, which has helped fund some of NAIT's growth. However, there are no further planned increases in the Campus Alberta Grant associated with growth in enrolments. This will be a big constraint, as tuition alone does not cover the costs of delivering the majority of NAIT's courses. NAIT has been able to adjust to the funding constraints and still move forward on the path to growth, due to its solid financial health, previous operational surpluses and steps taken to increase efficiency. But NAIT's ability to continue to grow to meet Alberta's future needs will depend on the Government of Alberta's support for both capital and operations.

Expenses

NAIT's two largest expenses are staffing and capital. On the staffing front, NAIT reached an agreement with the NAIT Academic Staff Association (NASA) in 2015/16 for the next 3 years. The agreement included a 1.5% increase effective July 1, 2016, an addition of two new grid steps and interest of equalizing compensation across all instructors by including an elimination of education allowances for those with designations, Master's degrees and PhDs. The agreement was negotiated with the intent to better meet student needs, creating greater flexibility around when courses may be offered and movement away from hourly based instructor limitations to course-based. The Alberta Union of Provincial Employees (AUPE) agreement ends June 30, 2017, and NAIT will begin negotiations in early 2017. Under direction from the provincial government, NAIT's Management/ Excluded group wages have been frozen effective April 1, 2016, and further direction from government on salary levels for this group is anticipated in the coming year. Any future agreements will be negotiated based on balancing the need to be fiscally sustainable with NAIT's need to attract and retain the talent to grow the institution. NAIT's ability to contain these costs in line with government grants in the future will be critical.

For capital, NAIT completed the construction on the Centre for Applied Technology building in July 2016 and took possession of the building in early August 2016. This building, while able to accommodate 5,000 full-time students, will result in a net increase of approximately 1,700 students due to decommissioning and demolition of time-expired buildings. Much of the growth needed to reach the NAIT 2021 vision will be achieved through other capital projects, including repurposing and renovating existing NAIT buildings, the planned acquisition of expansion land in the City of Edmonton's Blatchford Development and other adjacent properties and building student housing. NAIT's 2016/17 to 2018/19 Comprehensive Institutional Plan contains a more complete picture of NAIT's capital plan. Some of the capital additions, such as student housing, can be achieved without government funding. However, to allow NAIT to grow, other projects will require government funding for both the up-front construction costs and the ongoing maintenance costs.

FINANCIAL HEALTH INDICATORS

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

Health of Net Asset Position – Accumulated Surplus

NAIT ended the 2015/16 fiscal year with a total accumulated surplus of \$286,844 including the accumulated remeasurement gains and losses (2014/15: \$281,096 total accumulated surplus). It includes \$112,217 related to amounts invested in capital assets (2014/15: \$106,076) and \$41,458 held for endowments (2014/15: \$40,292). Of the remaining \$133,169 of accumulated surplus, \$21,665 is targeted for NAIT's balance of its contribution to the construction of the CAT, \$27,712 held for CAT cascading projects, \$14,346 targeted for Main Campus renovations, \$10,000 for student housing and \$1,944 targeted to other priority capital areas. In addition to the targeted capital spending, NAIT has targeted \$30,424 to priority operational activities such as course redevelopment, applied research and general operating cost pressures to prepare for growth.

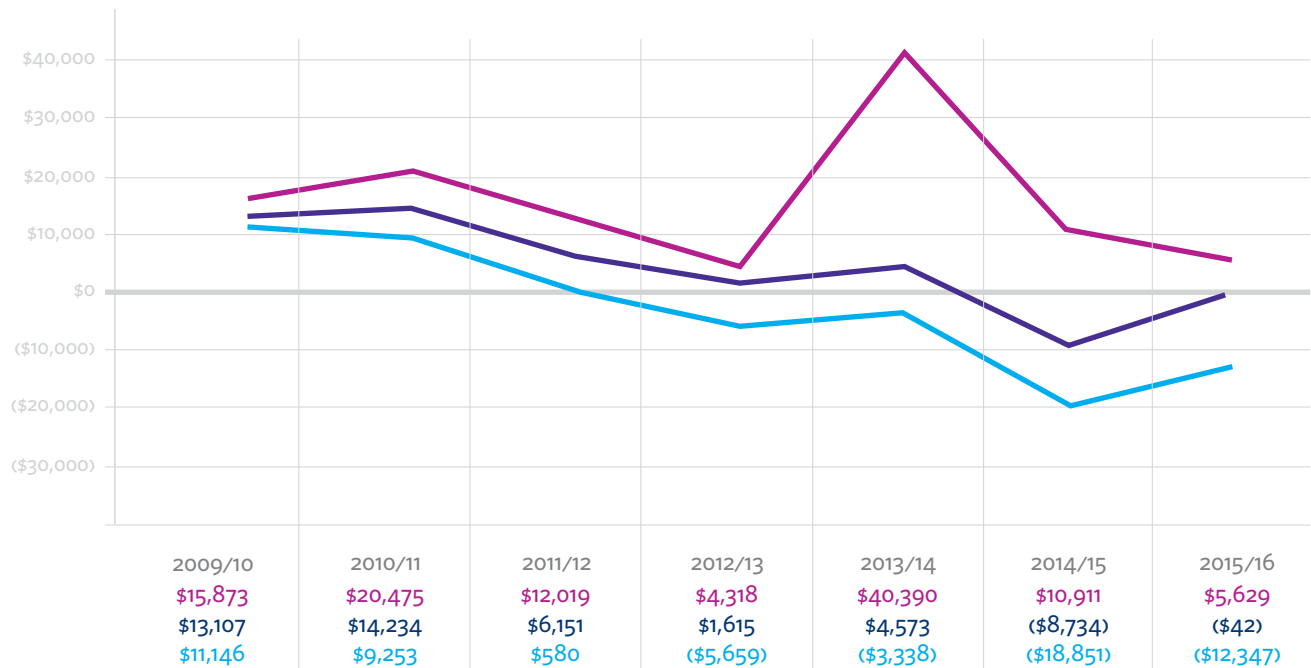
The best indicator of NAIT's financial strength from previous operations is its accumulated operating surplus that has not already been spent on capital or committed to future expenditures. At the end of 2015/16, this amount was \$27,078 (2014/15: \$18,333), or approximately 8% of NAIT's yearly operating expenses. The accumulated operating surplus includes accumulated remeasurement gains on portfolio investments of \$8,012 (2014/15: \$9,059). Note 12 to the financial statements contain a more complete picture of NAIT's accumulated surplus.

Health of Yearly Operating Surplus

NAIT ended 2015/16 with an operating surplus of \$5,629 (2014/15: \$10,911). However, this surplus represents only 1.6% of its annual expenditures. The decrease in results is partially attributable to the diminishing investment revenues, which were \$17,976 (2014/15: \$29,762). Investment revenue remains an unstable source of funding for operations as markets fluctuate and are unpredictable. Also, NAIT's investments will continually decrease as funds are invested in the planned capital projects and the loan for the Centre for Applied Technology is repaid.

The following chart shows the flow of NAIT's surplus over time. It shows the overall surplus and what the surplus would be if adjusting for normal (budgeted) investment revenues or no investment revenues. It is meant to show NAIT's reliance on a volatile revenue source. The purple line demonstrates that, through various actions to increase financial sustainability, NAIT reduced its reliance on investment revenues. See chart below:

NAIT ANNUAL SURPLUS (DEFICIT) ADJUSTED FOR INVESTMENT INCOME



Operating
surplus (deficit)

Adjusted operating
surplus (deficit)
with budgeted
investment income

Adjusted operating
surplus (deficit) with
no investment income

Financial Sustainability - Looking Forward

In preparing for growth, pressures on expenditures often precede the associated growth in revenues, especially on the administrative side of the business. NAIT has incurred extra staffing and capital costs (buildings, information technology and equipment) to prepare for growth in general and specifically for the opening of the Centre for Applied Technology. NAIT has planned for this, setting aside \$18,000 in Funds and Reserves to fund any temporary operational deficits. Ultimately, the key to curbing the trend of the reduction of health of the yearly operating results will be a combination of many factors including:

- Achieving growth targets for FLEs while, at the same time, curbing expenditure growth. From the academic lens, this will include maximizing classroom utilization and achieving a higher average class size where appropriate. From the administrative lens, growth must be constrained, due to the investments previously made. In short, NAIT needs efficient growth. NAIT is taking significant steps to enable this, including structural changes, training and improvements in information systems and reporting.
- Taking steps to ensure that growth in labour agreements is in line with government grant funding. With the agreement with NASA in 2015/16, NAIT has taken an important step to providing cost certainty which will enable efficient growth centred on student needs. A similar focus will be needed for AUPE negotiations in 2016/17.
- Growing the net revenues from corporate, international and continuing education. With the approval of the new Productivity and Innovation Centre, and with a focus of each of NAIT's four schools looking for opportunities to expand our non-credit offerings, NAIT is looking to grow our earned revenue to help sustain credit offerings.
- Working with the government on a sustainable mix of government grants and tuition, the two main sources of revenue. This includes increased operational dollars for funding growth in FLEs, and how to regulate tuition that balances the need for affordability with quality.
- Continuing to make investments in capital that improve operational efficiency. Some of these investments will include working with government for funding. Longer term, the best example of this would be a new Skills Centre on Main Campus that would consolidate trades training that occurs across many locations, increasing the efficiency and effectiveness of existing offerings and allowing for efficient growth.

FINANCIAL RISKS AND IMPLICATIONS

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

1. **Unstable Government Funding** – Achieving financial sustainability is predicated on a stable funding environment. Over the last several years that included either decreases in grants or grants staying at the same level, operational funding has not kept pace with inflation. This past year, the government increased operating grants for 2015/16 by 2%. However, government funding is always tied to the health of the economy and emerging fiscal pressures; therefore, long-term stability remains a risk. NAIT is mitigating this risk in a number of ways, including having financial sustainability as a key priority in NAIT's strategic plan, consistently looking for ways to drive new revenue generation and ways to be more efficient and effective.
2. **Private Sector Competition for Staff** – Payroll expense is NAIT's largest expense and must be carefully managed. Many of the skills NAIT teaches, and which NAIT itself needs in order to operate, are in high demand. With planned program growth and expansion, significant additional instructional staff with industry experience will be required. As well, with normal attrition and a significant portion of NAIT's leadership and instructional staff eligible to retire within 5 years, NAIT will be challenged to attract all of the required quality staff. Attracting and retaining an appropriate number of leaders, instructors, researchers and support staff will be a challenge in the face of competition from private industry for these skilled human resources. With the recent downturn in the health of the Alberta economy, this risk has lessened but remains and is subject to the cyclical trends in the Alberta economy.
3. **Enrolment Growth Funding** – NAIT's plans for the future, as outlined in the NAIT 2021 vision, forecast significant growth in student enrolment. Construction of the Centre for Applied Technology, development of student residences, and increases in revenue from increased provincial grants and tuition fees are predicated on growth in student enrolment. NAIT has opened the Centre for Applied Technology for the September 2016 term and is set for growth in student numbers, already seeing an increase in Full-Load Equivalents (FLE) from 12,675 in 2014/15 to 13,808 in 2015/16 and plans to increase to 14,110 in 2016/17. The Department of Advanced Education has funded growth in various ways in the past, including targeted enrolment funding three years ago. However, there currently is no mechanism to increase the Campus Alberta Grant for the growth that NAIT is expecting over the next several years. This is a substantial risk as, at some point, it will limit NAIT's ability to grow. This is especially true for high-cost programs, even if these programs are the ones that the Alberta economy most needs.
4. **Increasing Student Supports and Services** – As a polytechnic, NAIT has placed a strong emphasis on developing students' academic understanding and technical skills in discrete program areas. A more holistic student focus that emphasizes student health (both physical and mental), safety and additional wrap-around supports such as student housing will develop in line with NAIT becoming a world-class polytechnic institution. These additional student supports and services will have significant financial implications. NAIT will continue to develop and analyze its data on the nature of NAIT's students in order to fully understand the specific types of supports and services that NAIT's students require most.

5. Facilities Development and Maintenance – With government grants for building new and maintaining current infrastructure being constrained, NAIT is challenged in meeting its growth potential through the required development of new facilities and the upgrading and maintenance of existing facilities. The high utilization rate of existing space is impacting NAIT's programming growth and results in less-than-optimal facilities being maintained in service. Construction of the Centre for Applied Technology will relieve some pressure on utilization, allow for overall growth in enrolments and help NAIT proceed with a key aspect of the Campus Development Plan to demolish time-expired buildings on the east side of the Main Campus, thereby reducing maintenance costs. However, to achieve the growth in student enrolments ultimately needed in NAIT 2021 and in the Alberta Government projections on labour needs, NAIT will need a combination of new development and updated existing space. To the extent that NAIT neither receives further government funding for capital projects nor determines other funding sources, NAIT's growth initiative will be hindered.
6. Unfunded Pension Liabilities – NAIT staff members are part of the Local Authorities Pension Plan (LAPP), a multi-employer contributory-defined benefit pension plan. This pension plan has had significant unfunded liabilities over the last several years, and the government has investigated ways of making the plan more sustainable. However, after a few good years in the investment returns, the unfunded liability has decreased. As a result of strong investment earnings in 2015/16 in LAPP, the unfunded actuarial deficiency of the entire plan dropped from \$2.5 billion to \$0.9 billion. Therefore this is lessened somewhat this past year but remains high due to the cyclical nature of investment returns. Note 7 to the financial statement contains further information.
7. Investment Revenues – NAIT's sound financial management has allowed it to accumulate a sizable portfolio of investments, which has produced income that helped sustain operations and produce operating surpluses. Investment revenues, by their nature, are subject to unstable returns. The investment market has produced very good returns, exceeding budget expectations the past few years. To facilitate construction of the Centre for Applied Technology and other related capital projects, NAIT is reallocating approximately \$74 million of investments to support these projects. This will lead to reduced investment revenues, which will impact NAIT's flexibility to address unexpected operational pressures with investment revenue. Notes 5 and 6 to the financial statements contain more complete information on NAIT's investments and risk mitigation actions.

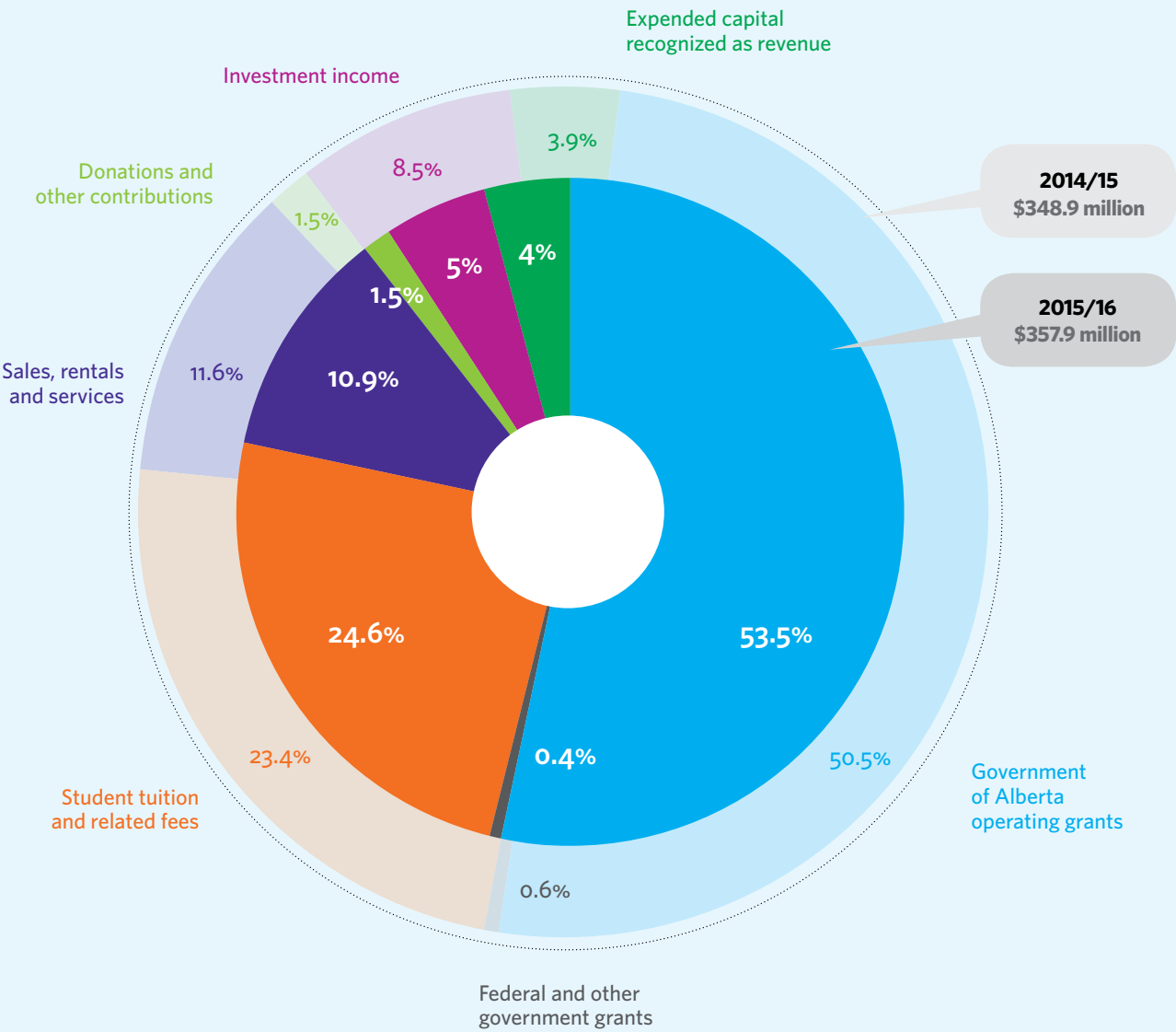
CONSOLIDATED STATEMENT OF OPERATIONS

Revenue

NAIT's total revenue increased by \$8,975 (2.6%) this year from \$348,970 in 2014/15 to \$357,945 in 2015/16.

The distribution of total revenue between revenue sources for 2015/16 is presented in the chart below. The comparative percentage for the previous year is shown in the outermost circle.

NAIT REVENUE



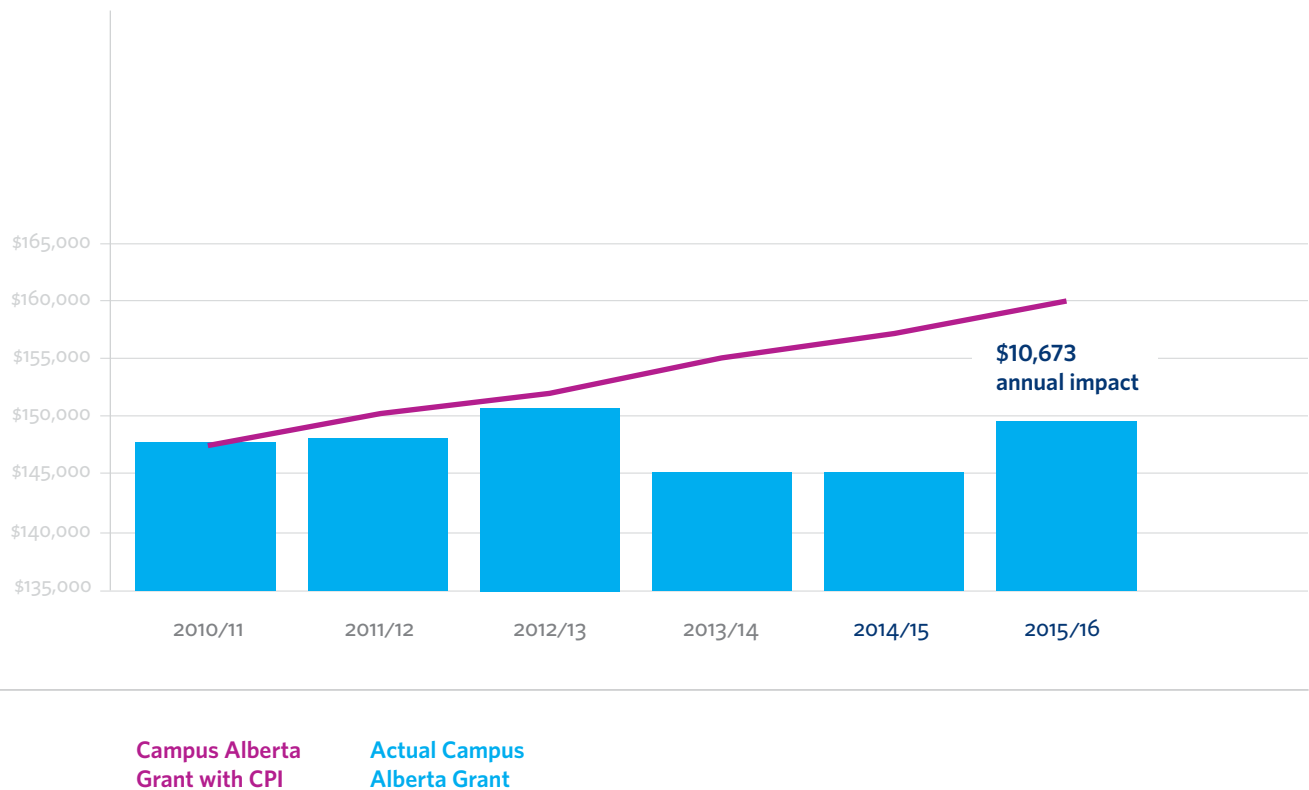
NAIT ended the year with a slight increase in revenues, with the main revenue highlights noted below:

GOVERNMENT OF ALBERTA GRANTS

Government of Alberta operating grants, which includes the Campus Alberta Grant and a number of conditional and one-time grants, increased from the prior year by \$15,252 (8.6%). A brief summary is as follows:

- Campus Alberta Grant as a proportion of total revenue is 42.1% compared to the previous year's level of 41.6%. Overall, the base grant increased by \$5,609 to \$150,656 from \$145,048 by 3.8% which related to a 2% increase for inflation and additional funding to cover the amount estimated to be lost from the tuition freeze. The tuition freeze adjustment has been removed in the chart below to reflect the true inflationary growth in the Campus Alberta Grant.
- The Campus Alberta Grant has not kept pace with inflation. NAIT has been adapting to this new funding reality in part by taking steps to increase efficiency and effectiveness. The chart below shows how the Campus Alberta Grant would have been if it were increased for inflation using the annual Alberta Consumer Price Index (CPI). Starting with 2010/11 as the base, this graph depicts the actual Campus Alberta grant in 2015/16 as compared to what it would have been adjusted for the Alberta inflation each year since 2010/11.

NAIT CAMPUS ALBERTA GRANTS (IN THOUSANDS OF DOLLARS)



- Apprenticeship grant funding increased by \$2,446 as NAIT offered 615 more apprenticeship seats in 2015/16 than in 2014/15, and funding rate per seat was increased by 2% from 2014/15 rates. Of the additional 615 seats being funded, some of the larger increases in seats were in Heavy Equipment Technician (+345 seats), Electrician (+348 seats) and Steamfitter-Pipefitter (+120 seats), which were offset by smaller decreases in other trades.

INVESTMENT REVENUE

- The second largest change in revenue from last year was the decrease in investment revenue. Investment revenue decreased by <\$11,786> (-39.6%). The decrease is partially reflective of the diminishing balances in the investments accounts, as the funds are being used to support capital initiatives such as CAT Building. The investment balances dropped by <\$56,844> (13.0%) from 2014/15 of \$438,220 to \$381,376 in 2015/16.
- In 2015/16, investment revenue exceeded the budget by \$5,671, reflecting continuing strong performance under the new pooled fund portfolio. The accounting rate of return for the 12 months ended June 30, 2016, was 4.77% (2015: 7.60%). Further details regarding investment income are disclosed in Note 14 to the consolidated financial statements.

FEDERAL AND OTHER GOVERNMENT GRANTS

Federal and other government grants remained relatively stable with a slight decrease in actual revenues of <\$393>. The decrease was due to decrease of revenues recognized for applied research. As applied research activities are targeted for growth under the NAIT 2021 vision, NAIT expects this source of revenue to increase in the future.

STUDENT TUITION AND RELATED FEES

Student tuition and related fees revenue increased by \$6,331 from \$81,752 in 2014/15 to \$88,083 in 2015/16. The majority of the increase was due to the increased number of degree, diploma and certificate program FLEs, international students surcharge and continuing education contracts. Student fees represent 24.6% of NAIT's overall revenue, increasing from 23.4% of total revenue in 2014/15.

- Certificate, Diploma and Degree program revenues increased by \$4,664 (10.5%) from \$44,468 in 2014/15 to \$49,132 in 2015/16. Tuition fee rates were frozen at 2014/15 levels as directed by Alberta Advanced Education regulations. NAIT had an increase in enrolments (FLEs) and a change in the mix of students in the various programs that accounted for this increase. The FLEs increased by 940 (10.43%) from 9,008 in 2014/15 to 9,948 in 2015/16. In the future we expect to see additional increases in the FLEs as NAIT focuses on enrolment growth and opens the Centre for Applied Technology.
- Student tuition and related fees from apprenticeship training increased by 2.3% (from \$12,176 to \$12,462 - increase of \$286), directly related to the increase in funded apprenticeship seats, which was the equivalent of 104 FLEs (2.8%) increasing from 3,757 FLEs in 2014/15 to 3,861 in 2015/16.

- Overall tuition fees for continuing education studies increased in 2015/16 by 3.7% (from \$14,590 to \$15,134 – an increase of \$544). The increase related to NAIT's focus to increase in this revenue stream to help support the overall NAIT sustainability initiatives; however, it was not as high as expected due to the slowdown in Alberta's economy.
- Revenue from the international student surcharge increased by 7.6% (from \$10,518 to \$11,315), an increase of \$797. The increases reflect the general growth in student numbers where the FLEs of international students increased from 942 to 1,080, an increase of 138 FLEs (14.7%).

SALES, RENTALS AND SERVICES REVENUE

- Ancillary operations revenues increased 4.4% from \$24,102 in 2014/15 to \$25,174, an increase of \$1,072. Ancillary operations consist of :
 - Parking – 18.1% of ancillary revenue \$4,565
 - *eatATNAIT* – 36.5% of ancillary revenue \$9,188
 - *shopATNAIT* (Bookstore) operations - 45.2% of ancillary revenue \$11,384
 - Athletics – 0.1% of ancillary revenue \$36
- Changes in revenues are as follows:
 - Parking revenue decreased <\$59> (-1.3%)
 - *eatATNAIT* revenue increased \$589 (6.9%) from prior year
 - *shopATNAIT* (Bookstore) revenue increased by \$535 (4.9%) from prior year
- Training contracts decreased <\$1,787> (-19.3%) from \$9,237 to \$7,450, reflecting the decreases in contracts with private companies due to Alberta's economic slowdown. NAIT intends to grow this revenue in keeping with NAIT's sustainability plan.
- Other sales, rentals and services revenue which includes apprenticeship Individual Learning Module sales, rentals of conference rooms, event revenues and one-time revenues such as gain on disposal of assets decreased by <\$819> -11.3% from \$7,240 to \$6,421, due mainly to a one-time gain on disposal of capital recorded in 2014/15.

FINANCIAL SUSTAINABILITY STRATEGIES

When the budget was approved, NAIT had used the best estimates for revenues and expenses, based on its intention to grow and meet its strategic objectives. NAIT also had an expectation to avoid going into a deficit for the year. Reflective of this, NAIT budgeted a target for financial sustainability strategies to find throughout the year through either new revenue generation or limiting expenditures. NAIT monitors its financial position throughout the year to determine what corrective actions need to be taken to ensure it can meet its yearly financial results expectations. As noted in the Financial Statements, actual amounts related to sustainability strategies are shown in the actual numbers for the various revenues and expenses.

NAIT has a Financial Sustainability Task Force whose goal is to ensure that NAIT stays financially strong as it grows, in line with achieving its NAIT 2021 vision. The most significant financial statement components throughout the year that relate to how NAIT managed to ensure overall budget targets were met were through new revenue generation, while controlling expenditure growth. As discussed above, the government's increasing the Campus Alberta Grant by 2% helped NAIT keep the strong growth focus, as evidenced by the increase in enrolments and tuition revenues. Expenses also grew with this growth but at a smaller rate due to sustainability strategies that led to more efficient operations. Examples of these strategies include reorganizations of operation units, automating information systems, redesigning processes, and using better information to drive key decision-making. Together with many other smaller financial sustainability strategies, NAIT managed to maintain a yearly surplus.

DONATION AND OTHER CONTRIBUTION REVENUE

Donation and other contribution revenue includes the amount of revenue that is necessary to cover the costs of projects of NAIT Advancement Services; gifts in kind that are expensed; and scholarships, bursaries and other expenses funded by donations. Restricted donation revenues raised in a given year are not recognized as revenue until they are expended. The recognized donation and other contributions increased from \$5,082 to \$5,345 in 2015/16 due to the increase in associated costs.

EXPENSES

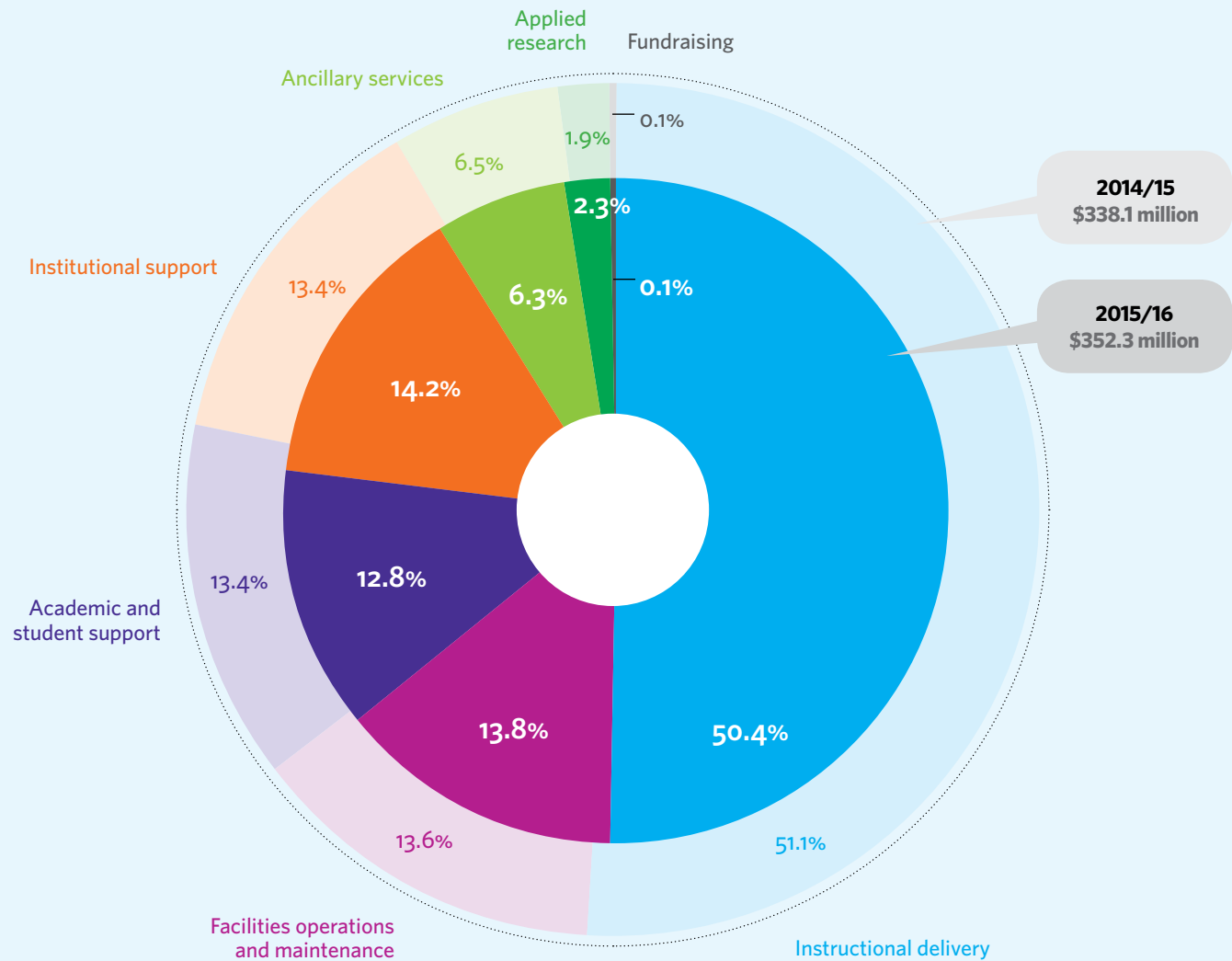
With grant funding not keeping pace with inflation or with NAIT's growth, NAIT continues to take steps to control spending. NAIT has a financial sustainability task force that is focused on initiatives that will increase revenues and control expenses. NAIT's academic and administrative leaders have also been charged to look at ways to increase revenues and control expenses, while preparing for the NAIT 2021 vision and growth needed. This work will continue.

Some of the specific actions that NAIT has taken that impact the expense numbers include agreement with NASA, providing greater certainty to costs associated with instruction of programs and providing greater flexibility to deliver programs; review of staffing support structures needed to support growth in an efficient and effective way; further improvements to information technology solutions that increase efficiency and provide higher quality data for decision making; and review of many policies and procedures focusing on efficiency.

Total actual expenses increased by \$14,257 (4.2%), from \$338,059 in 2014/15 to \$352,316 in 2015/16.

The distribution of total expenses by function for the 2015/16 fiscal year is presented in the following chart. The comparative percentage for the previous year is shown in the outermost circle.

NAIT EXPENSES



The key expense highlights are:

Instructional Delivery

Instructional delivery increased by \$4,672 (2.7%) from \$173,098 in 2014/15 to \$177,770 in 2015/16. The increase generally related to the increase of \$8,892 in staff costs associated with merit and cost of living adjustments and the additional staff hired to support the growth in apprenticeship seats and growth associated with the opening of the Centre for Applied Technology building. This increase in staff costs was offset by a decrease in classroom, laboratory and general supplies, which were lower by <\$3,975> due to slowed spending anticipating the move into CAT and reductions costs associated in some high cost trade programs.

Applied Research

Applied research expenses grew as anticipated, as infrastructure is being put in place to support the planned growth in research activities. Applied research expenses increased by \$1,579 (24.4%) from \$6,482 in 2014/15 to \$8,061. As part of NAIT's 2021 vision, the area of applied research is set to grow significantly over the next few years, and the infrastructure to do so is now being put in place. There were also increases due to the increase in staff costs associated with merit and cost of living adjustments.

Facilities Operations and Maintenance

Facilities operations and maintenance expense increased by \$2,758 (6.0%) from \$45,821 in 2014/15 to \$48,579 in 2015/16. The increase is mainly explained by an increase in leased space for Apprenticeship programs of \$844, an increase in amortization costs of \$1,145 and a savings in power costs of \$380 from the previous year.

Academic and Student Support

Academic and student support expense remained at 2014/15 levels, slightly decreasing expenditures by <\$10> (-0.2%) from \$45,263 in 2014/15 to \$45,253 in 2015/16. The small change was mainly due to decreased costs associated with the Heavy Equipment Training Project ending in 2014/15 offset by the increase in staff costs associated with merit and cost of living adjustments.

Institutional Support

Institutional support increased by \$4,815 (10.6%) from \$45,307 in 2014/15 to \$50,122 in 2015/16. One large element of this increase was an additional cost of Long Term Disability liability due to the increase of staff on LTD and the potential claims increasing by \$1,167 as well as increased Blue Cross amounts for changes in benefit coverage of \$304. The remainder of the increase is mainly due to the development of the infrastructure required to meet the NAIT 2021 vision in the information technology and corporate services teams and information technology systems and equipment. This included ensuring the human resources team enhanced the number of recruitment staff, purchasing and deploying information systems, ever greening and wireless expansion and staffing finance and corporate services to appropriately support analysis and policy development to ensure sustainable growth. There were also increases due to the increase in staff costs associated with merit and cost of living adjustments.

Ancillary Services

Ancillary services expense increased by \$428 (2.0%) from \$21,895 in 2014/15 to \$22,323 in 2015/16. The increases in costs are more than offset by the increases in revenues. Ancillary operations consist of parking, *eatATNAIT* and *shopATNAIT* (bookstore) operations.

OPERATING SURPLUS

The Consolidated Statement of Operations reports an operating surplus in the amount of \$5,629, which arises from actual revenue being greater than budgeted by \$11,436 (3.3%) and actual expense being greater than budgeted by \$5,807 (1.7%), as follows:

	Budget 2015/16	Actual 2015/16	Dollar Variance	Percentage Variance
Total Revenue	\$ 346,509	\$ 357,945	\$ 11,436	\$ 3.3%
Total Expense	346,509	352,316	5,807	1.7%
Operating surplus	\$ -	\$ 5,629	\$ 5,629	

The positive variance in NAIT's operating surplus is mainly due to greatly exceeding the budget for revenues as Government reinstated funding that had previously been cut, while taking steps to control growth in expenses associated with growing the institution.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NAIT's consolidated statement of financial position gives a snapshot of the financial health of the organization in the net asset section. Also, a few of the key variances in assets and liabilities stand to show NAIT preparing to grow to meet the *NAIT 2021* vision. Both the key variances and net assets are described below.

Cash and Cash Equivalents/Portfolio Investments

In total, cash and cash equivalents and portfolio investments decreased by <\$48,581> from \$445,811 in 2014/15 to \$397,230 in 2015/16. The net decrease in cash is mainly due to dollars being utilized to finance the construction of the Centre for Applied Technology building.

NAIT's portfolio investments include medium-term and long-term investments. Further information on portfolio investments is in Notes 5 and 6 to the consolidated financial statements.

Accounts Receivable

There was a small decrease of <\$657> in accounts receivable from \$8,154 in 2014/15 to \$7,497 in 2015/16 due to vendor credits for books that had been returned in 2014/15 that were awaiting credits which were then received in 2015/16 <\$700>, reclassification of outstanding student refunds to Accounts Payable and a reduction in amounts owing from students <\$944> offset a GST credit for a section 211 election to have some of NAIT's buildings usage re-designated for GST rebates recalculated \$1,013.

Inventories for Resale

Inventory increased by \$1,467 from \$2,614 in 2014/15 to \$4,081 in 2015/16 as the *shopATNAIT* team are taking advantage of increased discounts from bulk ordering and purchasing for the 2016/17 Academic year.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities decreased <\$1,414> (-3.1%) generally because amounts owing for CAT construction at June 30, 2016, are less than what was owing at June 30, 2015.

Employee Future Benefit Liabilities

Employee future benefit liabilities increased by \$1,166 – see Note 7 for further details. The most significant change was the increase in the long-term disability liability of \$745.

Debt

There was a small decrease in debt of (\$495), as detailed in Note 8, which was due to the current year's repayment of the loan for the parkade construction. The majority of the debt is a \$150,000 loan for the Centre for Applied Technology construction, which is scheduled to begin repayment in 2016/17.

Unearned Revenue

Unearned revenue decreased by <\$918> from \$17,629 in 2014/15 to \$16,711 in 2015/16. This decrease mainly relates to a decrease in apprenticeship registrations for 2016/17 terms at June 30, 2016, which is offset by an increase in collection of tuition fees received in advance of programs being completed for day programs. The tuition revenue received is recognized in the period in which the classes are offered and reported as unearned revenue until such time.

Deferred Contributions

The largest decrease in liabilities relates to the <\$2,686> decrease in deferred contributions, which decreased from \$43,271 in 2014/15 to \$45,957 in 2015/16. Deferred contributions are targeted amounts received that are intended for specific purposes to be spent in the future. These include earnings from endowments, conditional grants, research grants and restricted donations. The decrease in 2015/16 is primarily due to the recognition of funding in 2015/16 that was received in previous years from the Government of Alberta for the construction of Centre for Applied Technology building <\$2,030>, enrolment planning condition grants <\$4,145> and Access to the Future grants <\$5,370>. The amounts were offset by amounts received in 2015/16 for future periods for Lights-On funding for CAT \$4,784, research grants from Alberta Economic and Trade \$2,792 and an increase in Infrastructure Maintenance Grant \$1,268.

Tangible Capital Assets

The overall increase in the value of the capital assets of \$75,889 reflects the investments made to Centre for Applied Technology building, which accounts for \$70,154 increase in projects in progress. Further information on tangible capital assets is disclosed in Note 10 to the consolidated financial statements.

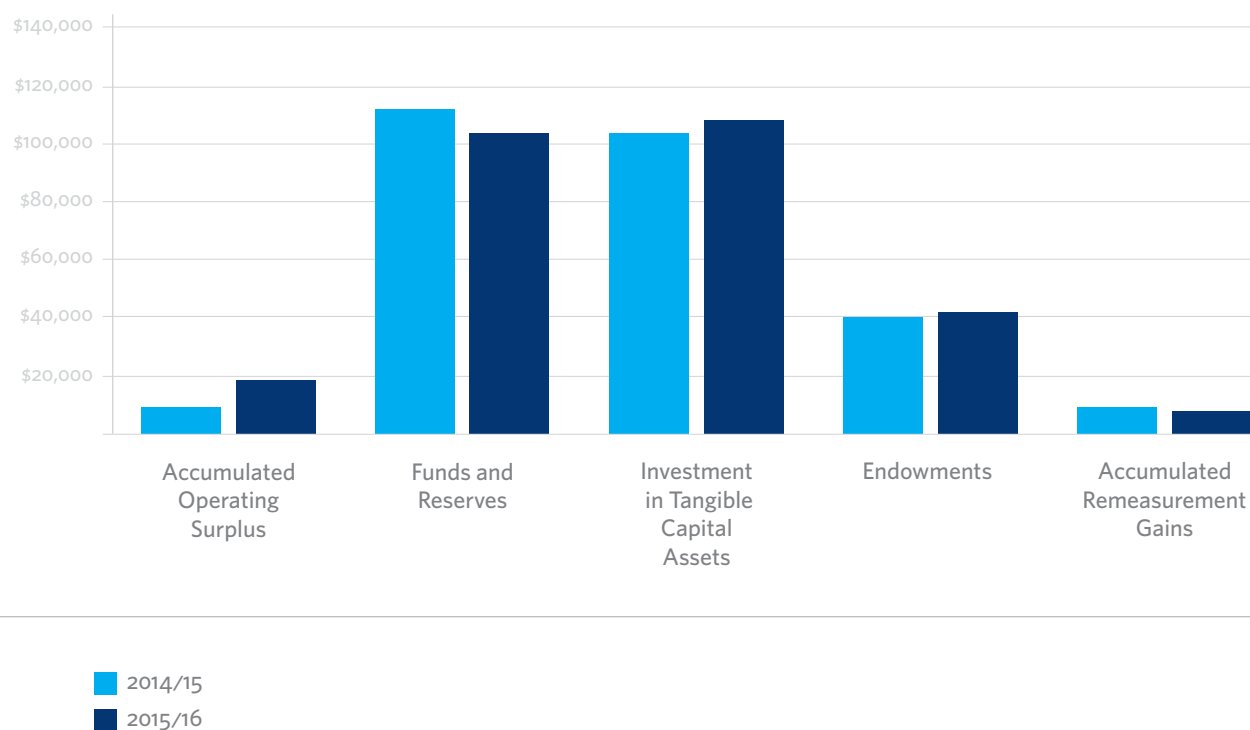
Spent Deferred Capital Contributions

This category represents amounts spent on capital items that have not been put into service. The majority of the balance of \$290,440 in 2015/16 (\$263,879 in 2014/15) relates to contributions that have been spent on the construction of CAT building which will be recognized over the life of the building.

NET ASSETS

Accumulated surplus comprises accumulated operating surplus, funds and reserves and investments in tangible capital assets and endowments and is described in Note 12 to the consolidated financial statements. The accumulated surplus increased by \$5,748 from \$281,096 in 2014/15 to \$286,844 in 2015/16 and is further disclosed as follows:

NAIT ASSETS (IN THOUSANDS OF DOLLARS)



Accumulated Operating Surplus

The accumulated operating surplus is the net result of life-to-date operating surpluses net of transfers to funds and reserves and amounts invested in tangible capital assets.

Funds and Reserves

Funds and reserves decreased by \$10,502 as a result of expenditures made during the year. From prior years' reserves, amounts were spent for strategic land and capital purchases \$7,654 for the Spruce Grove land purchased for the Crane and Hoisting program, \$920 of General Research Fund reserves were spent on supporting the current year's research activities and the balance of the decrease was reserves spent on academic and course development.

Investment in Tangible Capital Assets

The tangible capital assets of \$467,674 are funded by the following sources:

Internally funded (invested in tangible capital assets)	\$	112,217
Externally financed (debt)		65,017
Externally funded (expended capital contributions)		290,440
Net book value of tangible capital assets	\$	<u>467,674</u>

The internally funded portion of \$112,217 in 2015/16 increased by \$6,141, as the new acquisitions exceeded the net amortization of existing assets. See note 10 to the consolidated financial statements for additional information on tangible capital assets.

Endowments

Endowments have increased by \$1,166 in 2015/16 (\$5,134 in 2014/15) with the increase mainly due to additional contributions received during the year.

Accumulated Remeasurement Gains

NAIT's investment portfolio continues to have remeasurement gains. As at June 30, 2016, the investment portfolio had a net remeasurement gain of \$11,186 (2015: \$11,667), of which \$3,174 (2015: \$2,608) was allocated to endowments and recorded in deferred contributions, and the remaining \$8,012 (2015: \$9,059) was recorded as accumulated remeasurement gains. The effects of the remeasurement gains are disclosed in the last table in Note 5 to the consolidated financial statements.

DETAILED FINANCIAL INFORMATION

The following provides information on NAIT's 2015/16 key operating indicators, leading to the calculation of the tuition revenue and net program cost per full-load equivalent student for the Certificate, Diploma and Degree programs; Apprenticeship Training programs; and Other Programs and Services.

	Note	Certificate, Diploma and Degree Programs: full- time and part- time studies	Apprenticeship Training Programs	Other Programs and Services	Total
a) Full-load equivalent students (FLE)	(i)	9,948	3,769	-	13,717
b) Tuition and training revenue	(ii)				
Certificate, diploma and degree programs		\$ 43,782	\$ -	\$ 5,350	\$ 49,132
Apprenticeship training		-	11,365	1,097	12,462
Continuing education		-	-	15,134	15,134
International student surcharge		-	-	11,355	11,355
Training contracts		440	-	7,010	7,450
		<u>\$ 44,222</u>	<u>\$ 11,365</u>	<u>\$ 39,946</u>	<u>\$ 95,533</u>
c) Net program cost	(iii)				
Expenses per financial statements		\$ 190,705	\$ 110,276	\$ 51,335	\$ 352,316
Less cost recoveries		(1,093)	(148)	-	(1,241)
		<u>\$ 189,612</u>	<u>\$ 110,128</u>	<u>\$ 51,335</u>	<u>\$ 351,075</u>
d) Tuition revenue per FLE (in dollars)		\$ 4,445	\$ 3,015		
e) Net program cost per FLE (in dollars)		\$ 19,060	\$ 29,219		
f) Tuition revenue as a percentage of net program cost		23.3%	10.3%		

An analysis of the tuition revenue as a percentage of net program costs highlights NAIT's discussions with the Government of Alberta. For apprenticeship training programs, the tuition is a very low percentage of the cost of providing the training. This is especially true for the higher-cost trades such as Crane and Hoisting and, depending on other sources of funding, it may impact NAIT's ability to expand to meet the expected forecasted demand. Given the value that tradespeople provide to the Alberta economy, and the impact it causes when there are shortages, NAIT believes sufficient funding to allow for expansion is critical.

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

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

Note (ii) - Tuition and Training Revenue

Tuition and Training Revenue for the Certificate, Diploma and Degree segment consists of all tuition fees for credit FLEs and includes tuition fees from credit continuing education courses.

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

Revenue for the Other Programs and Services segment consists of fees not subject to the Government of Alberta Public Post-secondary Institutions' Tuition Fee Regulation as well as all fees charged for non-credit continuing education courses, international education and athletics programs.

Note (iii) - Net Program Cost

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

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

INTERNATIONALIZATION

Stemming from NAIT's goal to be one of the world's leading polytechnics and as directed specifically through our Academic Plan to continue to increase international learning opportunities for all students, collaborative efforts in 2015/16 led to the development of NAIT's first comprehensive Internationalization Strategy (2016-2021) which outlines four goals:

1. To intentionally develop an inclusive community of learners consisting of students, staff and instructors who exchange, share and celebrate ideas, knowledge, experience and culture.
2. To enhance recruitment strategies to diversify countries of origin and to include new and renewed well-structured pathways (ESL, Academic Upgrading, bridging options) with the purpose of refining program fit for greater student success.
3. To support international flows of knowledge, technology, industry, innovation and human capital.
4. To align internationalization initiatives and resources across campus to maximize NAIT's impact in priority countries, developing strategic and enduring partnerships that are mutually beneficial.

Since many departments are involved in internationalization and are key to advancing the strategy, NAIT created an Internationalization Advisory Council to oversee progress and ensure accountability and alignment around the strategy.

Additional internal restructuring involved the creation of a new department that oversees the recruitment and support of international students as well as the development and deployment of multiple international learning opportunities for all NAIT students.

International Recruitment and Pathways secured 3,036 applicants in collaboration with agents in five markets including China, India, Vietnam, Mexico and Taiwan, resulting in the admittance of 1,708 visa students in credit programs and 704 visa students in non-credit programs. A total of 205 students were registered in both, for a total unduplicated headcount of 2,207 visa students.

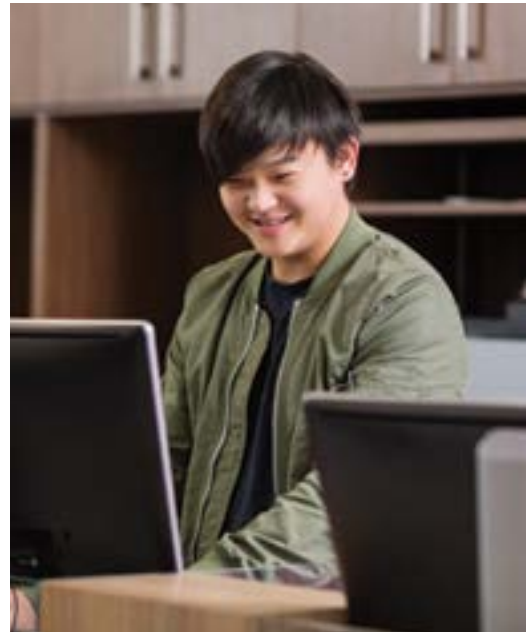
Annually, NAIT graduates almost 400 international students who indicate their desire to remain within the greater Edmonton region for employment opportunities and who are becoming strong alumni readily available to support current students.

Off Shore Delivery

Of the degree, diploma and certificate (DDCP) international students, 242 were enrolled in cross-border delivery of NAIT's Computer Systems Technology (CST) diploma and Digital Media and IT diploma (DMIT) offered under a jointly delivered program at Heilongjiang University of Science and Technology (HUST) in Harbin, China. This equates to 40.938 FLEs for CST and 32.622 FLEs for DMIT. For these programs, when students attain NAIT's English language requirement and meet NAIT's academic requirements, they receive a NAIT issued diploma. If students do not meet the English language requirements but meet the academic requirements, they receive a non-credit certificate for the same program. The ESL testing is administered by NAIT staff in China. The HUST students are also taking their HUST undergraduate degree, and some of these courses (see below) have been approved by NAIT for advanced credit for specific NAIT DMIT courses.

Additionally, a total of 77 students were enrolled in non-credit, cross-border delivery related to Corporate and International Training programming that took place in Cuba, where NAIT participated in the final year of a 15-year partnership between Cuban and Canadian governments to create sustainable, current vocational training centres.

As well, a group of 20 teaching professionals from Shunde Polytechnic in China attended NAIT for three weeks and received instruction in Teaching English as a Foreign Language hosted by Corporate and International Training.



NAIT AROUND THE WORLD

Each year since 2012, instructor Sia Samimi says he is privileged to teach Chinese students at Heilongjiang University of Science and Technology in Harbin, north of Beijing.

Samimi knows his instruction in analytical methods and business communications prepares students for opportunities abroad and careers in China's major cities.

For more than 40 years, NAIT has provided similar educational opportunities to 68 countries. The courses, customized to meet government and industry needs abroad, give students credentials that open doors around the world.

The professional development opportunities for staff can have profound effects. "I am absolutely delighted I can be part of the learning journey," says Samimi. "It's incredibly rewarding."

JOINT DELIVERY PROGRAMS NAIT AND HUST

Semester	Course	Course Name	Core/ Elective	Credits	Hours	Instructor	Advanced Credit	NAIT Course
Semester 1								
1	CMIS1014	System Foundations	E	3.0	60	HUST	Yes	No
Semester 2								
2	CPSC1012	Programming Fundamentals	E	4.5	90	HUST	Yes	No
3	DMIT1001	Communications for Digital Media & IT	C	3.0	60	HUST	No	Yes
Semester 3								
4	DMIT1010	Interactive Media Production	E	3.0	60	HUST	No	Yes
5	ANAP1525	Systems Analysis and Design 1	E	3.0	60	HUST	No	Yes
6	ANAP1005	Analysis: Fundamental Methods	E	3.0	60	NAIT	No	Yes
Semester 4								
7	DMIT2000	Advanced Communications for Digital Media and IT	C	3.0	60	NAIT	No	Yes
8	COMP1017	Web Design Fundamentals 1	C	3.0	60	HUST	Yes	No
9	CPSC1517	Introduction to Application Development	E	4.5	90	HUST	No	Yes
Semester 5								
10	DMIT1508	Database Fundamentals	E	4.5	90	HUST	No	Yes
11	CPSC1520	Javascript	E	4.5	90	HUST	No	Yes
12	DMIT2028	Systems Analysis and Design 2	E	4.5	90	NAIT	No	Yes
Semester 6								
13	ORGB1500	Organizational Behaviour for Media and IT	C	3.0	60	HUST	Yes	No
14	DMIT2018	Intermediate Application Development	C	4.5	90	NAIT	No	Yes
Semester 7								
15	DMIT2015	Enterprise Application Development	E	4.5	90	HUST	No	Yes
16	DMIT1095	COOP Work Experience	E	3.0	60	HUST	Yes	No
17	DMIT2025	PHP/MySQL	E	4.5	90	HUST	No	Yes
18	DMIT2504	Android Development	E	4.5	90	HUST	No	Yes
Semester 8								
19	DMIT2590	Capstone Project	C	6.0	180	HUST	Yes	No
Total Credits Earned				73.5				

INFORMATION TECHNOLOGY

Throughout 2015/16, NAIT enhanced its information and technology services to meet the needs of students and staff. Several foundational elements were implemented to enable future growth.

2015/16 highlights include:

- Transforming technology service operations within NAIT's new Centre of Applied Technology including a new walkup support model for students across Main Campus; unified support offerings; embedded school IT support; and enhanced collaboration between technology support services and students. The Centre includes a high-speed fibre optic loop running beneath and through Main Campus to meet its data needs and helps all other users in the process. This new fibre optic loop nearly doubled the number of wireless access points installed on Main Campus and required the creation of fully virtual computer labs that decoupled educational software from the physical buildings. It delivered a level of service instrumentation for audiovisual systems that sets the new standard in proactive monitoring, alerting and response to classroom availability and performance.
- Connections – NAIT is now directly connected to Cybera, University of Alberta and MacEwan University with unmetered fibre optic cable.
- The implementation of IT Portfolio Management to manage NAIT IT projects to ensure the appropriate prioritization of projects and the best use of resources.
- Upgrade to NAIT's Campus Solutions ERP enabled:
 - the implementation of a redesigned security model and a more robust database security.
 - the provision of new functionality (Enrolment Backpack, Post enrolment requisite checking, electronic payment integration, chart field combination editing), consolidation of duplicate reports and elimination of redundant reports, and a reduction of customizations by streamlining business processes and the elimination of reports and custom pages deemed redundant or no longer required.
- Implemented online staff absence entry and approvals to improve business processes and make them more efficient.
- Implemented a Student Relationship Management System to provide a central and consistent view of a student and enabling business areas to see a complete view of the student communications. All NAIT staff have access to the data and are using the system to allow:
 - an incorporated centralized reporting for business units.
 - the creation of a foundation for future growth.
 - the provision of one system for areas to learn and use.
 - the entire student lifecycle to be viewed from prospect, to applicant, to student.
- Completion of a One Card RFP and vendor selection.
- In addition, existing ERP systems were enhanced, a number of non ERP systems were upgraded and enhanced and network and hardware (servers, routers, PCs) were upgraded.

CAPITAL PLAN

The projects highlighted represent those included in the capital plan. NAIT applied for a \$34.9 million dollar grant from the Government of Canada's Strategic Investment Fund for the construction of the Productivity and Innovation Centre. Construction is scheduled to commence upon approval.

Type	Description	Status	Expected Completion Date (from CIP)	Progress Made in the Last 12 Months
PRIORITY PROJECTS				
New	Centre for Applied Technology (CAT)	Operational since Aug. 2, 2016	Occupancy for fall 2016 term	Occupancy permit was issued on July 14, 2016, and the building opened to the public on August 2, 2016. The project was completed on time and under budget.
New	Acquisition of Expansion Land	Ongoing	Land agreement in place in 2016	Delayed. The City of Edmonton is carrying out detailed planning for the east side of Blatchford. Current projection is to conclude an agreement in 2017.
New	Crane and Hoisting Facility - Spruce Grove	Operational since Aug. 22, 2016	Occupancy for fall 2016 term	Occupancy permit was issued on June 28, 2016, and the new leased facility was open for the first intake in September 2016.
New	Skills Centre	Waiting for GoA funding	Occupancy for fall 2023 term	An Opportunity Assessment for the Skills Centre project was completed in 2015 and a request for planning funds was submitted to Government of Alberta (GoA) in 2015.
New	Student Housing	Delayed	To be confirmed once the City's plans are finalized	The schematic design for Phase 1 continues to be on hold pending the City of Edmonton's finalization of planning for the east side of Blatchford. It is now expected to complete the schematic design in 2017. Based on that, the earliest a residence could open is in the fall of 2020.
Preservation	Main Campus Space Optimization	Ongoing	August 2019	With the opening of CAT and potential impacts of the Productivity and Innovation Centre and Skills Centre, NAIT is reviewing the previous restack plan within the current context and developing a revised plan to consolidate existing functional units, accommodate program growth and consider the impacts of the proposed two new buildings. In the meantime, minimum but adequate upgrades in L and T buildings will proceed to address priority deficiencies and maintain an acceptable level of building condition, safety and functional usability.
New	Productivity and Innovation Centre	Ongoing	Substantial completion by April 30, 2018	GoA endorsed the project to the federal government to be partially funded under the Strategic Investment Fund. Final approval from the federal government received in 2016/17.
Preservation	Capital Maintenance and Rehabilitation	Waiting for GoA funding	Timelines not provided in CIP but were provided in BLIMS submissions	No projects have started as requested funding is not yet available. Requests for capital grants were resubmitted in BLIMS in 2016.

The background of the entire page is a solid blue color, overlaid with a dense, repeating pattern of small, white, stylized icons. These icons represent a wide variety of concepts including technology (laptops, smartphones, Wi-Fi), nature (trees, leaves, flowers), science (DNA helix, microscope, beaker), business (gears, charts, briefcases), and general symbols (arrows, hearts, paw prints).

APPENDIX

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT



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

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of The Northern Alberta Institute of Technology, which comprise the consolidated statement of financial position as at June 30, 2016, and the consolidated statements of operations, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Northern Alberta Institute of Technology as at June 30, 2016, 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.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

October 3, 2016

Edmonton, Alberta


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2016 (IN THOUSANDS OF DOLLARS)

	2016	2015
FINANCIAL ASSETS		
Cash and cash equivalents (Note 4)	\$ 15,854	\$ 7,591
Portfolio investments (Note 5)		
Non-endowment	331,415	390,651
Restricted for endowments	49,961	47,569
Accounts receivable	7,497	8,154
Inventories for resale	4,081	2,614
	<u>\$ 408,808</u>	<u>\$ 456,579</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 44,196	\$ 45,610
Employee future benefit liabilities (Note 7)	27,704	26,538
Debt (Note 8)	171,645	172,140
Deferred revenue		
Unearned revenue	16,711	17,629
Deferred contributions (Note 9)	43,271	45,957
	<u>303,527</u>	<u>307,874</u>
NET FINANCIAL ASSETS	<u>\$ 105,281</u>	<u>\$ 148,705</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	\$ 467,674	\$ 391,785
Inventories of supplies	570	610
Prepaid expenses	3,759	3,875
	<u>472,003</u>	<u>396,270</u>
NET ASSETS BEFORE SPENT DEFERRED CAPITAL CONTRIBUTIONS	577,284	544,975
Spent deferred capital contributions (Note 11)	290,440	263,879
NET ASSETS	<u>\$ 286,844</u>	<u>\$ 281,096</u>
NET ASSETS IS COMPRISED OF:		
Accumulated surplus (Note 12)	278,832	272,037
Accumulated remeasurement gains and losses (Note 5)	8,012	9,059
	<u>\$ 286,844</u>	<u>\$ 281,096</u>

Contingent liabilities and contractual obligations (Notes 13 and 14)

Approved by the Board of Governors (Note 21):



 Chair, Board of Governors



 President and CEO

The accompanying notes are
 part of these consolidated
 financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2016 (IN THOUSANDS OF DOLLARS)

	2016		2015
	Budget	Actual	Actual
Revenue:			
Government of Alberta grants			
Operating grants (Note 19)	\$ 177,359	\$ 191,649	\$ 176,397
Expended capital recognized as revenue	12,944	11,059	9,997
Federal and other government grants			
Operating grants	1,815	1,596	1,924
Expended capital recognized as revenue	1,370	1,294	1,359
Student tuition and related fees			
Degree, diploma and certificate programs	45,333	49,132	44,468
Apprenticeship training	11,836	12,462	12,176
Continuing education	17,099	15,134	14,590
International student surcharge	11,000	11,355	10,518
Sales, rentals and services			
Ancillary operations	23,840	25,174	24,102
Training contracts	12,274	7,450	9,237
Other	3,288	6,421	7,240
Financial sustainability strategies (1)	10,639	-	-
Donations and other contributions			
Donations and operating grants	3,172	5,345	5,082
Expended capital recognized as revenue	2,235	1,898	2,118
Investment income (Note 15)	12,305	17,976	29,762
	<u>346,509</u>	<u>357,945</u>	<u>348,970</u>
Expense (Notes 2(j), 17):			
Instructional delivery	171,521	177,770	173,098
Applied research	7,003	8,061	6,482
Institutional support	47,949	50,122	45,307
Facilities operations and maintenance	53,741	48,579	45,821
Academic and student support	46,302	45,253	45,263
Ancillary services	19,785	22,323	21,895
Fundraising	208	208	193
	<u>346,509</u>	<u>352,316</u>	<u>338,059</u>
Annual operating surplus	<u>\$ -</u>	5,629	10,911
Endowment contributions and capitalized investment income (Note 12)		1,166	2,714
Annual surplus		6,795	13,625
Accumulated surplus, beginning of year (Note 12)		272,037	258,412
Accumulated surplus, end of year (Note 12)		<u>\$ 278,832</u>	<u>\$ 272,037</u>

The accompanying notes are part of these consolidated financial statements.

(1) Financial Sustainability Strategies were budgeted as a single number for NAIT to identify revenue increases and expense reductions throughout the year. Actual amounts related to sustainability strategies are shown in the actual numbers for various revenues and expenses.

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2016 (IN THOUSANDS OF DOLLARS)

	2016		2015
	Budget	Actual	Actual
Annual surplus	\$ -	\$ 6,795	\$ 13,625
Acquisition of tangible capital assets	(113,641)	(98,100)	(116,810)
Net proceeds from disposal of tangible capital assets	30	119	2,970
Amortization of tangible capital assets	24,169	22,137	21,063
Loss (gain) on disposal of tangible capital assets	900	(45)	(1,049)
Decrease (increase) in inventories of supplies	-	40	(81)
Decrease (increase) in prepaid expenses	-	116	(256)
Increase in spent deferred capital contributions		26,561	82,635
(Decrease) increase in accumulated remeasurement gains		(1,047)	4,311
(Decrease) increase in net financial assets		(43,424)	6,408
Net financial assets, beginning of year		148,705	142,297
Net financial assets, end of year		\$ 105,281	\$ 148,705

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016 (IN THOUSANDS OF DOLLARS)

	2016	2015
OPERATING TRANSACTIONS		
Annual surplus	\$ 6,795	\$ 13,625
Add (deduct) non-cash items:		
Amortization of tangible capital assets	22,137	21,063
Expended capital recognized as revenue	(14,251)	(13,474)
(Gain) on disposal of portfolio investments	(1,677)	(6,091)
(Gain) on disposal of tangible capital assets	(45)	(1,049)
Increase (decrease) in employee future benefits	1,166	(426)
Decrease (increase) in accounts receivable	657	(1,530)
(Increase) decrease in inventories for resale	(1,467)	47
(Decrease) increase in accounts payable and accrued liabilities	(1,414)	8,235
(Decrease) increase in unearned revenue	(918)	2,815
(Decrease) in deferred contributions	(3,252)	(39,878)
Decrease (increase) in inventories of supplies	40	(81)
Decrease (increase) in prepaid expenses	116	(256)
Increase in spent deferred capital contributions, excluding expended capital recognized as revenue	40,532	95,716
Cash provided by operating transactions	48,419	78,716
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(97,820)	(116,418)
Net proceeds from disposal of tangible capital assets	119	2,970
Cash applied to capital transactions	(97,701)	(113,448)
INVESTING TRANSACTIONS		
Purchase of portfolio investments	(99,169)	(537,061)
Proceeds from disposal of portfolio investments	157,209	515,366
Cash provided by (applied to) investing transactions	58,040	(21,695)
FINANCING TRANSACTIONS		
Debt repayment	(495)	(478)
Cash applied to financing transactions	(495)	(478)
Net increase (decrease) in cash and cash equivalents	8,263	(56,905)
Cash and cash equivalents, beginning of year	7,591	64,496
Cash and cash equivalents, end of year	\$ 15,854	\$ 7,591

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

FOR THE YEAR ENDED JUNE 30, 2016 (IN THOUSANDS OF DOLLARS)

	2016	2015
Accumulated remeasurement gains, beginning of year	\$ 9,059	\$ 4,747
Unrealized gains attributable to:		
Portfolio investments (Note 5)		
Non-endowment	4,024	18,945
Amount recognized in consolidated statement of operations:		
Portfolio Investments (Note 5)		
Non-endowment	(5,071)	(14,633)
Accumulated remeasurement gains, end of year	<u>\$ 8,012</u>	<u>\$ 9,059</u>

The accompanying notes are part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016 (IN THOUSANDS OF DOLLARS)

1. AUTHORITY AND PURPOSE

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) General - Canadian Public Sector Accounting Standards (PSAS) and Use of Estimates

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

(b) Valuation of Financial Assets and Liabilities

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

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash and cash equivalents	Amortized cost
Portfolio investments	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Debt	Amortized cost

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

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

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

(c) Revenue Recognition

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

Government grants, non-government grants and donations

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

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

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

Grants and donations related to land

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

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

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

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

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is adjusted and the donors are notified, where appropriate.

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.

Investment Income

Investment income includes dividends, interest income and realized gains or losses on the sale of portfolio investments, as well as revenue distributed by the pooled funds (which also includes dividends, interest and gains and losses). Some pooled funds distribute revenue monthly while others distribute annually on December 31. Revenue is accrued for the pooled funds

with a December 31 distribution for the period January 1 to June 30 (6 months). The accrual is calculated using historical distribution information per unit and current market values.

Investment income from restricted grants is recognized as deferred contributions when the terms of use create a liability, and is recognized as investment income when the terms of the grant are met. Realized investment income allocated to endowment balances for the preservation of endowment capital purchasing power is recognized in the consolidated statement of operations as a component of endowment contributions and capitalized investment income. 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) Inventories

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

(e) 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. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

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

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

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

(f) Asset Retirement Obligations

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

(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.

(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 year and are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

Long-term disability

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

Supplementary retirement plan

NAIT maintains a supplementary pension plan for certain senior executives. The pension expense for defined benefit supplementary retirement plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

Special leave plan

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

Management retirement plan

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

(i) Basis of Consolidation

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

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

(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.

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.

Facilities operations and maintenance

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

Academic and student support

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

Ancillary services

Expenses related to operations outside of the normal instructional and support functions, including *shopATNAIT*, *eatATNAIT* and parking.

Fundraising

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

(k) 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.

(l) Future Accounting Changes

In March 2015, the Public Sector Accounting Board issued PS 2200 Related Party Disclosures and PS 3420 Inter-entity Transactions. In June 2015, the Public Sector Accounting Board issued PS 3210 Assets, PS 3320 Contingent Assets, PS 3380 Contractual Rights and PS 3430 Restructuring Transactions. These accounting standards are effective for fiscal years starting on or after April 1, 2017, with the exception of PS 3430, which is effective for fiscal years starting on or after April 1, 2018.

- PS 2200 Related Party Disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS 3420 Inter-entity Transactions establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.
- PS 3210 Assets provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts and establishes general disclosure standards for assets.
- PS 3320 Contingent Assets defines and establishes disclosure standards for contingent assets.
- PS 3380 Contractual Rights defines and establishes disclosure standards on contractual rights.
- PS 3430 Restructuring Transactions defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

Management is currently assessing the impact of these standards on the consolidated financial statements. NAIT discloses transactions and balances related to the Government of Alberta in Note 19.

3. CHANGES IN ACCOUNTING POLICIES

(a) Adoption of the net debt model

The net debt model (with reclassification of comparatives) has been adopted for the presentation of financial statements. Net financial assets or net debt is measured as the difference between NAIT's financial assets and liabilities.

The effect of this change results in changing the presentation of the statement of financial position and adding the statement of change in net financial assets. The change in presentation also requires a reallocation of unrealized gains and losses on portfolio investments between endowment interest and principal (deferred contributions) and accumulated operating surplus (accumulated remeasurement gains and losses).

(b) Endowment contributions and capitalized investment income

Effective July 1, 2015, 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. In prior years, such transactions were recognized as direct increases to endowments, not through income in the consolidated statement of operations, in the period they were received. This change in accounting policy is applied retroactively with restatement of comparatives.

	2015		
	Previously reported	Change in accounting policy (b)	Restated
Increase (decrease) in:			
Consolidated statement of operations			
Transfer to endowments	\$ (2,420)	\$ 2,420	\$ -
Endowment contributions and capitalized investment income	-	2,714	2,714
Accumulated surplus, beginning of year	223,254	35,158	258,412
Accumulated surplus, end of year	231,745	40,292	272,037

4. CASH AND CASH EQUIVALENTS

	2016	2015
Cash	\$ 22,022	\$ 13,346
Less: Funds held on behalf of others (Note 18)	(6,168)	(5,755)
	<u>\$ 15,854</u>	<u>\$ 7,591</u>

5. PORTFOLIO INVESTMENTS

	2016	2015
Non-endowment	\$ 331,415	\$ 390,651
Restricted for endowments	49,961	47,569
Total portfolio investments	<u>\$ 381,376</u>	<u>\$ 438,220</u>

As at June 30, 2016, the average effective bond and dividend yields and the terms to maturity are as follows:

- Fixed income: ranging from 0.99% to 1.95% (2015: 1.01% to 2.02%); weighted-average yield 1.51% (2015: 1.48%); terms to maturity range from less than one year to greater than 10 years
- Canadian equity: 3.10% (2015: 3.38%)
- All World equity: 2.95% (2015: 2.98%)

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

	2016			
	Level 1	Level 2	Level 3	Total
Portfolio investments at fair value:				
Fixed income *	\$ -	\$ 249,198	\$ -	\$ 249,198
Canadian equity	47,548	-	-	47,548
All World equity **	83,372	47	-	83,419
Other	-	-	1,211	1,211
	<u>\$ 130,920</u>	<u>\$ 249,245</u>	<u>\$ 1,211</u>	<u>\$ 381,376</u>
	<u>34.3%</u>	<u>65.4%</u>	<u>0.3%</u>	<u>100.0%</u>

	2015			
	Level 1	Level 2	Level 3	Total
Portfolio investments at fair value:				
Fixed income *	\$ -	\$ 304,642	\$ -	\$ 304,642
Canadian equity	53,465	119	-	53,584
All World equity **	79,059	196	-	79,255
Other	-	-	739	739
	<u>\$ 132,524</u>	<u>\$ 304,957</u>	<u>\$ 739</u>	<u>\$ 438,220</u>
	<u>30.2%</u>	<u>69.6%</u>	<u>0.2%</u>	<u>100.0%</u>

2016 level composition is based on December 31, 2015, information provided by investment manager.

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

** All World equity includes investments in Canadian markets, equating to 9.9% (2015: 9.6%) of the Fund at December 31, 2015.

Level 1 - Quote prices in active markets for identical assets.

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

The following table reconciles the changes in fair value of level 3 investments:

	2016			2015
	Pooled Funds	Other	Total	Total
Balance, beginning of year	\$ -	\$ 739	\$ 739	\$ 1,100
Net transfers in (out)	-	-	-	(320)
Investment income	-	477	477	464
Funds disbursed to NAIT	-	(4)	(4)	(504)
Expenses	-	(1)	(1)	(1)
Balance, end of year	\$ -	\$ 1,211	\$ 1,211	\$ 739

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

Presented as:	2016	2015
Net unrealized gains, beginning of year	\$ 11,667	\$ 6,193
Unrealized gains attributable to portfolio investments	5,964	22,240
Amounts reclassified to statement of operations	(6,445)	(16,766)
Net unrealized gains, end of year	\$ 11,186	\$ 11,667

	2016			2015
	Endowments recorded in deferred contributions (Note 9)	Accumulated remeasurement gains and losses	Total	Total
Balance, beginning of year	\$ 2,608	\$ 9,059	\$ 11,667	\$ 6,193
Increase (decrease) during year	566	(1,047)	(481)	5,474
Balance, end of year	\$ 3,174	\$ 8,012	\$ 11,186	\$ 11,667

6. FINANCIAL RISK MANAGEMENT

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

NAIT's portfolio investments are in a pooled fund portfolio. All of the pooled funds have a year end of December 31. Where June 30 information is not available, NAIT uses the preceding December 31 information from the investment manager 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.

	2016	2015
Canadian equity	\$ 1,279	\$ 986
All World equity*	3,454	2,108

* All World equity includes investments in Canadian markets, equating to 9.9% (2015: 9.6%) of the Fund at December 31, 2015.

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

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

- Financial institutions and broker/dealers handling the Institution'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.
- Leveraged investments that expose NAIT to liability beyond the amount invested is prohibited unless otherwise approved by the Finance and Audit Committee. These include but are not limited to derivatives, options, purchasing on margin and short selling of securities. Any approved exception by the Finance and Audit Committee must be consistent with taking appropriate action to ensure the preservation of capital.
- Except for the bonds issued or guaranteed by federal and provincial governments, no more than 10% of the fixed income portfolio will be invested in the bonds of a single issuer and related parties, and no single holding shall equal more than 10% of the market value of the total outstanding for that issue.
- The debt and equity investments in a single company are limited to 10% of the book value of the fund.
- No equity in the portfolio shall represent more than 9.9% of the voting shares of a company. The maximum equity holding of a company is limited to a weight of 10% of the market value of the Canadian equity and Global equity portfolios as the case may be.

Foreign Currency Risk

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

A 5% strengthening or weakening in the Canadian dollar would result in a \$3,429 (2015: \$3,566) change in the market value of the investment portfolio.

Credit Risk

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

The credit rating distribution of the fixed income portfolio is as follows:

	2016	2015
AAA	27.5%	24.9%
AA	35.9%	41.9%
A	23.8%	22.8%
BBB	10.8%	8.8%
B	0.0%	0.1%
Short-term investments and other net assets (liabilities)	2.0%	1.5%
	100.0%	100.0%

Liquidity Risk

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 as cost effectively as possible. As at June 30, 2016, NAIT had not drawn on this line of credit.

Interest Rate Risk

Interest rate risk is the risk to NAIT's earnings that arises from the fluctuations in interest rates and the degree of volatility in these rates. The risk is managed by contractually setting interest rates with banking institutions and investing in a fixed income portfolio with a variety of interest rates and terms to maturity. Interest risk on NAIT's debt is managed through fixed-rate agreements with Alberta Capital Finance Authority (Note 8).

A 1% change in the interest rate in the fixed income portfolio would result in a \$10,489 (2015: \$11,513) change in the market value of the investment portfolio.

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

	2016	2015
< 1 year	20.7%	18.0%
1 - 5 years	54.2%	65.6%
> 5 years	25.1%	16.4%
	100.0%	100.0%
Average effective yield	1.51%	1.48%

7. EMPLOYEE FUTURE BENEFIT LIABILITIES

Employee future benefit liabilities are comprised of the following:

	2016	2015
Accrued vacation pay	\$ 20,777	\$ 20,713
Long-term disability	5,089	4,344
Supplementary retirement plan	1,269	986
Special leave plan	493	396
Management retirement plan	76	99
	<u>\$ 27,704</u>	<u>\$ 26,538</u>

A. Defined benefit plans accounted for on a defined benefit basis

Long-term disability (LTD)

NAIT provides long-term disability defined benefits to employees. The most recent actuarial valuation for these benefits was as at June 30, 2016. The long-term disability plan provides pension and non-pension benefits after employment but before the employee's normal retirement date. Salary costs are covered by an insurance plan.

Supplementary Retirement Plan (SRP)

NAIT provides non-contributory defined supplementary retirement benefits to current and past executives. An actuarial valuation of these benefits was carried out as at June 30, 2016.

Special Leave Plan

NAIT provides compensated absences for its employees under a special leave plan. Under this plan, employees contribute 18% of their gross bi-weekly earnings for a contributory period of four years. For the fifth year, employees receive 82% of their gross salary as of the last day of their contributory period. Alternatively, employees contribute 18% of their gross bi-weekly earnings for a contributory period of two years and, for the subsequent six months, receive 82% of their gross salary as of the last day of their contributory period. NAIT funds the shortfall between the contributed funds, including interest earned, and the gross salary to be paid to the employee during their compensated absence. NAIT's contribution to the total liability under the plan is \$414 (2015: \$364), and has been discounted at a rate of 0.0% (2015: 0.0%).

B. Defined benefit plans accounted for on a defined contribution basis

Local Authority Pension Plan

The Local Authority Pension Plan (LAPP) is a multi-employer contributory defined benefit pension plan for staff members and is accounted for on a defined contribution basis. As at December 31, 2015, the LAPP reported an actuarial deficiency of \$923,416 (2014: \$2,454,636). As at June 30, 2016, NAIT recorded 2,291 (2015: 2,376) pensionable contributors comprising 1.47% (2015: 1.56%) of active LAPP membership. NAIT is not responsible for future funding of the plan deficit other than through contribution increases. The pension expense recorded in these financial statements is \$24,099 (2015: \$22,808).

Management Retirement Plan

A management retiring allowance was established in 1988 in response to market conditions. The allowance is \$2 per year of eligible service. To be eligible to receive this allowance, employees must have been employed in an eligible management position with NAIT prior to July 1, 2002, and also be eligible for retirement benefits from the Local Authority Pension Plan. Managers whose employment with NAIT commenced on or after July 1, 2002, are not eligible for this allowance. The liability is calculated based on management's best estimate of when the eligible employee will retire and a discount rate of 2.7% (2015: 3.0%).

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

	2016			
	LTD	SRP	Special Leave	Management Retiring
Expense				
Current service cost	\$ 2,018	\$ 222	\$ 639	\$ 6
Interest cost	53	41	-	-
Amortization of actuarial (gains) losses	-	29	-	-
	<u>\$ 2,071</u>	<u>\$ 292</u>	<u>\$ 639</u>	<u>\$ 6</u>
Financial Position				
Accrued benefit obligation:				
Balance, beginning of year	\$ 4,344	\$ 986	\$ 396	\$ 99
Current service cost	2,018	222	639	6
Interest cost	53	41	-	-
Benefits paid	(1,326)	(9)	(542)	(29)
Actuarial (gain) loss	-	29	-	-
Balance, end of year	<u>\$ 5,089</u>	<u>\$ 1,269</u>	<u>\$ 493</u>	<u>\$ 76</u>
	2015			
	LTD	SRP	Special Leave	Management Retiring
Expense				
Current service cost	\$ (331)	\$ 205	\$ 237	\$ 11
Interest cost	53	46	-	-
Amortization of actuarial (gains) losses	-	454	-	-
	<u>\$ (278)</u>	<u>\$ 705</u>	<u>\$ 237</u>	<u>\$ 11</u>
Financial Position				
Accrued benefit obligation:				
Balance, beginning of year	\$ 4,780	\$ 1,801	\$ 596	\$ 122
Current service cost	(331)	205	237	11
Interest cost	53	46	-	-
Benefits paid	(158)	(1,520)	(437)	(34)
Actuarial (gain) loss	-	454	-	-
Balance, end of year	<u>\$ 4,344</u>	<u>\$ 986</u>	<u>\$ 396</u>	<u>\$ 99</u>

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

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

	2016		2015	
	LTD	SRP	LTD	SRP
Accrued benefit obligation:				
Discount rate	2.45%	2.45%	2.60%	2.60%
Long-term average compensation increase	3.00%	3.00%	2.25%	3.00%
Benefit cost:				
Discount rate	2.45%	2.60%	2.60%	2.60%
Long-term average compensation increase	3.00%	3.00%	2.25%	3.00%
Alberta inflation (long-term)	2.00%	2.00%	2.00%	2.00%
Estimated average remaining service life	6	13	6	14

8. DEBT

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

	Collateral	Maturity Date	Interest Rate	2016		2015	
				Amortized Cost		Amortized Cost	
Debentures payable to Alberta Capital Finance Authority:							
Parkade	Cash flows	December 2042	3.426%	\$	\$21,645	\$	22,140
Centre for Applied Technology	Note (1)	June, 2019	1.843%		150,000		150,000
				\$	171,645	\$	172,140

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

Principal and interest repayments are as follows:

	Principal	Interest	Total
2017	\$ 49,598	\$ 3,277	\$ 52,875
2018	50,524	2,350	52,874
2019	51,468	1,406	52,874
2020	567	682	1,249
2021	587	663	1,250
Thereafter	18,901	7,962	26,863
	\$ 171,645	\$ 16,340	\$ 187,985

Interest expense on debt is \$3,518 (2015: \$3,641) and is included in the consolidated statements of operations.

9. DEFERRED CONTRIBUTIONS

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

	Unexpended Operating Contributions	Unexpended Capital Contributions	Total
Balance as at July 1, 2014	\$ 23,329	\$ 61,343	\$ 84,672
Grants and donations received	35,869	56,880	92,749
Investment income (Note 15)	3,669	814	4,483
Unearned capital acquisition transfers (Note 11)	-	(96,759)	(96,759)
Recognized as revenue	(38,463)	-	(38,463)
Transferred to endowment	(1,888)	-	(1,888)
Change in unrealized gain on investments relating to endowments (Note 5)	1,163	-	1,163
Balance as at June 30, 2015	\$ 23,679	\$ 22,278	\$ 45,957
Grants and donations received	56,746	28,024	84,770
Investment income (Note 15)	2,743	38	2,781
Unearned capital acquisition transfers (Note 11)	-	(40,856)	(40,856)
Recognized as revenue	(49,581)	-	(49,581)
Transferred to endowment	(366)	-	(366)
Change in unrealized gain on investments relating to endowments (Note 5)	566	-	566
Balance as at June 30, 2016	\$ 33,787	\$ 9,484	\$ 43,271

10. TANGIBLE CAPITAL ASSETS

	2016							2015
	Land	Buildings, Leasehold and Site Improvements	Furnishings, Equipment and Systems	Vehicles	Library holdings	Projects in progress	Total	Total
Cost								
Beginning of year	\$ 33,049	\$ 314,524	\$ 123,649	\$ 2,759	\$ 3,427	\$ 156,503	\$ 633,911	\$ 522,842
Acquisitions	7,654	10,679	9,198	301	114	70,154	98,100	116,810
Disposals	-	(388)	(5,609)	(310)	(26)	-	(6,333)	(5,741)
	40,703	324,815	127,238	2,750	3,515	226,657	725,678	633,911
Accumulated Amortization								
Beginning of year	-	(151,241)	(86,743)	(1,892)	(2,250)	-	(242,126)	(224,883)
Amortization expense	-	(12,455)	(9,086)	(308)	(288)	-	(22,137)	(21,063)
Disposals	-	318	5,605	310	26	-	6,259	3,820
	-	(163,378)	(90,224)	(1,890)	(2,512)	-	(258,004)	(242,126)
Net book value at June 30, 2016	\$ 40,703	\$ 161,437	\$ 37,014	\$ 860	\$ 1,003	\$ 226,657	\$ 467,674	
Net book value at June 30, 2015	\$ 33,049	\$ 163,283	\$ 36,906	\$ 867	\$ 1,177	\$ 156,503	\$ 391,785	\$ 391,785

Cost includes work-in-progress totaling \$226,657 (2015: \$156,503), comprised of buildings \$213,320 (2015: \$155,446), site improvements \$51 (2015: \$0), leasehold improvements \$114 (2015: \$559), equipment \$13,172 (2015: \$497) and software \$0 (2015: \$1).

Acquisitions during the year include in-kind contributions in the amount of \$280 (2015: \$392).

11. SPENT DEFERRED CAPITAL CONTRIBUTIONS

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

	2016	2015
Balance, beginning of year	\$ 263,879	\$ 181,245
Transfers from unspent deferred capital contributions (Note 9)	40,856	96,759
Expended capital recognized as revenue	(14,251)	(13,474)
Net book value of asset disposals	(44)	(651)
Balance, end of year	\$ 290,440	\$ 263,879

12. ACCUMULATED SURPLUS

	Accumulated Operating Surplus	Funds and Reserves	Investment in Tangible Capital Assets	Endowments	Total Accumulated Surplus
Balance as at July 1, 2014	\$ 25,506	\$ 103,340	\$ 94,408	\$ 35,158	\$ 258,412
Annual surplus	10,911	-	-	2,714	13,625
Acquisition of capital assets	(6,380)	(13,670)	20,050	-	-
Expenditures funded from funds and reserves	1,066	(1,066)	-	-	-
Debt - repayment	(478)	-	478	-	-
Net book value of asset disposals	1,270	-	(1,270)	-	-
Amortization of capital assets	7,590	-	(7,590)	-	-
Transfers	(30,409)	27,989	-	2,420	-
Balance as at June 30, 2015	\$ 9,076	\$ 116,593	\$ 106,076	\$ 40,292	\$ 272,037
Annual surplus	5,629	-	-	1,166	6,795
Acquisition of capital assets	(47,548)	(9,696)	57,244	-	-
Expenditures funded from funds and reserves	2,104	(2,104)	-	-	-
Debt - expenditures from funds received in prior years	43,683	-	(43,683)	-	-
Debt - repayment	(495)	-	495	-	-
Net book value of asset disposals	29	-	(29)	-	-
Amortization of capital assets	7,886	-	(7,886)	-	-
Transfers	(1,298)	1,298	-	-	-
Balance as at June 30, 2016	\$ 19,066	\$ 106,091	\$ 112,217	\$ 41,458	\$ 278,832
Total accumulated operating surplus	\$ 19,066	106,091	112,217	\$ 41,458	\$ 278,832
Accumulated remeasurement gains and losses	8,012	-	-	-	8,012
Total net assets	\$ 27,078	\$ 106,091	\$ 112,217	\$ 41,458	\$ 286,844

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

Funds and reserves

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

	Balance, Beginning of Year	Appropriations from (returned to) Accumulated Operating Surplus	Disbursements During the Year	Balance, End of Year
Appropriation for capital activities:				
Centre for Applied Technology Cascading Reserve	\$ -	\$ 28,000	\$ (288)	\$ 27,712
Centre for Applied Technology	50,590	(28,020)	(905)	21,665
Main Campus Renovations	14,000	346	-	14,346
Student Housing	10,000	-	-	10,000
Capital Renewal	1,816	132	(35)	1,913
LRT-related Activities	41	-	(10)	31
Strategic Land and Capital Purchases	8,000	(346)	(7,654)	-
Boreal Research Institute Office - Peace River	21	-	(21)	-
Academic Incentive Plan	-	715	(715)	-
Academic Development Fund	-	38	(38)	-
General Research Fund	-	30	(30)	-
	<u>84,468</u>	<u>895</u>	<u>(9,696)</u>	<u>75,667</u>
Appropriation for operating activities:				
Academic Development Fund	3,928	87	(160)	3,855
Strategic Investment Fund	3,738	-	(161)	3,577
Academic Incentive Plan	3,709	(715)	(487)	2,507
Department of Corporate, International and Continuing Education Course Development	1,173	464	(313)	1,324
General Research Fund	1,577	504	(920)	1,161
Capital Renewal	-	43	(43)	-
Centre for Applied Technology	-	20	(20)	-
	<u>14,125</u>	<u>403</u>	<u>(2,104)</u>	<u>12,424</u>
Appropriation for programs, operations and equipment				
	18,000	-	-	18,000
	<u>\$ 116,593</u>	<u>\$ 1,298</u>	<u>\$ (11,800)</u>	<u>\$ 106,091</u>

13. CONTINGENT LIABILITIES

- (a) NAIT is a defendant in a number of legal proceedings. While the ultimate outcome and liability of these proceedings cannot be reasonably predicted at this time, it is the opinion of NAIT's management that any settlement will not have a material, adverse effect on the financial position or the results of operations of NAIT.
- (b) NAIT has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, NAIT may be required to take appropriate remediation procedures to remove the asbestos. As NAIT has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these assets will be recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation.

NAIT has an obligation for asbestos remediation in E Wing, scheduled for 2017. Management estimates the remediation will cost \$190 (2015: \$0) based on contractual obligations and current industry costs. This amount is reported in the financial statements.

Plans to renovate, rather than demolish, L Building were approved during the year. As a result, the prior year's estimate for asbestos remediation (2015: \$1,516) was reversed.

14. 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.

	2016	2015
Capital project	\$ 33,519	\$ 80,447
Operating leases	10,915	6,901
	<u>\$ 44,434</u>	<u>\$ 87,348</u>

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

	Capital Projects	Capital Leases	Operating Leases	Total
2017	\$ 31,635	\$ 1,051	\$ 2,317	\$ 35,003
2018	1,884	1,093	1,681	4,658
2019	-	1,093	687	1,780
2020	-	1,093	441	1,534
2021	-	1,093	367	1,460
	<u>\$ 33,519</u>	<u>\$ 5,422</u>	<u>\$ 5,493</u>	<u>\$ 44,434</u>

As at June 30, 2016, NAIT has contractual commitments for capital projects as follows:

Centre for Applied Technology	\$ 22,548
Productivity and Innovation Centre	6,281
Various other projects	4,690
	<u>\$ 33,519</u>

15. INVESTMENT INCOME

	2016	2015
Investment earnings	\$ 18,925	\$ 32,880
Less transferred to Deferred Contributions (Note 9)	(2,781)	(4,483)
Investment earnings from unrestricted sources	16,144	28,397
Add transfers from Deferred Contributions	1,832	1,365
Investment income	\$ 17,976	\$ 29,762

Investment earnings include an accrual of \$5,663 (2015: \$3,759). The accrual represents management's best estimate of revenue earned from January 1 to June 30 (6 months) and not yet distributed, based on information provided by the Investment Manager (see Note 2(c)).

16. SALARY AND EMPLOYEE BENEFITS

	2016				2015
	Base Salary ¹	Other Cash Benefits ²	Other Non-Cash Benefits ^{3,4}	Total	Total
Chair of the Board ⁵	\$ -	\$ -	\$ -	\$ -	\$ -
Board Members ⁵	-	-	6	6	1
President and CEO	378	117	195	690	570
Provost and Vice President Academic	239	49	111	399	360
Vice President External Relations and CDO	239	49	109	397	388
Vice President Administration and CFO	239	82	30	351	314
Chief Strategy Officer ⁶	74	30	(5)	99	221

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include variable compensation payments, vacation payouts by special approval or upon retirement, car allowance and pay in lieu of employee benefits.

(3) Other non-cash benefits include

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

(4) Supplementary Retirement Plan

Under the terms of the supplementary retirement plan (SRP), executive officers may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an

actuarially determined post-employment period. The SRP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses and interest accruing on the actuarial liability.

NAIT uses a discount rate being determined with reference to its borrowing rate of 2.60% in the actuarial valuation of the current service costs.

The supplementary retirement plan current service cost and accrued obligation for each of the executives in the above table are outlined in the following table:

	2016				2015
	Current Service Cost	Interest Cost	Prior Service and Other Costs	Total	Total
President and CEO	\$ 113	\$ 16	\$ 9	\$ 138	\$ 131
Vice President External Relations and CDO	50	15	14	79	73
Provost and Vice President Academic	59	5	2	66	52

The accrued obligation for each executive under the SRP is outlined in the following table:

	Accrued obligation June 30, 2015	Service Cost	Interest Cost	Benefits Paid	Actuarial Loss	Accrued Obligation June 30, 2016
President and CEO	\$ 490	\$ 113	\$ 16	-	\$ 196	\$ 815
Vice President External Relations and CDO	542	50	15	-	198	805
Provost and Vice President Academic						
Current incumbent	124	59	5	-	67	255
Past incumbent	200	-	5	(9)	3	199

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

- (5) 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.
- (6) The past incumbent Chief Strategy Officer left her position on November 30, 2015. The vacant position has not yet been filled.

17. EXPENSE BY OBJECT

The following is a summary of expenses by object:

	2016		2015
	Budget	Actual	Actual
Salaries and employee benefits	\$ 247,029	\$ 253,600	\$ 237,643
Materials, supplies and services			
Cost of goods sold	12,702	14,940	14,016
Purchased labour and services	13,770	12,786	13,617
Classroom, lab and general supplies	10,967	13,639	15,782
Other materials, supplies and services	8,140	9,220	9,491
Maintenance and repairs	16,920	12,649	14,398
Utilities	6,919	6,964	6,145
Scholarships, bursaries and prizes	2,375	2,863	2,263
Interest expense	3,518	3,518	3,641
Amortization of capital assets	24,169	22,137	21,063
	<u>\$ 346,509</u>	<u>352,316</u>	<u>\$ 338,059</u>

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 financial statements.

	2016	2015
Alberta Post-Secondary Application System Society	\$ 4,324	\$ 4,023
NAIT Students' Association	1,844	1,732
	<u>\$ 6,168</u>	<u>\$ 5,755</u>

19. GOVERNMENT OF ALBERTA TRANSACTIONS AND BALANCES

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.

	2016	2015 (restated)
Grants from Government of Alberta		
Advanced Education		
Campus Alberta	\$ 150,656	\$ 145,048
Apprenticeship	27,284	23,420
Infrastructure Maintenance Program	3,116	4,057
Capital - Centre for Applied Technology	24,700	44,000
Capital	30	4,280
Targeted enrolment expansion	7,123	1,979
Lights-on funding	4,784	-
Access to the Future Fund	-	5,370
Other	1,949	1,252
Total Advanced Education	219,642	229,406
Other Post-secondary Institutions	7	38
Other Government of Alberta departments and agencies		
Economic Development and Trade	3,978	115
Culture and Tourism	75	-
Agriculture and Forestry	74	52
Labour	53	64
Health	6	1
Total Other Government of Alberta departments and agencies	4,186	232
Total contributions received and receivable	223,835	229,676
Less deferred contributions	(32,186)	(53,279)
Total Government of Alberta operating grant revenue	\$ 191,649	\$ 176,397

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

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

20. BUDGET

NAIT's 2016 budget was approved by the Board of Governors and was presented to the Minister of Advanced Education as part of NAIT's submission of its 2015/16 to 2017/18 Comprehensive Institutional Plan.

21. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Governors of the Northern Alberta Institute of Technology on October 3, 2016.

22. COMPARATIVE FIGURES

Certain 2015 figures have been reclassified to conform to the presentation of the 2016 consolidated financial statements.





INSTITUTIONAL PROFILE

MANDATE STATEMENT

Established under the Post Secondary Learning Act (PSLA), the Board manages and operates the post-secondary institution within its approved mandate [PSLA Section 60(1)(a)].

The Northern Alberta Institute of Technology (NAIT) is a public, board governed technical institute operated as a Polytechnic Institution under the authority of the *Post Secondary Learning Act* of Alberta.

As a Polytechnic Institution, NAIT fulfills its role and mandate by offering educational programs and engaging in industry-driven applied research designed to meet the needs of Alberta, students, and industry. NAIT is committed to accessibility, innovation, and responsiveness through collaboration within the Campus Alberta system, and uses new approaches and new technology to deliver educational programs and facilitate collaboration.

Through a practical, hands-on, outcomes-based approach to education, NAIT attracts a diverse group of life-long learners who achieve success in their chosen field and who contribute to the economy and society of Alberta and other regions.

NAIT provides learners with options for career and credential progression by offering academic upgrading, apprenticeship programs, certificate and diploma programs, as well as applied and baccalaureate degrees in specified areas. NAIT delivers programs in a broad range of fields including biological sciences, business, construction, electrical, electronics, engineering technologies, health technologies, hospitality and tourism, manufacturing, mechanical, media and information technologies, natural resources, transportation and trades.

NAIT is valued globally for excellence in four program pillars: science, technology and the environment; health; business; and the trades. Additional priority areas and learner pathways focus on entrepreneurship, safety, sustainability, and energy. NAIT provides business incubator support for those seeking to create and develop new products and services and accelerate or launch new ventures. NAIT cultivates public and private partnerships that enhance student-learning outcomes, create career pathways, and serve communities in which NAIT operates.

NAIT engages in innovative applied research in areas such as boreal forest reclamation, oil sands sustainability, sustainable business practices, productivity enhancement, and others as identified by industry. Applied research is designed to generate immediate and identifiable impacts and solutions to business and industry through the development of new technologies and processes, while scholarly activity is conducted to enhance NAIT's curriculum and the educational experience of faculty and students.

NAIT offers an environment where students can excel and a robust recreation program that promotes health and wellness. Through its credit and non-credit learning opportunities, NAIT offers a large selection of courses and programs through a variety of delivery methods, creating flexible learning pathways. In addition, NAIT offers customized training and workforce development for domestic and international corporate clients in key business and industry sectors.

NAIT believes in and fosters holistic student success through an integrated approach to academic quality and excellence, including the use of leading-edge technology and customer focused student services. Services for students are available through face-to-face and virtual interactions. The Aboriginal and International Student Centres provide additional support to help meet the cultural needs of learners.

In order to be competitive in a global economy, business and industry require a workforce with the knowledge, skills and attitudes to recognize and pursue opportunities, improve productivity, embrace change and promote innovation. As an internationally recognized Polytechnic institute, NAIT is a leader in equipping its graduates for success in the global economy.

Approved by Minister of Advanced Education, June 16, 2014.

GOVERNANCE AND ADMINISTRATION

AS AT JUNE 30, 2016

BOARD OF GOVERNORS

PUBLIC MEMBERS

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Fountain Tire Ltd.

Val Berger

Vice President, Regulatory and Controller

ATCO Gas

Diane Brickner

Andy Clark

CEO Canadian Humalite International Inc.

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Ray Pisani

President and CEO

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Larry Spagnolo

Chief Commercial Officer

Zedi

JudyLynn Archer

President and CEO

Women Building Futures

NAIT STAFF MEMBERS

Dr. Glenn Feltham

President and CEO

Shauna MacDonald

Instructor, English and Communications

(Academic Representative)

Randy Tribiger

Instructor, Electrician Programs

(Academic Representative)

Jeff Mason

Web Content Coordinator

Marketing and Communications

(AUPE Representative)

NAIT STUDENT MEMBERS

Nicolas Brown

Student, Bachelor of Business Administration -

Accounting

Justin Nand

Student, Bachelor of Business Administration -

Accounting

GOVERNANCE AND ADMINISTRATION

AS AT JUNE 30, 2016

COMMITTEES OF THE BOARD OF GOVERNORS

ACADEMIC COUNCIL

Dr. Glenn Feltham (Chair)

CAMPUS DEVELOPMENT COMMITTEE

Kevin Nabholz (Chair - to April 2015)

Mark Ohe (Chair - from Sept 2015)

EXECUTIVE COMMITTEE

Brent Hesje (Chair)

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FINANCE COMMITTEE

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AUDIT COMMITTEE

Val Berger (Chair)

GOVERNANCE COMMITTEE

Randy McLeod (Chair)

HUMAN RESOURCES COMMITTEE

Daryl Kruper (Chair)

NAIT SENIOR OFFICERS

PRESIDENT AND CHIEF EXECUTIVE OFFICER PORTFOLIO

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PROVOST AND VICE-PRESIDENT ACADEMIC PORTFOLIO

Dr. Neil Fassina

VICE PRESIDENT ADMINISTRATION AND CHIEF FINANCIAL OFFICER PORTFOLIO

Dr. Ray Block

VICE PRESIDENT EXTERNAL RELATIONS AND CHIEF DEVELOPMENT OFFICER PORTFOLIO

George Andrews

NAIT FOUNDATION

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