



# ANNUAL REPORT 2020/2021



**WE ARE ESSENTIAL**

At NAIT, we honour and acknowledge that the land on which we learn, work and live is Treaty Six territory. This place is a traditional homeland for the First Nations and Métis Peoples, and today we are all part of this treaty land. The traditional name of this place is Amiskwaciy Waskahikan, which we also call the city of Edmonton.

There is a long history that has brought us to be on this land. At NAIT, we seek to learn from that history and the lessons that have come before us, and to draw on the wisdom of Canada's First Peoples who have lived on this land from time immemorial. Through this land acknowledgement, we have an opportunity and responsibility to reflect on the impacts of colonialism, historically and currently. Only through learning can we move forward in truth and reconciliation, and to a better future together.

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# ACCOUNTABILITY STATEMENT

The Northern Alberta Institute of Technology's (NAIT) Annual Report for the year ended March 31, 2021, was prepared under the Board's direction in accordance with the *Fiscal Planning and Transparency Act*. All material economic, environmental or fiscal implications of which we are aware have been considered in the preparation of this Report.

On behalf of the NAIT Board of Governors,



Ray Pisani  
Chair, NAIT Board of Governors  
September 28, 2021

# 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, Audit, and Foundation Committees, as well as approved by the Board of Governors, and is prepared in accordance with the *Fiscal Planning and Transparency Act* and the *Post-secondary Learning Act*.

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

On behalf of management,



Laura Jo Gunter, MBA  
President and CEO



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

# MESSAGE FROM THE PRESIDENT AND CEO

NAIT is proud to be a leading polytechnic that delivers practical, hands-on education. We provide a career-ready workforce that meets industry's needs and advances Alberta's economic development, which is crucial to our province's future.

We have already begun to play a transformative role in Alberta's economic recovery. Despite the challenges of the past year, we contributed in ways that will have a lasting impact. This includes serving our students by pivoting to virtual and blended learning, initially as a response to COVID-19 then continuing to enable us to meet rising demand for more flexible learning environments. Students continued to benefit from valuable workplace experience, as 2,360 of them participated in work-integrated learning. We celebrated the success of 12,000 graduating students at our 57th convocation, held online. The vast majority of students reported high satisfaction with the quality of their education. Even through the pandemic, NAIT continued to grow. We expanded service and program offerings, including the introduction of 13 microcredentials, which allow Albertans to gain or validate the skills required to fully participate in an evolving workforce. Already, NAIT has issued a total of 1,625 microcredentials to learners to date, and we have made plans to launch more than 30 additional microcredentials within the next year. In addition, we introduced four new skilled trades diploma programs that are starting this fall, including plumbing, welding, automotive service and electrical installations technology.

Along with changes we have made within the institute, we were proud to participate in the Skills for Jobs Taskforce and to have engaged in *Alberta 2030: Building Skills for Jobs*, both of which will further align post-secondary education with emerging workforce and economic needs.

We have also reexamined our learning and working environment. In January 2021, NAIT launched an Equity, Diversity and Inclusion (EDI) strategy, the first in our history. We have a duty to ensure all people at NAIT feel safe, respected and valued. This strategy will strengthen the culture at the polytechnic, and by extension, will ensure NAIT graduates understand EDI and how it benefits us all.

NAIT also continued to work closely with industry. Over the year, we assisted nearly 200 businesses and conducted more than 100 research projects for various industries to help improve processes and operations. Our successes include progress in a project to detect microplastics in the environment and industrial processes, which is being conducted in partnership with Inter Pipeline Limited. We also initiated a program to train members of remote Indigenous communities in aspects of boreal forest management required by industry, which has been made possible with Future Skills Centre funding. And we laid the groundwork for the coming launch of the 5G research and development hub at our Productivity and Innovation Centre, where industry can test and validate products on this next-generation broadband network.

Such activities generated \$13 million in funding from external partners. This includes \$8 million from research revenues and \$5 million in new funding from Future Skills Centre, NSERC, Canada Foundation for Innovation, Alberta Innovates, the Government of Alberta, industry members and others.

That show of confidence from our partners was also evident in our advancement efforts. Fundraising was more successful than planned, with a total revenue of approximately \$11 million, well above our target of \$8.9 million. Notable gifts include an anonymous \$1-million donation that will fund bursaries for students in technology-related programs, and a \$2.4-million in-kind donation of software that gives NAIT students unique access to oil and gas data from across Western Canada.

Throughout the year, we have balanced financial sustainability and our dedication to high-quality, applied education. We ended the nine-month fiscal year with a modest surplus that we would not have experienced had it been a usual 12-month fiscal year.

We have emerged from 2020/21 with cautious optimism. We have a talented staff and strong leaders. NAIT also benefits from the support of a committed Board of Governors. The expertise and insight of its members help shape the institute by guiding us through current challenges and preparing us for future opportunities. On behalf of the institute, I thank them for their dedication to our success.

With an eye on those future opportunities, we produced our new strategic plan, *The NAIT Effect*. Focused on NAIT's essential impact on meaningful careers, globally competitive industry and vibrant communities, this plan sets the future direction for transformative polytechnic education.



Laura Jo Gunter, MBA  
President and CEO

# PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

The *Public Interest Disclosure (Whistleblower Protection) Act* facilitates the disclosure and investigation of wrongdoing in the public sector and protects employees in the public sector from reprisal for making a disclosure of wrongdoing in good faith. During the 2020/21 fiscal period, NAIT's Designated Officer:

- (a) received no disclosures of wrongdoing and had no disclosures referred to it by the Public Interest Commissioner,
- (b) did not act on any disclosures,
- (c) did not conduct any investigations as a result of disclosures, and
- (d) made no findings of wrongdoing resulting from disclosures, pursuant to the polytechnic's Safe Disclosure Policy and Procedure developed in compliance with the *Public Interest Disclosure (Whistleblower Protection) Act*.

# OPERATIONAL OVERVIEW

After nearly 60 years, the Northern Alberta Institute of Technology remains essential to Alberta, perhaps now more than ever. We provide hands-on, technology-based education and solutions to help individuals, industry and businesses in our province succeed. NAIT is valued globally for excellence in four program pillars: science, technology and the environment; health; business; and skilled trades. As a leading polytechnic, NAIT is defined by what we teach, our approach to learning, and the alignment of our programs with the needs of industry and Alberta's economy.

NAIT has a strong governance structure with robust finance and audit committees and an investment advisory subcommittee, composed of public board and community members with deep subject-matter expertise.

Our priority in 2020/21 was keeping students and staff safe, which was achieved through our rigorous on-campus health and safety measures that aligned with public health restrictions. Thanks to the extraordinary efforts of NAIT staff and students, we had minimal on-campus transmission and no outbreaks of COVID-19. This ensured we could keep our doors open for essential, hands-on shops and labs that are the cornerstone of a polytechnic education. Thanks to comprehensive safety plans, important applied research and industry partnership activities were also able to continue uninterrupted. In fact, we saw a 25% increase over the previous year in the number of applied research and innovation projects.

The COVID-19 pandemic continued to have a significant impact on our operations due to the reduction in activity on our campuses throughout the year. Despite these challenges, we focused on ensuring student learning continued and our online and blended delivery model allowed students to progress through their learning journey on time and with minimal disruptions. Important work-integrated learning opportunities continued, thanks to our connection with industry. Our experience through COVID-19 has accelerated our planned, long-term transformation to blended learning, which will meet new expectations of learners for more flexibility and accessibility.

The challenges of the last year have heightened the need to make learning accessible for all. In January 2021, we introduced our first Equity, Diversity and Inclusion Strategy. We are also focusing on increased demand for upskilling and reskilling as people move through their careers and/or seize opportunities to explore new job opportunities. This year, we launched 13 new microcredentials and have already issued more than 1,600 microcredentials to learners.

NAIT was proud to participate in the *Alberta 2030: Building Skills for Jobs* system review, and now we are looking forward to being part of the implementation. We are excited for the expanded opportunities for work-integrated learning and apprenticeships. We know hands-on learning and industry experience are important to polytechnic learners and to industry. This year, we partnered with Alberta Apprenticeship and Industry Training to pilot strategic enrolment management for apprenticeship programming, which allows us to more efficiently open, fill and staff sections in a staged manner.

We introduced four new skilled trades diploma programs to start in September 2021, in plumbing, welding, automotive service, and electrical installations technology.

We remain committed to being responsible stewards of public funds and to meeting government expectations. As a result of strong financial management and tough decisions, NAIT is financially healthy, and ended 2020/21 with a small surplus this fiscal period. NAIT planned to return to a balanced budget in 2020/21 – and then the pandemic hit. While our operations continued throughout the pandemic, the significant reduction in on-campus activity that carried into 2020/21 caused a substantial decline in revenues. This, combined with continued reductions to apprenticeship and Campus Alberta Grant funding, puts our long-term financial health at risk. We will continue to focus on our revenue streams and expenses to maintain strong financial health.

The pandemic has accelerated our institutional transformation efforts. We are applying what we have learned to shape our future, including in how we deliver polytechnic education, how we work with industry, and how we evolve the future of work for employees who have new expectations. Our province needs graduates with the skills to help the post-pandemic economy rebound and grow. NAIT will be essential in making this happen.

# GOALS AND PERFORMANCE MEASURES

## GOAL 1: Maintain an exceptional student experience while responding to the challenges presented by COVID-19.

### SUPPORTING DATA

MEASURE	RESULT	ANALYSIS	SOURCE
Student satisfaction with overall quality of educational experience	7/10 students stated they were satisfied	Despite the challenges of COVID-19, students at NAIT were overall satisfied with the quality of their educational experience.	NAIT Learner Survey (April 2021)
Student satisfaction with quality of instruction	Average score of 5.2 on a 6-point scale	The average score of student satisfaction with quality of instruction has remained unchanged from prior to COVID-19.	NAIT Student Survey on Instruction (Fall 2021)
Credit (DDCP) / Apprentice Full Load Equivalent (FLE)	Total estimated: 13,047 Non-apprentice: 11,009 Apprentice: 2,038 *subject to GoA validation <ul style="list-style-type: none"> <li>Reporting period July 1, 2020 - June 30, 2021</li> </ul>	DDCP FLE was lower by 1.5% compared to last year. This is primarily attributed to a decrease in new international students due to travel restrictions and study permit processing delays amidst COVID.  Apprentice FLE increased 45% over last year.	LERS submission and internal FLE report
Unique headcount by career	Credit - 16,178 Apprentice - 6,658 Non-Credit (NOCR) - 11,763	Apprentice headcount increased 34% over last year, rebounding from a difficult year where most of the winter term and all of spring was cancelled.  DDCP and NOCR headcounts were similar to the previous year.	DDCP - LERS
Total number of Program (DDCP) Graduates	4,475 *includes 614 late grads (completed program requirements and granted a credential, but have not had enrolments in the current academic year)	DDCP graduates are up roughly 10% from the previous year (4,075 graduates).	Tableau report for the others
Total Number of Apprentice Completers	2,026	Apprentice completers are up over 35% compared to last year (1,485).	LERS submission
Total non-credit registrations	28,364	Marks an increase of around 4% over last year.	Internal query tracking last period of enrolment

MEASURE	RESULT	ANALYSIS	SOURCE
Student satisfaction with the quality of student services at NAIT	89.7%	Overall student satisfaction with the quality of student services increased slightly from the previous year.	Tableau report tracking sum of enrolments (both graded and non-graded components)
Percentage of programs that offer a work-integrated learning <sup>1</sup> opportunity	66% as per the CEWIL guidelines	We saw an increase over the previous year due to the addition of several optional co-ops and on-campus WIL experiences.	Graduate Satisfaction and Employment Survey (Class of 2019/20)

## PRIORITY INITIATIVE 1: Maintain high-quality education and services for students.

### EXPECTED OUTCOMES

- Continue to offer high-quality education through online, in-person and blended delivery models, while adhering to public health restrictions.
- Maintain access to necessary student services to ensure students are supported.

### 2020/21 ACTIONS

- 93% of our classes shifted to an online or blended delivery model in spring 2020 to allow students to achieve learning outcomes. This was adjusted throughout the pandemic as we balanced public health restrictions with the educational requirements of learners.
- In fall 2020, we saw an average of 5,900 instructors, lab techs and students on NAIT campuses per week; that increased to about 7,100 per week for winter 2021 for essential labs and shops that cannot be delivered online.
- 75% of our Corporate and Continuing Education classes were delivered virtually in 2020/21, an increase from about 25% the year prior; essential on-campus learning was safely delivered.
- Student support services such as counselling, mental health, recreation and advising were shifted to virtual delivery, and an online version of the new student orientation was launched.
- Built a learner focused “test your tech” initiative where learners were oriented to the technology aspects of online learning before their classes began to ensure a positive experience with minimal technology issues.

## PRIORITY INITIATIVE 2: Minimize disruptions to student program progression and completions.

### EXPECTED OUTCOMES

- Students will have the opportunity to progress through their program as scheduled.
- Students on track to complete their program in 2020/21 will have the opportunity to do so.
- Ensure international learners can continue their studies at NAIT, at a distance given travel restrictions.

### 2020/21 ACTIONS

- Where on-campus learning was disrupted by COVID-19 (e.g., isolation or quarantine requirements), we prioritized learning and provided opportunities for students to make up missed labs and shops in order not to disrupt progress in their program.
- Collaborated with industry partners to ensure students could safely complete work-integrated learning opportunities required for program completion.
- Student Awards and Financial Aid awarded more than \$162,800 in COVID-19 student relief bursaries to 109 students to mitigate financial barriers related to the pandemic.
- Ensured there was flexibility and accessibility for international learners studying at NAIT from their home country.

<sup>1</sup> To provide quality work-integrated learning opportunities, NAIT has ensured consistency with Co-operative Education and Work-Integrated Learning (CEWIL) Canada’s guidelines, including best practices and WIL type definitions. NAIT WIL opportunities include co-ops, internships, mandatory professional practices, clinical placements and field placements.

## **PRIORITY INITIATIVE 3: Maintaining strong connections with industry, ensuring both graduates and employers have a good experience.**

### **EXPECTED OUTCOMES**

- Ensure learners can access meaningful employment opportunities, including work-integrated learning opportunities.
- Maintain the strong history of employer satisfaction with NAIT's career-ready graduates.

### **2020/21 ACTIONS**

- Expanded our work-integrated learning strategy to align with *Alberta 2030*.
- In 2020/21, 66% of NAIT programs offered a work-integrated learning opportunity for students in the form of co-ops, internships, mandatory professional practices, clinical placements and field placements. Our WIL opportunities are consistent with CEWIL guidelines. This is the baseline percentage submitted to the Government of Alberta to measure planned growth of WIL over the next several years, as part of performance-based funding.
- There were 2,360 students enrolled in a WIL course (not including apprentices), 57 of whom were international students.
- Federal funding through the Student Work Placement Program was secured and the wages of 63 students were subsidized.
- Continued to engage industry to keep NAIT programs relevant and responsive to their evolving needs.
- Continued to develop a relationship with Mitacs to support student stipends for WIL experiences, securing \$155,000 in new funding and receiving a total of \$220,000 in Mitacs grants for 2020/21.

## **PRIORITY INITIATIVE 4: Ensure the health and safety of learners and staff are prioritized.**

### **EXPECTED OUTCOMES**

- Prevent the spread of COVID-19 on NAIT campuses.
- Implement strong health and safety measures on campus so that staff and students feel safe.
- Support students and staff in isolating when sick or quarantining, and ensure they understand what supports are available to them.

### **2020/21 ACTIONS**

- Student health and safety was prioritized, and NAIT's rigorous approach to on-campus health and safety resulted in minimal on-campus transmission and no outbreaks of COVID-19.
- Implemented an on-campus safety campaign to ensure staff and students understood health and safety requirements.
- Regularly communicated to students that their health, and the health of others on campus, was the priority and that they will be supported in making up missed labs or shops if they were required to quarantine or isolate.
- NAIT's Disaster and Emergency Management professionals led the Alberta post-secondary after-action review of plans, protocols, actions and lessons learned during the initial COVID-19 pandemic response, which required post-secondary institutes to significantly reduce on-campus learning only to what was essential.
- Provided staff with additional support and resources to ensure they could take time for themselves and dependents for COVID-19-related absences.
- Supported staff who were temporarily laid off due to COVID-19 by offering a Supplementary Unemployment Benefit plan and paying for their health benefits.

## GOAL 2: Evolve polytechnic education for even greater impact.

### SUPPORTING DATA

MEASURE	RESULT	ANALYSIS	SOURCE
Learner preferences for online and blended learning	There was a 14% increase in preference for online learning and a 4% increase for blended learning between our Spring 2020 and Spring 2021 survey.	Evidence from these surveys suggest learner preferences are shifting toward online and blended delivery.	NAIT Learner Survey (Spring 2020 and Spring 2021)
Number of microcredentials issued	Over 1,600 microcredentials have been issued with an acceptance rate of 73%.	In our first year of tracking, we are seeing an increase in interest in microcredentials from students and industry partners.	Credly

### PRIORITY INITIATIVE 1: Explore new educational approaches and take on purposeful experiments with our approach while maintaining impactful learning experiences.

#### EXPECTED OUTCOMES

- Increased understanding and feedback on learning approaches to advance NAIT's blended learning future to enhance flexibility and student accessibility.

#### 2020/21 ACTIONS

- Gathered feedback from learners on preferences through the NAIT Learner Survey and student focus groups.
- Enhanced virtual reality, augmented reality and simulation capabilities to support improved accessibility and learner engagement.
- Offered several blended learning classes to NAIT students as we navigated through the COVID-19 pandemic. These classes combined virtual learning with essential in-person shops and labs, while adhering to public health restrictions and NAIT's health and safety protocols.

### PRIORITY INITIATIVE 2: Expanded programming opportunities to meet the needs of Alberta's future.

#### EXPECTED OUTCOMES

- Provide learners, throughout their careers, with accessible, stackable, complementary credentials that represent meaningful, recognized learning.

#### 2020/21 ACTIONS

- Introduced four new skilled trades diploma programs to start in September 2021, including plumbing, welding, automotive service, and electrical installations technology.
- Launched 13 microcredentials, 11 aligned with Project Management competencies and two aligned to Industrial Automation.
- Introduced 20 new industry-relevant certificates in Corporate and Continuing Education.
- Introduced a new certificate in Court Transcription.
- Soft-launched two new post-diploma certificates in January 2021: Cybersecurity and Data Analytics.

**PRIORITY INITIATIVE 3: Engage in efforts to enhance Alberta’s post-secondary system.**

**EXPECTED OUTCOMES**

- Through sector and government collaboration, achieve improvements in quality, accessibility, student experience and affordability for Alberta’s post-secondary system.

**2020/21 ACTIONS**

- Participated in the Skills for Jobs Taskforce and stakeholder engagement process that developed the recommendations for *Alberta 2030*.
- Participated in Government of Alberta consultations and conversations with the Alberta Deans of Trade to discuss apprenticeship education.
- Partnered with Alberta Apprenticeship and Industry Training (AIT) to pilot strategic enrolment management for apprenticeship programming.
- During the pandemic, the School of Skilled Trades worked with AIT to develop alternatives to practice assessments for apprenticeships.
- NAIT collaborated with 13 post-secondary institutions across Alberta and beyond on numerous applied research projects; this was a 30% increase from last year.
- Partnered with the province and MacEwan University to develop and pilot an innovative approach to apprenticeship in cybersecurity.
- Partnered with Keyano College and Portage College to implement a successful online co-teaching model during COVID-19 that supported students in our collaborative Bachelor of Business Administration program.

**GOAL 3: Provide impactful contributions with focused applied research activities in Energy, Environment and Sustainable Development to businesses and communities as Alberta charges through and beyond global energy transformations.**

**SUPPORTING DATA**

MEASURE	RESULT	ANALYSIS	SOURCE
Number of applied research and innovation projects	115	25% increase from previous year.	Polytechnics Canada annual survey report
New research funding secured	\$5 million	Secured funds during this shorter than usual reporting period are lower than previous fiscal year.  We have, however, broadened the funder pool to include sources previously not considered.	NSERC, Canada Foundation for Innovation, Alberta Innovates, GoA (JEI), Future Skills Centre, industry
Businesses engaged in applied research	196	6% decrease from year prior, and of those engaged a 15% increase in number of Small Medium Enterprises engaged.	Polytechnics Canada annual survey

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

### **EXPECTED OUTCOMES**

- Retain client engagement and trust.
- Incur minimal disruption to operations.
- Maintain student engagement.

### **2020/21 ACTIONS**

- Modified work plans and additional safety measures enabled staff and students to continue supporting industry innovation projects, and operations continued uninterrupted from June 2020.
- Increase in business development activities resulted in retained engagement of industry partners who remained committed to applied research activities that were underway.
- Created a new operational model for integrating applied research knowledge transfer with industry into upskilling opportunities and offerings within our Corporate and Continuing Education teams.
- Engaged in 115 applied research/innovation projects, a 25% increase from previous year.

## **PRIORITY INITIATIVE 2: Refocus NAIT's applied research activities to energy, environment and sustainable development.**

### **EXPECTED OUTCOMES**

- Greater industry engagement that results in new business.
- Increased reach and engagement of stakeholders.

### **2020/21 ACTIONS**

- Increased proposal development activity to meet growing industry need for applied research services resulted in \$5 million in secured funding from industry and government in addition to previously committed funds. This is a significant achievement during challenging economic times.
- Expanded our applied research communication strategy to include articles, podcasts and radio interviews on topics within our focus areas, from making plant-based meat to boreal peatland restoration. These communications further extended our reach and audience base to include non-technical experts and the public regionally, nationally and internationally.

## GOAL 4: Improve NAIT's long-term sustainability including making necessary investments for our future.

### SUPPORTING DATA

MEASURE	RESULT	ANALYSIS	SOURCE
Balanced budget	Achieved	Surplus of \$7.1M achieved (9 months).	NAIT Consolidated Financial Statements
Student Tuition and Related fees – Degree Diploma and Certificate Programs – Domestic and International	Above target by 33%	Exceeded our targets as enrolments did not decline as much as expected due to COVID-19. Most classes were able to shift to online and blended delivery, and international student revenue was not impacted as significantly as anticipated.	NAIT Consolidated Financial Statements
Student Tuition and Related fees – Apprenticeship	Above target by 66%	Exceeded our target as NAIT was still able to deliver hands-on apprenticeship instruction throughout the year and was able to respond to the COVID-19 restrictions and still maintain the quality of the programs and student outcomes.	NAIT Consolidated Financial Statements
Non-Credit Training Revenues	Above target by 9%	The impact of COVID-19 was slightly less than expected due to pivoting most courses to online delivery, which allowed us to exceed our target.	NAIT Consolidated Financial Statements
Ancillary Revenue	Below target by 36%	The reduction in on-campus activity due to COVID-19 significantly impacted revenue generation.	NAIT Consolidated Financial Statements
Corporate and International Training revenue	Below target by 37%	The economic slowdown of COVID-19 largely impacted the revenue shortfall.	NAIT Consolidated Financial Statements
Training contract revenue	Below target by 37%	A decrease in activity due to COVID-19 leading to a reduction in training contract revenue.	NAIT Consolidated Financial Statements
Applied Research and Innovation revenue	Above target by 10%	Nearly all applied research centres exceeded revenue targets despite COVID-19.	NAIT Consolidated Financial Statements
Fundraising and donation revenue	Above target by 24%	Despite a challenging year, fundraising and donation revenue surpassed our targets.	NAIT Consolidated Financial Statements

## **PRIORITY INITIATIVE 1: Ensure we remain financially sustainable while looking to our future.**

### **EXPECTED OUTCOMES**

- Achieve a balanced budget for 2020/21.
- Develop new revenue streams to diversify our reliance on government funding.
- Increase student enrolment and larger growth in international mix.
- Maintain investment portfolio and investment revenues to support operations.

### **2020/21 ACTIONS**

- Achieved a small surplus of \$7.1M for the nine months ended March 31, 2021. This was mainly the result of shortening our fiscal year end and our efforts to reduce expenses and grow revenue, even during COVID-19.
- The best indicator of NAIT's financial strength is our accumulated operating surplus that has not already been spent on capital or committed to future expenditures. As of March 31, 2021, this amount was \$33.5M, or approximately 13.7% of NAIT's operating expense. This represents an increase from the prior period of \$13.7M, as the small operating surplus helped replenish depleted reserves and amortization on capital assets outpaced acquisitions. However, this surplus represented only 3.5% of NAIT's operating revenues, which falls short of NAIT's 5% benchmark. With deferred maintenance relating to buildings is estimated at \$71.8 M, NAIT's accumulated operating surplus will need to continue to grow in order to fund future capital expenditures.
- Domestic tuition fee rates for the 2020/21 academic year increased by 7% as allowed per the Government of Alberta regulations.
- NAIT had an overall decrease in domestic degree, diploma and certificate enrolments (FLEs) of 1,251 (-13.1%) as a result of the change in fiscal year end but otherwise domestic FLEs would have been close to the prior year if based on a 12-month cycle.
- Total international FLEs decreased by 245 (-15%), while the percentage of international FLEs overall decreased slightly from 12.9% for the 12 months ended June 30, 2020 to 12.3% for the nine months ended March 31, 2021 of total FLEs.
- Revenues from tuition, fees and fundraising were higher than planned, while revenue from on-campus services were lower because of a decrease in on-campus activity.
- Total expenses were \$11.8M lower than budgeted, mostly due to savings in facilities costs, materials and supplies, and lower costs associated with food service operations, which were reduced to do a decrease in on-campus activity related to COVID-19.
- Fundraising and donation revenue was higher than planned for the nine months ended March 31, 2021. All fundraising activity totaled \$11.089M, well above the target of \$8.925M.
- Secured an anonymous donation of \$1M to establish an endowment that will support eight bursaries of \$5,000 each for students enrolled in information technology related programs of study.
- As part of our efforts to reduce red tape, NAIT changed its fiscal year end to March 31 to align with the Government of Alberta.

## **PRIORITY INITIATIVE 2: Make critical investments in people and technology.**

### **EXPECTED OUTCOMES**

- Transformational staffing adjustments to offset funding reductions.
- Large-scale digitization of paper records, automation and expanded self-service capabilities.
- Investments to support new methods and modalities for delivering polytechnic education and services to industry, opening new sources of revenue.

### **2020/21 ACTIONS**

- In May 2020, NAIT established a new internal reserve for technology transformation totaling \$5 million. This reserve supported the effort to equip NAIT staff with the technology they needed to work and teach effectively from home and will support a blended delivery upon the unrestricted return to campus. Staff from Teaching Services provided training and support to instructors as they shifted their classes to online or blended delivery.
- Continuing to negotiate affordable staffing agreements while balancing the need to be financially sustainable with NAIT's need to attract and retain the talent required to grow and maintain the institution.

- Renewal of NAIT’s campus development plan which envisions the redevelopment of our existing land, facilities and buildings as well as the proposed expansion into the Blatchford lands, allowing us the opportunity to consolidate Souch and Patricia campuses at Main Campus.
- Investments in increased use of technology across all programs and services has NAIT examining what our needs are for physical spaces going forward.
- NAIT has more than 20 information technology projects underway, many of which include elements resulting in significant efficiency in their business cases which will automate, innovate and secure our processes.

### **PRIORITY INITIATIVE 3: Ensure we have the best possible place to work and learn, where everyone can participate and feel that they belong.**

#### **EXPECTED OUTCOMES**

- Finalize and launch NAIT’s first Equity, Diversity and Inclusion Strategy.
- Continue implementing NAIT’s Aboriginal Strategy, *Connecting the Four Directions*.
- Support the mental health and well-being of staff and students.

#### **2020/21 ACTIONS**

- Launched NAIT’s first Equity, Diversity and Inclusion Strategy in January 2021.
- The Nisôhkamâtôtân Centre facilitated Pikskwetân (Let’s Talk), a sharing circle series around Aboriginal perspectives and history.
- Piloted a six-week online course for NAIT instructors and staff called “Building Intercultural Competence.” The intention of the course is to prepare staff to better serve NAIT’s diverse student population.
- Partnered with the Canadian Centre for Diversity and Inclusion (CCDI) and Pride at Work Canada to ensure access to equity, diversity and inclusion training and resources for NAIT staff and students.
- Partnered with Headversity on a mental wellness app for staff and students that can help build resiliency. This is part of our commitment to equip staff and students with the tools and support services needed to thrive and is part of our Mental Health and Well-Being Strategy.

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

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

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

NAIT ended the period with an operating surplus of \$7,149. There are two reasons for this surplus: a significant effort of NAIT leaders to reduce costs and increase revenues, and the reflection of nine months of operations for the change in fiscal year end. As a part of efforts to reduce red tape, NAIT changed its fiscal year end to March 31 to align with the Government of Alberta's year end. This resulted in a shortened fiscal period being reported in the financial statements (the nine months between July 2020 and March 2021). For the three months excluded from this fiscal period (April 2021 to June 2021), expenditures would outpace revenues due to lower activity on campus and less enrolments in the spring academic term of May and June. As a result, the change in year-end created an operating surplus for the nine months ended March 31, 2021. On an annual basis, NAIT would have likely achieved a balanced budget over the course of 12 months, even with the ongoing impact of COVID-19.

The following is an overview of the consolidated financial results achieved in the nine months ended March 31, 2021. The consolidated financial statements include the accounts of NAIT, the NAIT Foundation and GO Productivity. The NAIT Foundation is a registered charity for the purpose of fundraising. It operates within the *Alberta Gaming and Liquor and Cannabis Act* and is exempt from the payment of income tax. GO Productivity is a not-for-profit organization with a mandate to support productivity improvement, increase innovation and build a skilled workforce to improve competitiveness and economic sustainability.

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

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

### OPERATING ENVIRONMENT AND OVERVIEW

NAIT provides hands-on, technology-based education in four areas: science, technology and the environment; business; health; and skilled trades. We offer more than 200 programs leading to baccalaureate degrees, applied degrees, diplomas and certificates, and we are one of the largest apprenticeship educators in Canada. We are continually refining and adapting our programming in partnership with industry to ensure graduates are ready to work. Our most recent NAIT Employer Satisfaction Survey<sup>2</sup> showed that 98% of employers are satisfied with the performance of the NAIT graduates they hire – the vast majority of which remain in Alberta.

We realize, however, that just as the needs of Alberta change, so too do its economic realities. NAIT has always worked to be fiscally responsible; just as we pride ourselves on the quality of education we deliver, we pride ourselves on our efficiency, responsiveness and resiliency. Recently, we have worked very hard to meet the challenges of the province's economic downturn and the COVID-19 pandemic. We have responded to the call to action by government to provide a clear plan to reduce expenditures and adapt to the four years of planned reductions in our base operating grant. We enacted prudent measures to streamline our operations, despite the challenges of the COVID-19 pandemic. This came at a cost, and we incurred a large deficit in 2019/20 due to restructuring costs associated with downsizing and position abolishment, outsourcing and service reductions.

<sup>2</sup> 2019 NAIT Employer Satisfaction Survey (survey is completed every 3 years)

In addition, COVID-19 has had a significant impact on virtually every aspect of the economy and life in Alberta, and that impact has been felt across NAIT. While NAIT continued to operate throughout this time, pivoting to offer classes online and ensuring safety measures on campus in cases where instruction could not be delivered virtually, many of our revenue streams have been negatively impacted. NAIT responded to these challenges through additional staff reductions, significant overall reductions in spending, and deferring maintenance and repairs to future periods.

As a result of these measures and efforts, NAIT ended the nine months as of March 31, 2021 with an operating surplus of \$7,149, our first operating surplus since the 2015/16 fiscal year. Though the shortened fiscal period from the change in year end contributed to this surplus, NAIT was on track to achieve a balanced budget over the course of a full year due to our purposeful plan to streamline operations and our immediate response to the COVID-19 pandemic.

It is important to note that, while stable, our financial position has been eroded after successive years of budget challenges. These began, most notably, with the economic downturn starting in 2016, which drove down apprenticeship enrolment numbers. Combined with the loss of “lights-on” funding for the Feltham Centre, our largest building, NAIT was in a deficit position. This operating surplus represents an important step in rebuilding NAIT’s financial strength and will enable us to take advantage of the opportunities in front of us and build back better. NAIT will need to maintain the path of achieving small surpluses every year to maintain financial health and replenish reserves to invest in our future.

## REVENUE STREAMS

NAIT continues to focus on developing new revenue streams to diversify our funding sources. NAIT is also strengthening our service model for Industry Solutions to provide a wider range of services to our industry partners to increase competitiveness.

However, the COVID-19 pandemic has caused some major setbacks to NAIT’s goal to increase these new revenue streams. For the nine months ended March 31, 2021, ancillary revenues fell short of budgeted targets by 36% due to limited activity on campus. Revenues from corporate and international training contracts also fell short of budgeted targets by 37%, largely due to the economic slowdown caused by the pandemic. These targets were already reduced due to COVID-19, and the recovery of these revenue streams will be critical for NAIT’s long-term financial health. Despite these challenges presented by COVID-19, NAIT remains committed to continuing to develop and evolve our Industry Solutions and Retail and Ancillary models. As Alberta’s economy begins to rebuild from the pandemic, NAIT’s innovation and solutions are needed more than ever by industry and NAIT will play a key role in developing Alberta’s future prosperity.

NAIT saw stronger than expected performance through its continuing education training and is poised to become a leader in microcredentials. With the changing skill needs of Alberta’s workforce, we see a tremendous opportunity for growth in lifelong learning, which is supported by the continued demand even during COVID-19. Furthermore, the changes to the *Skilled Trades and Apprenticeship Education Act* presents new opportunities for NAIT, who is already a national leader in skilled trades training, to expand and deliver on apprenticeship learning for the future.

Another focus for NAIT will be to continue to grow student enrolments with a stronger emphasis on international student growth.

While NAIT continues to grow other revenue streams, we are still supported by various Government of Alberta capital and operating grants and regulated tuition revenues. We continue to adjust, knowing grant funding from Alberta’s Ministry of Advanced Education will continue to decrease next year and tuition is still regulated, which limits this revenue source. As the Ministry gradually introduces a new performance-based funding model for post-secondary institutions, there is some risk around future grant funding. This will become a significant factor in NAIT’s future decisions.

Through sound fiscal management, NAIT has accumulated a sizeable investment portfolio, the earnings of which help provide funding for annual operations. As of March 31, 2021, NAIT had cash and investments totaling \$320,622. Excluding investments offset by debt or reserved for endowments, NAIT’s net investments totaled \$136,374. As NAIT meets its contractual obligations over the next several years, these cash and investments will be reduced (see note 16 in the consolidated financial statements for more information). NAIT’s continued strategic investment in opportunities such as the Blatchford land purchase, combined with prior year deficits, has reduced these balances and it will be critical for NAIT to return to a period of healthy surpluses and stability to replenish the net investments. NAIT’s investments continue to be strategically managed and returns on investments this last fiscal period returned close to targeted levels.

## EXPENSES

NAIT's two largest expenses continue to be staffing and capital, but technology investments are also a critical consideration for NAIT's transformation and sustainability.

### STAFFING

The transformation plan implemented by NAIT was critical in achieving long-term financial sustainability. As part of this plan, there were significant staffing reductions to reduce ongoing expenditures and to meet the overall provincial funding reductions.

All agreements with staff will be negotiated based on balancing the need to be financially sustainable with NAIT's need to attract and retain the talent required to grow and maintain the institution. NAIT's ability to align these costs to government grants is critical to our long-term financial sustainability. To contain salary growth, NAIT implemented hiring restrictions in 2017/18 and continues to have a stringent approval process for any new hires. NAIT is currently in negotiations with NAIT's Academic Staff Association (NASA) and with the Alberta Union of Provincial Employees (AUPE), as both collective agreements have expired.

### CAPITAL

NAIT has finished several significant projects and renovations that make our institution more efficient and effective, and position NAIT to better support students and industry needs. NAIT created a campus development plan, which envisions the redevelopment of our existing land, facilities and buildings as well as the proposed expansion into the Blatchford lands, allowing us the opportunity to consolidate Souch and Patricia campuses at Main Campus. Though capital expenditures this last fiscal period were moderate, planning for NAIT's future is well underway.

The COVID-19 pandemic necessitated a remote working and learning environment and changed staff and student expectations for the future. As a result, we are reviewing our future campus infrastructure and technology needs. The increased use of technology across all programs and services has NAIT examining what our needs are for physical spaces going forward. We continue to work with government to develop a Skills Centre and to support our students by establishing student housing. The Skills Centre will be instrumental in consolidating NAIT's skilled trades education, currently located across three campuses, and modernizing this training to better meet the long-term needs of Alberta's industry and help elevate industry to more competitive practices that increase competitiveness.

### TECHNOLOGY

Well before the COVID-19 pandemic, NAIT's transformation strategy had a heavy dependency on technology. COVID-19 accelerated elements of existing technology transformation while also highlighting new opportunities for technology investment. In May 2020, NAIT established a new internal reserve for technology transformation totaling \$5,000. This reserve supported the effort to equip NAIT staff with the technology they needed to work and teach effectively from home and will support an ongoing move to blended delivery to respond to changing student preferences for learning.

Additional investments were made in licences for expanded video conferencing platforms, digital telephony and digital signatures.

Further technology investment from the transformation fund and other sources are expected to have a positive long-term impact on NAIT's financial health. Investments supporting operational efficiencies, including large-scale digitization of paper records, automation and expanded self-service capabilities represent just a sample of the immediate potential. Investments may also support new methods and modalities for delivering polytechnic education and services to industry, creating new sources of revenue.

## FINANCIAL HEALTH INDICATORS

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

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

### HEALTH OF NET ASSET POSITION - ACCUMULATED SURPLUS

As of March 31, 2021, NAIT had a total accumulated surplus of \$250,442 (June 30, 2020, \$239,364), including the accumulated remeasurement losses of \$1,379, which are continuing to recover from the impact of COVID-19 (June 30, 2020, losses \$3,372). It includes \$134,624 related to amounts invested in capital assets, and \$49,180 held for endowments, which continue to grow. Of the remaining \$66,638 of accumulated surplus, \$18,890 is reserved for Main Campus renovations, \$4,621 for technology transformation and \$1,600 for other capital priorities. NAIT has also targeted \$8,062 to priority operational activities such as course redevelopment, Industry Solutions and advancement of strategic initiatives.

The best indicator of NAIT's financial strength is our accumulated operating surplus that has not already been spent on capital or committed to future expenditures. As of March 31, 2021, this amount was \$33,465, or approximately 13.7% of NAIT's operating expense. This represents an increase from the prior period of \$13,713, as the small operating surplus helped replenish depleted reserves and amortization on capital assets outpaced acquisitions. However, this surplus represented only 3.5% of NAIT's operating revenues, which falls short of NAIT's 5% benchmark. With deferred maintenance relating to buildings estimated at \$71,800, NAIT's accumulated operating surplus will need to continue to grow in order to fund future capital expenditures. Note 12 to the consolidated financial statements contains a more complete picture of NAIT's accumulated surplus.

### HEALTH OF YEARLY OPERATING DEFICIT/SURPLUS

NAIT ended the nine months with an operating surplus of \$7,149 (12 months ended June 30, 2020, deficit was \$17,860) mainly due to the change in fiscal year. The spring term (May-June) typically incurs losses, as fixed expenses outweigh limited revenues during this time. NAIT's financial results likely would have been close to balanced when considering the full 12 months of operations.

### FINANCIAL SUSTAINABILITY - LOOKING FORWARD

With the COVID-19 pandemic and economic conditions in the province, NAIT will continue to face challenges in balancing our budget as the economy recovers and the pandemic impacts our operations. Ultimately, the key to maintaining a balanced budget and the financial health of the organization will depend on the success of several actions and transformations that NAIT has taken. The main pillars of NAIT's financial sustainability strategy are:

- Grow earned revenues through developing a robust Industry Solutions model and growing our Continuing Education revenue.
- Grow credit program revenues in a way that maximizes existing resources (instructors and classrooms), so net new growth creates greater tuition revenue and limits extra costs associated with this growth, where possible.
- Increase international enrolment to both increase the diversity of NAIT's campus community and grow revenue.
- Advocate for sustainable funding and tuition models that consider outcomes and support growth.
- Negotiate labour agreements with the appropriate balance of being financially sustainable and giving us the ability to recruit the necessary staff to achieve NAIT's vision.
- Continue to pursue and refresh the Capital Plan based on affordability and efficiency (efficient use of space, consolidation to one Main Campus), and provide space to meet NAIT's long-term vision.
- Optimize the use of resources to ensure they are being used as efficiently as possible.
- Continually assess services offered and ensure they continue to drive NAIT's vision.
- Improve the productivity of our information technology and other systems and processes. Currently, NAIT has more than 20 information technology projects, many of which include elements to drive efficiency by automating and transforming business processes.

## SIGNIFICANT FINANCIAL RISKS AND IMPLICATIONS

As a large institution with significant growth potential, NAIT has many risks and opportunities. Throughout the COVID-19 pandemic, NAIT has been innovative, resilient, nimble and responsive. Our learners and industry clients have remained our focus during this challenging time. Despite the challenges we face, NAIT remains optimistic yet prudent. We are focused on a safe and more robust return to campus for fall 2021, increasing on-campus activities while at the same time applying innovation in the delivery of education and services to find a blend of virtual and in-person that ensures our learners are successful.

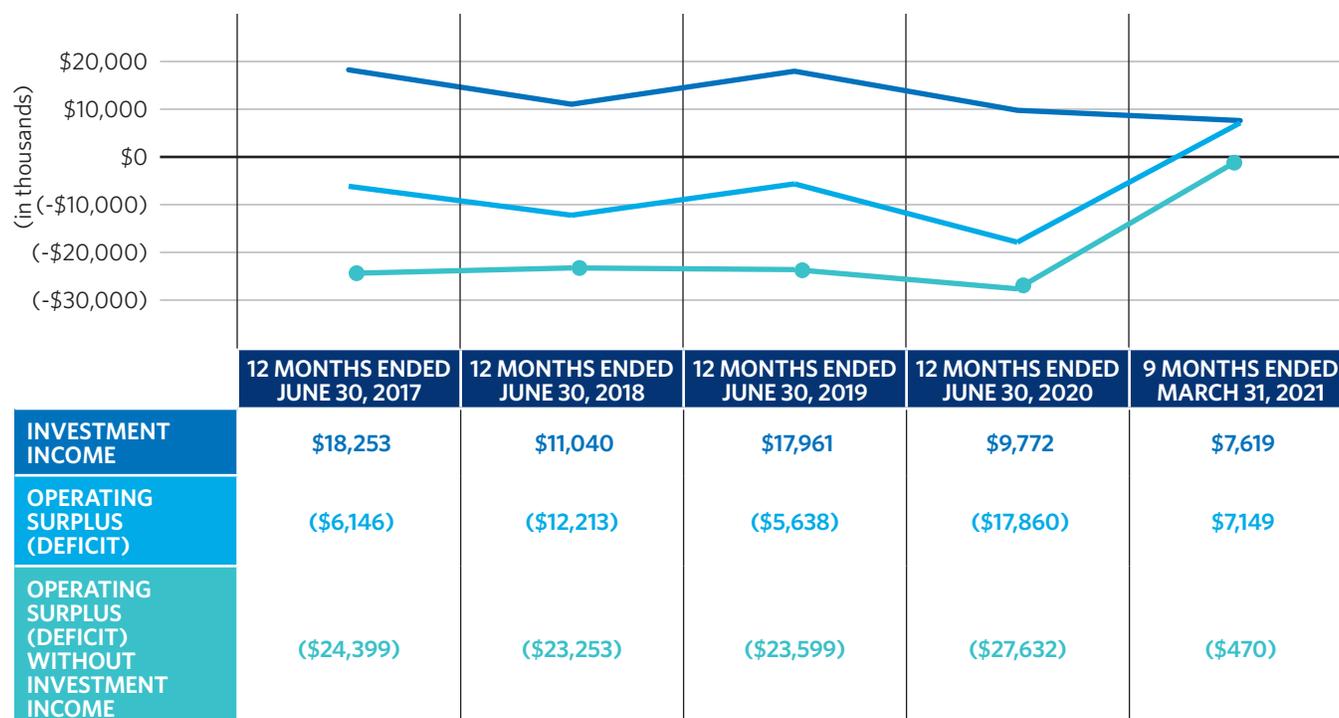
With COVID-19 underpinning all these risks, the following items comprise NAIT's most significant financial risks.

- 1. Enrolments** – Over the second half of 2020, NAIT steadily increased staff and student numbers on campus in accordance with guidelines from the Government of Alberta. We are encouraged by the pace of the vaccine rollout as we look forward to safely accommodating as many learners on campus as possible for the 2021/22 academic year. Travel restrictions, however, will affect international student enrolment. We expect to see modest growth in domestic student enrolment, and for growth in international enrolment to start to rebound. However, the impact of COVID-19 continues to be an ongoing risk on our student numbers.
- 2. Revenue sources** – NAIT continues to focus on diversifying revenues. We understand we are in uncertain times, and we welcome long-term funding certainty to help us plan. We continue to evaluate our programs and retain those that add the most value and contribute to our future sustainability and invest in new programs that meet the changing needs of industry and Alberta. Other targeted revenue-generating opportunities include our Continuing Education programs, conferences and events, and supporting industry training and applied research. The COVID-19 pandemic created significant uncertainty as we worked to diversify these revenue sources, creating a substantial financial risk if the sources are not able to recover fully.
- 3. Government funding** – The economic impact of COVID-19 and the drop in commodity prices created tremendous pressure on the Government of Alberta's finances. Though the Government of Alberta had previously communicated reductions in the base operating funding for NAIT, the increasing fiscal strains on the Government of Alberta have created the need for further pressure on post-secondary funding. As the Government of Alberta seeks to recover from the pandemic and return to financial stability, government funding will remain a significant risk to NAIT.
- 4. Staffing** – NAIT currently employs approximately 1,900 people. This represents a significant reduction since 2016/17, when we were closer to 2,800 full- and part-time staff. We must continue to attract and retain talent to deliver high-quality education, and we are working to achieve this together with our ongoing efforts toward financial sustainability. Currently, we are examining new options to support a distributed workforce post-pandemic, which will support staff desires for more flexibility and work-life balance while still meeting our business goals and may result in savings.
- 5. Funding for capital** – With the changes to the *Skilled Trades and Apprenticeship Education Act*, NAIT is prepared to expand its leadership in skilled trades training. However, such training can be expensive, as it provides students opportunities to work with the latest industry equipment in the controlled, supervised environments of NAIT shops and labs. Funding for capital equipment will be critical for NAIT to develop Alberta's highly trained workforce. Furthermore, as NAIT seeks to make progress on several key initiatives within our capital plan, such as a Skills Centre, additional capital funding will be needed to support these new facilities.
- 6. Investment Revenues** – NAIT's sound financial management has allowed us to accumulate a sizable investment portfolio, which has produced income that helped sustain operations and had produced sizable operating surpluses in the past. However, investment revenues, by their nature, are subject to unstable returns. NAIT's investment strategy and the investment market have produced very good returns, exceeding budget expectations for many of the past several years.

As NAIT uses some of our existing investments to fund institutional capital priorities and repay debt, NAIT will have lower investment revenues to support operations. Many of these capital investments have been made, and NAIT intends to keep a sizable investment balance in our long-term investment fund to support endowments and other institutional priorities. Notes 5 and 6 to the financial statements contain more complete information on NAIT's investments and risk-mitigation actions.

The following chart shows the flow of NAIT's deficit/surplus over time. It shows the overall deficit/surplus and what the results would be if there were no investment revenues. It is meant to show NAIT's reliance on a volatile revenue source. See chart on the next page:

## NAIT ANNUAL SURPLUS (DEFICIT) ADJUSTED FOR INVESTMENT INCOME



## DETAILED FINANCIAL RESULTS

NAIT changed our fiscal year end to March 31 to coincide with that of the Government of Alberta. This change in fiscal year end was made to reduce red tape and administrative burden in reporting and consolidation and was approved by the Minister of Advanced Education in September 2020. The detailed financial results included in the consolidated financial statements reflect the first complete fiscal period consisting of the nine months ending March 31, 2021, as compared to the 12-month period ending June 30, 2020. As a result, the two periods are not entirely comparable.

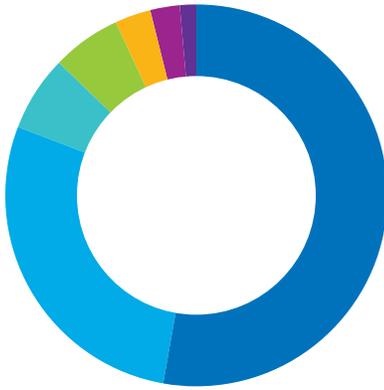
## CONSOLIDATED STATEMENT OF OPERATIONS

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

### REVENUE

NAIT's total revenue decreased by \$108,238 (-30.1%) from the 12-month period ended on June 30, 2020 to the nine-month period ended on March 31, 2021. This is primarily due to the shortened reporting period, the impacts of COVID-19 and the reductions in grant funding.

The distribution of total revenue between revenue sources for the nine months ended March 31, 2021 is presented in the chart below. The comparative percentage for the previous year (based on the 12-month reporting period) is shown in brackets.



## NAIT REVENUE

**Nine months ended March 31, 2021: \$250.9 million**

(Twelve months ended June 30, 2020: \$359.2 million)

**52.9% GOVERNMENT OF ALBERTA OPERATING GRANTS** (2019/20: 53.0%)

**28.2% STUDENT TUITION AND RELATED FEES** (2019/20: 24.9%)

**6.3% SALES, RENTALS AND SERVICES** (2019/20: 9.9%)

**5.9% EXPENDED CAPITAL RECOGNIZED AS REVENUE** (2019/20: 6.0%)

**3.0% INVESTMENT INCOME** (2019/20: 2.7%)

**2.4% DONATIONS AND OTHER CONTRIBUTIONS** (2019/20: 2.0%)

**1.3% FEDERAL AND OTHER GOVERNMENT GRANTS** (2019/20: 1.2%)

**0.0% RESTRUCTURING TRANSACTIONS** (2019/20: 0.3%)

Highlights of the revenue decreases are noted below:

### Government of Alberta Grants

Government of Alberta operating grants, which includes NAIT's base operating grant and several conditional and one-time grants, decreased from the prior period by \$58,018 (-30.5%). A summary is as follows:

- NAIT's base operating grant and targeted enrolment grant, which represents our base funding from the Ministry of Advanced Education, decreased by \$47,422 (-29.2%) due to the change in fiscal year end as well as provincial funding reductions.
- Apprenticeship grant funding decreased by \$7,240 (-47.5%), primarily due to the change in fiscal year end and a reduction in funding for apprenticeship seats. NAIT was funded 782 fewer apprenticeship seats from 10,442 in the 2019/20 academic year to 9,660 in the 2020/21 academic year. The apprenticeship grant that NAIT had been receiving to support renovations at NAIT's Patricia campus and Souch campus is now complete, thereby reducing the funding from last year by \$613.
- NAIT has also seen a \$4,763 decrease in grants from Government of Alberta ministries and agencies besides Advanced Education, again due to the nine-month operating results versus 12 months.

### Investment Revenue

Investment revenue decreased by \$2,153 (-22.0%) compared to the prior period, mainly due to the change in fiscal period.

The portfolio investment balances increased by \$64,494 (28.3%) from the June 30, 2020 balance of \$227,956 to \$292,450 as of March 31, 2021. This increase is due to the addition of the \$30,000 grant received from the Government of Alberta for the purchase of the Blatchford lands, a \$8,132 one-time grant as a part of the Capital Maintenance and Renewal Stimulus Program, and the reinvestment of revenues and excess cash.

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

### Federal and Other Government Grants

Federal and other government grants decreased by \$952 (-22.5%) from the prior fiscal period. These grants typically fund applied research activities at NAIT. Applied research activities at NAIT continue to increase despite the pandemic and this decline in revenue is a direct result of the change in fiscal year end. There are additional applied research revenues that are captured in Government of Alberta grants and sales, rentals and services revenue categories.

### Student Tuition and Related Fees

Student tuition and related fees revenue decreased by \$18,446 (-20.6%) from the prior period. This decline is mainly due to the change in fiscal year which does not include the revenue of the last month of the winter term (April) and the spring term (May-June). Student tuition and related fees represented a higher proportion of NAIT's overall revenue due to a decline in government funding.

There are several factors that influence the average tuition per Full Load Equivalent (FLE), such as the individual course mix, full-time versus part-time student mix and average number of courses per student. While a given increase or decrease in FLE will explain most of the change in tuition dollars, it will not necessarily yield the exact same percentage change for the above noted reasons. The table on the following page illustrates the FLE trend over the last several years:

	2017/18	2018/19	2019/20	2020/21*
<b>Degree, Diploma, Certificate Programs</b>				
Domestic FLE	9,787	9,650	9,564	8,313
International FLE	1,154	1,278	1,631	1,386
<b>Total Degree, Diploma, Certificate Programs</b>	<b>10,941</b>	<b>10,928</b>	<b>11,195</b>	<b>9,699</b>
Apprenticeship FLE	2,809	2,455	1,406	1,595
<b>Total FLE</b>	<b>13,750</b>	<b>13,383</b>	<b>12,601</b>	<b>11,294</b>

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

- Tuition and related fees from domestic students decreased by \$9,881 (-21.7%). This is mostly due to the shortened fiscal period that does not include April and the spring term (May-June). Domestic tuition fee rates for the 2020/21 academic year increased by 7% as allowed per the Government of Alberta regulations. NAIT had an overall decrease in domestic degree, diploma and certificate enrolments FLEs of 1,251 (-13.1%) as a result of the change in fiscal year end but otherwise domestic FLEs would have been close to the prior year if based on a 12-month cycle.
- Tuition and related fees from international students decreased by \$6,206 (-23.0%) from the prior period. This was the result of COVID-19 restrictions on international travel, as well as the new year end of March 31 that does not include the April and spring term (May-June) tuition. Total international FLE decreased by 245 (-15.0%), while the percentage of international FLE overall decreased slightly from 12.9% for the 12 months ended June 30, 2020 to 12.3% for the nine months ended March 31, 2021 of total FLE. Overall, the international FLEs would have been close to the prior year if based on a 12-month cycle.
- Tuition and related fees from apprenticeship training increased by \$177 (3.9%) from the prior period. The temporary suspension of apprenticeship classes in March 2020 due to the COVID-19 pandemic caused an interruption in the prior fiscal period and as a result, the results for the nine months ended March 31, 2021 favourably compares. NAIT was approved for 9,660 apprenticeship seats in the 2020/21 academic year, down from 10,442 in the 2019/20 academic year; however, the overall fill rate improved to 77% in 2020/21, up from 50% in 2019/20.

### Sales, Rentals and Services Revenue

- Ancillary operations revenues decreased \$11,613 (-61.8%), resulting from the changing fiscal year end and the continued closure of many on-site operations due to COVID-19. Ancillary operations consist of:
  - *shop AT NAIT* (Bookstore) operations (87% of total ancillary revenue), which decreased \$2,236 (-26.33%) from the prior period
  - *eat AT NAIT* (7% of total ancillary revenue), which decreased \$5,154 (-91.02%) from the prior period
  - Parking (5% of total ancillary revenue), which decreased \$3,397 (-90.43%) from the prior period
  - Conferences and Events (1% of total ancillary revenue), which decreased \$778 (-92.96%) from the prior period
  - *one AT NAIT* (One Card), which makes up the balance of ancillary revenue
- Training contracts decreased \$3,883 (-61.3%) from the prior fiscal period. This decrease is attributed to a combination of the change in fiscal year end and COVID-19 negatively affecting both international and domestic training revenues significantly.
- Other sales, rentals and services revenue includes various amounts, such as application fees, NAIT's share of PanGlobal management fees, Individual Learning Module (ILM) maintenance fees that NAIT collects as a result of producing and selling ILMs to apprenticeship students, locker rentals, conference room rentals, event revenues and one-time revenues such as gain on disposal of assets, insurance proceeds, etc. This revenue decreased by \$4,031 (-39.2%) due to the change in fiscal year end and decreased locker and event revenues.

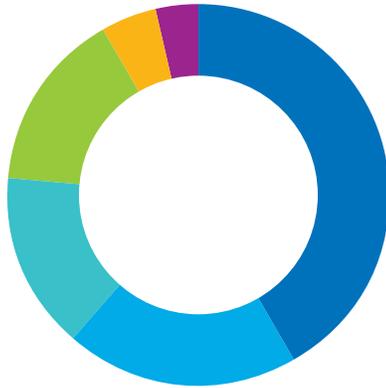
### Donation and Other Contribution Revenue

Donation and other contribution revenue include the amount of revenue that is necessary to cover the fundraising costs of projects of NAIT Advancement, gifts in kind that are expensed, and scholarships, bursaries and other expenses funded by donations. Donation revenues raised each year are not recognized as revenue until they are spent, so the financial statements only reflect those donations which were spent this period and not all the fundraising activity for the nine months. The recognized donation and other contributions decreased by \$1,216 (-16.7%) due to the change in fiscal year end.

## EXPENSES

Total actual expenses decreased by \$133,247 (-35.3%), from \$377,014 for the 12 months ended June 30, 2020 to \$243,767 for the nine months ended March 31, 2021.

The distribution of total expenses by function for the nine months ended March 31, 2021 is presented in the following chart. The comparative percentage for the previous year (based on the 12-month reporting period) is shown in brackets.



### NAIT EXPENSES

**Nine months ended March 31, 2021: \$243.8 million**  
(Twelve months ended June 30, 2020: \$377.0 million)

- 41.7% INSTRUCTIONAL DELIVERY** (2019/20: 42.0%)
- 19.8% FACILITIES OPERATIONS AND MAINTENANCE** (2019/20: 19.5%)
- 15.1% ACADEMIC AND STUDENT SUPPORT** (2019/20: 15.3%)
- 15.1% INSTITUTIONAL SUPPORT** (2019/20: 14.5%)
- 4.7% ANCILLARY SERVICES** (2019/20: 5.5%)
- 3.6% APPLIED RESEARCH** (2019/20: 3.2%)
- 0% FUNDRAISING** (2019/20: 0%)

The key expense highlights are as follows:

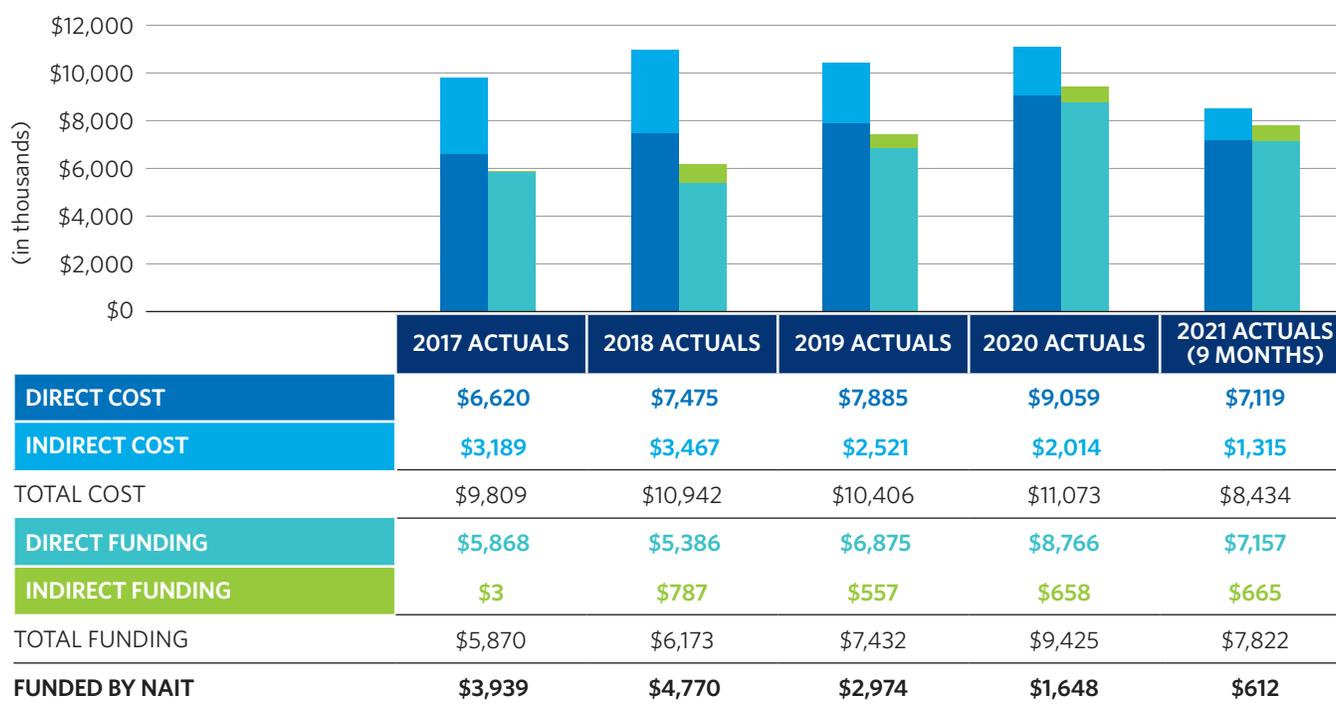
### INSTRUCTIONAL DELIVERY

Instructional delivery decreased by \$56,142 (-35.5%), mainly due to the change in fiscal year end and reduced staffing levels. In addition, one-time severance costs of \$9,884 were included in the prior fiscal period due to NAIT's transformational efforts to respond to financial pressures. The COVID-19 pandemic also caused a significant reduction in spending on travel, meetings and hospitality, student events and competitions.

### APPLIED RESEARCH

Applied research expenses decreased by \$3,512 (-28.9%), mainly due to the change in fiscal year end. Many applied research activities occur in the spring and summer and as a result, the variance is due to a timing delay. As illustrated by the table on the next page, NAIT's direct contribution to research has steadily declined over the past four years, from \$2,974 (43.6% of applied research expenditures) for the

## APPLIED RESEARCH OPERATING REVENUES & EXPENDITURES



12 months ended June 30, 2019 to \$612 (7.3% of applied research expenditures) for the nine months ended March 31, 2021 (-79.6%).

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

### FACILITIES OPERATIONS AND MAINTENANCE

Facilities operations and maintenance expense decreased by \$25,112 (-34.1%), and is made up of a combination of the following factors:

- Lower on-campus activities due to COVID-19
- The change in fiscal year end; a large part of maintenance takes place in the spring and summer months
- Severance payments for outsourcing custodial and grounds services in the prior fiscal period

### ACADEMIC AND STUDENT SUPPORT

Academic and student support expense decreased by \$21,142 (-36.5%), mainly due to the change in fiscal year end. Due to the reduced number of students on campus and the COVID-19 restrictions, there were also significant savings from not running the library, athletics programs, camps and recreation facilities.

### INSTITUTIONAL SUPPORT

Institutional support decreased by \$17,917 (-32.8%) from the prior period. The change in year end and reduced staffing levels contributed to lower expenditures overall. This was partially offset by increased safety supplies related to the COVID-19 requirements. NAIT spent over \$913 in the nine months ended March 31, 2021 on staffing and supplies specifically related to our response to the COVID-19 pandemic to facilitate required on-site, hands-on learning activities.

### ANCILLARY SERVICES

Ancillary operations consist mainly of parking, *eat AT NAIT* (food services), Conferences and Events, and *shop AT NAIT* (bookstore) operations. Ancillary services expense decreased by \$9,419 (-45.35%) from the prior fiscal period. In addition to the change in year end, this is a direct result of lower sales volumes in the food services and conference and events operations and related lower cost of goods sold and labour expenses due to the ongoing impact of COVID-19.

## OPERATING RESULTS COMPARED TO BUDGET

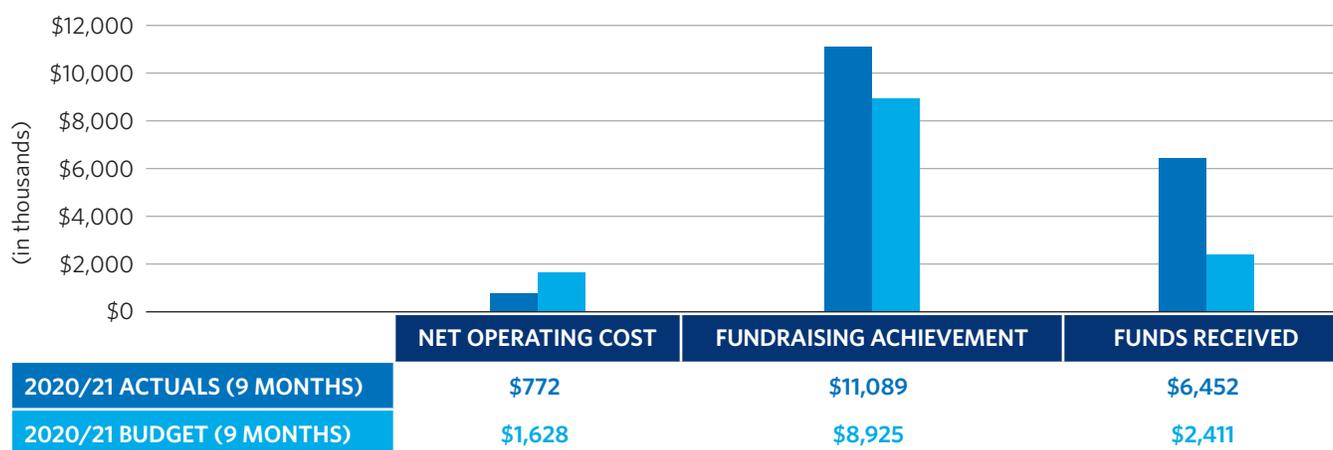
The Consolidated Statement of Operations reports a nine-month operating surplus of \$7,149. The actual revenue was under budget by \$14,689 (-5.53%) and actual expense was under budget \$11,767 (-4.60%), as follows:

	BUDGET 2020/21 (9 MONTHS)	ACTUAL 2020/21 (9 MONTHS)	DOLLAR VARIANCE	PERCENTAGE VARIANCE
<b>TOTAL REVENUE</b>	\$265,605	\$250,916	\$(14,689)	-5.53%
<b>TOTAL EXPENSE</b>	\$255,534	\$243,767	\$(11,767)	-4.60%
<b>OPERATING SURPLUS (DEFICIT)</b>	<b>\$10,071</b>	<b>\$7,149</b>	<b>(\$2,922)</b>	

The overall actual **revenue** was below budget by \$14,689 for the following reasons:

- The budgeted revenue included \$30,000 expected for a land transfer grant from the Government of Alberta. NAIT received the \$30,000 in July 2020 but this grant is tied to NAIT's purchase of the Blatchford lands and will not be recognized as revenue until the purchase agreement is completed in 2023/24. Therefore, the \$30,000 budgeted under Government of Alberta grants was recorded as a deferred contribution for the nine months ended March 31, 2021 until the terms and conditions are met.
- Student tuition and related fees were above planned by \$17,276 for the following reasons:
  - Degree, diploma and certificate revenues were \$14,561 above plan as enrolments did not decline as much as expected due to COVID-19. Most classes were able to shift to online and blended delivery, and international student revenue was not impacted as significantly as anticipated and was \$11,755 higher than budgeted.
  - Apprenticeship training revenues were \$1,889 higher than planned as NAIT was still able to deliver hands-on apprenticeship instruction throughout the year and was able to respond to the COVID-19 restrictions and still maintain the quality of the programs and student outcomes.
  - Non-credit training was higher than planned by \$826 as the impact of COVID-19 was slightly less than expected due to pivoting most courses to online delivery.
- Training contract revenues were lower than planned by \$1,418 due to lower activity caused by COVID-19.
- Ancillary revenues were lower than budget by \$4,101 due to the continued shutdown of most *eat AT NAIT* outlets, much lower parking revenues, and limited conference and events activity. NAIT's budget had assumed that the campus would be fully open by January 1, 2021, and the prolonged impact of COVID-19 resulted in reduced activity for ancillary operations.
- Applied research and innovation revenues were higher than budget by \$641, as almost all applied research centres exceeded revenue targets, specifically in "Fee for Service" and non-government contracts.
- Fundraising and donation revenue was higher than planned for the nine months ended March 31, 2021. All fundraising activity (including cash, in-kind and amounts not received yet) totaled \$11,089, well above the target of \$8,925.

### ADVANCEMENT & ALUMNI RELATIONS



The overall actual **expenses** were below budget by \$11,767 for the following reasons:

- Instructional Delivery costs were \$227 less than planned mostly due to reduced spending on travel, meetings and hospitality and student events and competitions.
- Applied Research costs were \$895 below plan due to lower than expected salaries to complete projects and lower than planned travel expenses due to COVID-19.
- Facilities Maintenance & Operations costs were \$3,947 below plan due to \$1,032 lower than budgeted costs for amortization, \$2,670 lower spending on Campus Development, and \$1,205 lower spending on custodial, protective services, grounds and maintenance. These reductions are a direct result of COVID-19, as spending throughout the year was reduced and activity on campus was lower than normal. This was partially offset by \$1,552 higher spending on utilities, as NAIT did not achieve the savings in utility costs that were anticipated for with the closure of campus.
- Academic and Student support was less than planned by \$1,810, primarily due to COVID-19 restrictions which resulted in the cessation of athletics programs, recreation facilities, day camps and library services.
- Institutional Support was below plan by \$3,439, primarily due to targeted reduced spending in marketing and communications (\$1,043), information technology (\$1,777), and advancement operations (\$600). These savings were across various expense categories, including staffing, travel expenses, supplies, etc.
- Ancillary services expenses were below plan by \$1,402 due to lower cost of goods sold and staffing due to the COVID-19 shutdown of many of the *eat AT NAIT* and Conference and Event Services. However, this was offset by severance payments and higher than expected Print Solutions expenses.
- NAIT leadership continued with the hiring restrictions which resulted in many vacant positions remaining unfilled.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NAIT's consolidated statement of financial position gives a snapshot of the financial health of the organization in the Net Assets section.

### CASH AND CASH EQUIVALENTS/PORTFOLIO INVESTMENTS

The total of cash and cash equivalents and portfolio investments (non-endowment) increased by \$51,668 from the prior period. This increase is due to receiving the \$30,000 grant from the Ministry of Advanced Education for the Blatchford land purchase, the reinvestment of portfolio dividends in December 2020 and the timing on upcoming expenditures from the change in fiscal year end. Endowment funds also increased, increasing by \$3,474 (6.1%) from the prior period. Further information on cash and portfolio investments are in Notes 4 and 5 to the consolidated financial statements.

### ACCOUNTS RECEIVABLE

The accounts receivable balance is made up of amounts owing from students, commitments from government, government agencies and from industry partners. There was a decrease of \$31,144 in accounts receivable from the prior fiscal period, which was due to the receipt of a \$30,000 grant from the Ministry of Advanced Education for the Blatchford land purchase. This grant was booked as a receivable as of June 30, 2020 and subsequently received in July 2020.

### INVENTORIES FOR SALE

Much of the inventory of goods held for sale is for *shop AT NAIT* (NAIT's bookstore) and includes smaller inventory balances for *eat AT NAIT*. The overall inventory decreased by \$534, due to lower sales and activity as a result of COVID-19.

### ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

NAIT's accounts payable and accrued liabilities include outstanding vendor invoices, construction holdbacks, payroll remittances and amounts set aside to pay employees who are currently on self-funded leaves. There was a decrease of \$9,314 in accounts payable and accrued liabilities from the prior period. The decrease is largely attributable to staff severances which were included as a payable on June 30, 2020 and paid during the nine months ended March 31, 2021.

## EMPLOYEE FUTURE BENEFIT LIABILITIES

Employee future benefit liabilities include supplemental retirement plans, long-term disability, vacation entitlements and employee self-funded future leaves. The employee future benefit liabilities decreased by \$2,193 from the prior period, primarily due to a decrease in vacation liability as NAIT's overall staffing levels declined.

## DEBT

NAIT has two outstanding sources of debt: \$19,196 for the construction of the parkade, which matures in 2042, and \$107,591 for the construction of the Productivity and Innovation Centre and the purchase of the Blatchford land, which matures in 2049. The decline in balance from the prior period are a result of ongoing repayments on these loans to the Department of Treasury Board and Finance.

## UNEARNED REVENUE

Unearned revenue includes amounts collected in advance from students for future terms or courses. Tuition is reported as unearned revenue until revenue is recognized in the period in which the classes are offered. Unearned revenue increased by \$14,068 (60.8%) from the prior period. This increase is due to the change in fiscal year end, as tuition for April and the spring term (May-June) was received but not earned by March 31, 2021. In addition, as registrations for the 2020 fall term were delayed last year due to COVID-19, the balance as of June 30, 2020 was lower than normal.

## DEFERRED CONTRIBUTIONS

Deferred contributions are targeted amounts received that are intended for specific purposes that will be spent in the future. These include endowment interest, conditional grants, research grants and restricted donations. Deferred contributions increased by \$4,262 from the prior fiscal period. Further details about deferred contributions can be found in Note 9 to the consolidated financial statements.

## TANGIBLE CAPITAL ASSETS

The overall decrease in the value of the capital assets of \$19,570 is primarily due to reduced capital spending over the last fiscal period. NAIT recorded capital acquisitions of \$5,208, which is lower than amortization of \$24,765, leading to the overall decline in the net value of capital assets. For the past several years, NAIT has made significant investments in buildings and major renovations which resulted in higher than normal capital spending. Further information on tangible capital assets is disclosed in Note 10 to the consolidated financial statements.

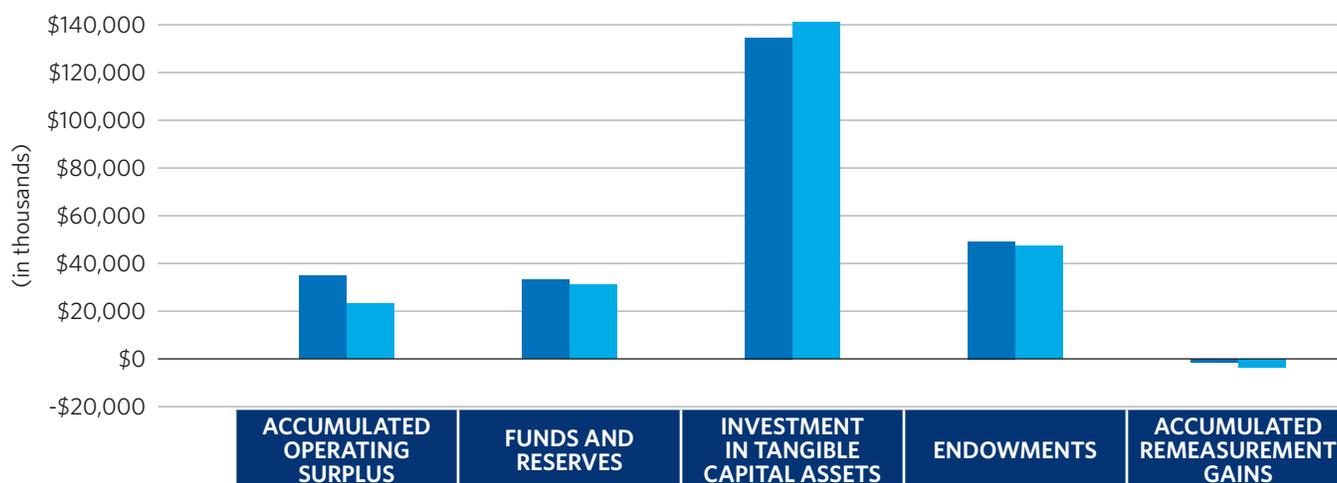
## SPENT DEFERRED CAPITAL CONTRIBUTIONS

This category represents contributions from donors and government spent on capital assets that have not yet been recognized as revenue. This revenue is recognized as those assets are amortized. Much of the balance of \$303,859 as of March 31, 2021 relates to donations and grants that have been used for the construction of the Feltham Centre and the Productivity and Innovation Centre buildings, which will be recognized over the life of the buildings as they are amortized. Details are disclosed in Notes 9 and 11 to the consolidated financial statements.

## NET ASSETS

Net Assets comprise accumulated operating surplus, funds and reserves, investments in tangible capital assets, endowments and remeasurement gains, and is described in Note 12 to the consolidated financial statements. Net Assets increased by \$11,077 (4.6%) from the prior period and is further disclosed as follows:

## NET ASSETS



	AS OF MARCH 31, 2021	AS OF JUNE 30, 2020	INCREASE (DECREASE)	% CHANGE
<b>ACCUMULATED OPERATING SURPLUS</b>	<b>\$34,844</b>	<b>\$23,124</b>	\$11,720	50.7%
<b>FUNDS AND RESERVES</b>	<b>\$33,173</b>	<b>\$31,212</b>	\$1,961	6.3%
<b>INVESTMENT IN TANGIBLE CAPITAL ASSETS</b>	<b>\$134,623</b>	<b>\$141,156</b>	(\$6,533)	-4.6%
<b>ENDOWMENTS</b>	<b>\$49,180</b>	<b>\$47,244</b>	\$1,936	4.1%
<b>ACCUMULATED REMEASUREMENT GAINS</b>	<b>(\$1,379)</b>	<b>(\$3,372)</b>	\$1,993	-59.1%
<b>TOTAL</b>	<b>\$250,441</b>	<b>\$239,364</b>	<b>\$11,077</b>	<b>4.6%</b>

### ACCUMULATED OPERATING SURPLUS

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

### FUNDS AND RESERVES

Total funds and reserves increased by \$1,961, made up of an increase in the Strategic Investment Fund of \$1,039 and the creation of an Individual Learning Modules (ILM) Reserve fund of \$1,330. The ILM Reserve is composed of NAIT's share of the proceeds of ILM Fees and is intended to be reinvested into creation and updating of ILMs. The details of the changes in funds and reserves can be found in Note 12 to the consolidated financial statements.

### INVESTMENT IN TANGIBLE CAPITAL ASSETS

The tangible capital assets of \$503,749 are funded by the following sources:

	2020/21	2019/20
<b>Internally funded (invested in tangible capital assets)</b>	\$ 134,623	\$ 141,156
<b>Externally financed (debt)</b>	65,267	65,519
<b>Externally funded (expended capital contributions)</b>	303,859	316,644
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 503,749</b>	<b>\$ 523,319</b>

The internally funded portion of \$134,623 as of March 31, 2021 represents NAIT's internally funded portion of its assets. This decreased by \$6,533 from June 30, 2020, as the investment in new capital assets slowed and was less than the amortization of existing assets. See note 10 to the consolidated financial statements for additional information on tangible capital assets.

## ENDOWMENTS

Endowments have increased by \$1,936 from the prior fiscal period. The increase is due to the new contributions from donors to the endowments and additional investment income earned from the endowments, which are held to support inflation-proofing the endowments for future spending. The details of changes to endowments can be found in Note 12 to the consolidated financial statements.

## ACCUMULATED REMEASUREMENT GAINS AND LOSSES

Remeasurement gains and losses are an instrument to adjust the investment portfolio to fair market value. As of March 31, 2021, the investment portfolio had a net remeasurement loss of \$897 (\$3,576 loss as of June 30, 2020), of which a \$482 gain was allocated to endowments (\$204 loss as of June 30, 2020) and recorded in deferred contributions. A \$1,379 loss was recorded as accumulated remeasurement losses (\$3,372 loss as of June 30, 2020). The effect of the remeasurement gains is disclosed in the last table in Note 5 to the consolidated financial statements.

# CAPITAL REPORT

## CAPITAL PLAN

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

### TYPE OF PROJECT AND FUNDING SOURCES

TYPE	PROJECT DESCRIPTION	TOTAL PROJECT COST	FUNDING SOURCES	FUNDING RECEIVED TO DATE AND SOURCE	REVISED FUNDING SOURCES
<b>PRIORITY PROJECTS (TOP 3 CAPITAL PRIORITIES)</b>					
New	Main Campus Expansion Land Acquisition	\$77.1 million	38.9% GoA (\$30M land grant) 47.9% NAIT	\$30M land grant received from GoA; \$11.1 million received from NAIT	No change
New	NAIT Skills Centre	\$567 million	67.4% GoA 7.8% NAIT  24.8% Donations, consolidation, and efficiencies and industry sources	No funds received to date	No change
New	Purchase of the Crane and Hoisting Facility	\$18 million	100% GoA	No funds received to date	No change
<b>OTHER</b>					
Preservation	Main Campus Space Optimization	\$47.5 million	100% GoA	No funds received to date	No change
New	Acquisition and Retrofit of Jefferson Armoury Building	\$31.9 million	100% GoA	No funds received to date	No change
Preservation	O Building Mechanical Upgrade	\$8.1 million	100% GoA	Full funding received	No change
New	Student Housing	\$111.9 million	8.9% NAIT 91.1% Financing (other opportunities are being considered)	\$321,700 was spent by NAIT for initial planning and design services	No change
Preservation	Various Capital Maintenance and Rehabilitation Projects	\$150.6 million	100% GoA	No funds received to date	No change

## PROJECT TIMELINES AND STATUS

PROJECT DESCRIPTION	EXPECTED PROJECT START	EXPECTED PROJECT COMPLETION	PROJECT STATUS	PROGRESS MADE IN LAST 12 MONTHS
Main Campus Expansion Land Acquisition	Apr 2014	Land agreements in place Oct 2018. Expected closing date Jan 2024.	In progress	Satisfying purchase conditions in progress with expected Closing Date by January 2024. \$30M land grant received from GoA.
NAIT Skills Centre	Sep 2022	Sep 2027	Pending funding approval	Pending funding approval
Purchase of the Crane and Hoisting Facility	May 2022	Dec 2022	Pending funding approval	Pending funding approval
Main Campus Space Optimization	May 2022	Sep 2025	Pending funding approval	Pending funding approval
Acquisition and Retrofit of Jefferson Armoury Building	Sep 2023	Dec 2025	Pending funding approval	Pending funding approval
O Building Mechanical Upgrade	Sep 2020	Sep 2022	In progress	Approval received in July 2020. Funding received from GoA.
Student Housing	Jan 2022	Sep 2024	Pending availability of land	Construction of student residences on Blatchford remains a key part of NAIT's Campus Development Plan. In addition, NAIT continues to investigate other opportunities to provide for needed student housing.
Various Capital Maintenance and Rehabilitation Projects	May 2022	Sep 2026	Pending funding approval	Pending funding approval

# APPLIED RESEARCH

## APPLIED RESEARCH WITH INDUSTRY

NAIT's applied research is industry driven, working with partners to solve problems that matter to them. NAIT currently has seven applied research centres that leverage our existing institutional expertise and are aligned with the needs of our industry partners and Alberta's economy. Further, NAIT has six applied research chairs who lead applied research initiatives and help develop solutions for our industry partners. Our expertise focuses on Energy, Environment and Sustainable Development with major themes in Land and Water Management, Industrial Processing, Monitoring and Simulation, and Distributed Energy Management Systems. We engage in HQP (highly qualified personnel) development and capacity building to support Alberta's economic diversification and job creation.

Although the COVID-19 pandemic impacted all economic sectors and businesses, companies that engage with NAIT's applied research portfolio remained committed and continued to support projects, albeit with revised timeframes. Overall, applied research operations continued uninterrupted due to excellent modified work plans and additional safety measures that enabled staff and students to continue supporting industry innovation. Expenses and revenues remained within 10% of budget.

NAIT's applied research excellence established through demonstrated positive industry impact has attracted significant new funding even during this challenging economic period, and numerous multi-year and multimillion-dollar projects continue to provide sustainable operations across our centres. The 2020/21 fiscal period has seen increased project activity related to the \$10M partnership with Inter Pipeline to support the Plastics Research in Action (PRIA) initiative.

NAIT was recently awarded federal funds totaling more than \$3M to support capital investments in emerging technologies, as well as upskilling and reskilling opportunities for industry. Details of these awards are under embargo until the federal government releases the information publicly.

As a polytechnic, NAIT holds a key place in Alberta's post-secondary landscape, providing applied research expertise to help industry grow its productivity, enhance its technological capabilities, and diversify Alberta's economy. NAIT collaborates with various post-secondaries across Alberta and Canada. Our collaborators and partners include Cape Breton University, Laval University, Portage College, University of Alberta, University of Calgary, University of Saskatchewan and Saskatchewan Polytechnic.

## EXISTING APPLIED RESEARCH CENTRES

- **NAIT's Centre for Oil Sands Sustainability (COSS)** works with industry to develop technologies that improve the economic and environmental performance of the oil sands. In January 2021, the centre received two Applied Research and Development grants from Natural Sciences and Engineering Research Council (NSERC) with a total value of over \$1.8M. These projects will focus on deployment of emerging technologies for sustainable development for application in oil sands mining.
- **NAIT's Centre for Boreal Research** develops best practices and technologies to enable industry to address the management and reclamation of disturbed landscapes and promote sustainable environmental practices. During this reporting period the centre received more than \$1M in new funding, with one of the grants being the new Campus Alberta Small Business Engagement grant.
- **NAIT's Centre for Sensors and System Integration** is a vital hub supporting applied research broadly across many centres. The centre helps industry develop prototype devices and improve existing technologies addressing sensor-based challenges primarily in resource extraction, energy efficiency and environmental monitoring. During this reporting period significant industry funds are supporting development of methods to detect plastics in industrial wastewater streams.
- **NAIT's Applied Bio/Nanotechnology Industrial Research team** is focused on the development of methods and technologies to characterize and add value to industrial residual wastes and byproducts, and the scale up and field validation of technologies for the remediation of sites impacted by hydrocarbons and industrial brines. Technologies and methods developed through this initiative support Alberta's natural resource sectors. During the reporting period significant efforts have been invested in the field of microplastics detection and opportunities for supporting plastics circular economy initiatives.

- **NAIT's Centre for Culinary Innovation** helps companies transform Alberta-grown ingredients into new or improved, or value-added food products that can be commercialized. The vision is to help increase sustainability and food security within Alberta and Canada. A state-of-the-art research kitchen that was completed in late 2019 supports numerous small and medium enterprises in the development of new products.
- **The Centre for Applied Disaster and Emergency Management** provides combined professional development and an immersive training environment to Disaster and Emergency Management professionals in Alberta and beyond. Since March 2020, the centre's team has been integral in enabling appropriate pandemic planning and responses across NAIT.
- **NAIT's Centre for Grid Innovation**, in collaboration with the University of Alberta's Future Energy Systems, ATCO and Siemens, helps industry develop solutions in the distributed-energy marketplace through laboratory-based innovation and product validation services. Phase one of the specialized laboratory was completed in late 2019 and phase two is expected to be completed by early summer 2021.
- **NAIT's Centre for Innovative Media** works with companies in multiple industries to help optimize operations through the development of innovative software and content, data visualization tools and user interfaces, including virtual and augmented reality and machine learning. The centre expanded significantly during the reporting period and has completed construction of the motion capture studio which supports the gaming industry, among others.

# REGIONAL STEWARDSHIP, FOUNDATIONAL LEARNING, UNDERREPRESENTED LEARNERS

NAIT remained committed to supporting a diverse community and underrepresented populations during the COVID-19 pandemic. For example, NAIT:

- Trained and/or provided materials and certification to 60 inmates to prepare them for employment once released from incarceration.
- Worked with the Edmonton Mennonite Center for Newcomers and the Alberta Workforce Essential Skills to help the underemployed bridge credentials from their home country or to provide them with employable skills.
- Continued to work with Aboriginal communities to provide in-demand industry skills, for example, energy-efficient construction of a third tiny home, networking and network infrastructure, and hospitality and culinary. Corporate Training delivered five training projects to three communities involving approximately 40 students.

Underrepresented learners are supported by various student services offered at NAIT. We reorganized the Student Well-Being and Community Portfolio under the banner of Student Learning and Development to increase efficiency. This new portfolio consists of the following functions:

- Athletics (varsity sport)
- Well-Being (counselling, mental health, recreation programming, recreation facilities)
- Transition Services (orientation, academic advising, career services)
- Office of Diversity, Equity and Inclusion (training, barrier reduction and policy support)
- Student Learning Success (supports for students with disabilities, learning strategies and resources)

Each of these areas represents something new or a significant evolution. While much of the development of these new portfolios was delayed due to the requirements of our COVID response and recovery plan, each business unit is engaging in multi-year planning to support the transformation of NAIT's student services portfolio to take advantage of our "Build Back Better" approach. This reinvention of what student services can look like is driven by the needs of students and a single fundamental question: what does it mean to provide an outstanding student experience at a leading polytechnic? While this work benefits all NAIT learners, it especially benefits those in marginalized or at-risk groups.

In 2019/2020, NAIT reported that 88% of students were satisfied with the overall quality of NAIT student supports. However, 2020 introduced a context where change was not an option but a necessity, and through that change we were able to explore new ways of serving all students, especially foundational and underrepresented learners. We are proud to report that student satisfaction with the quality of student supports saw a small increase to 89.7% in 2020/21.

In January 2021, NAIT officially launched our first Equity, Diversity and Inclusion strategy and has now established the first Office of Equity, Diversity and Inclusion. This office provides the NAIT community with guidance and resources to ensure our underrepresented or disadvantaged learners have access to education and can fully participate in a safe and caring community. This office focuses on barrier reduction, staff and student education, and celebration of the diversity of the NAIT community, which helps enhance students' feelings of belonging and sense of place that helps with success and retention. Further, this office has taken the lead on several community partnerships, including with the Canadian Centre for Diversity and Inclusion, which is benefitting both students and staff with additional training and resources.

NAIT has actively partnered with other post-secondaries and industry service providers to support learners who are facing barriers to their education. NAIT and NAITSA successfully partnered on two service contracts; one provides peer-led professional tutoring to students in any subject via a simple to use app (Nimbus Learning), and the other provides writing and academic integrity assistance (Grammarly). According to preliminary data, we had 98 tutors on the platform and 451 students have accessed Nimbus this year with promising feedback on its efficacy (data for Grammarly is not yet available at the time of writing this report). NAIT has also partnered with other post-secondaries in the development of training that supports student access and persistence, including sexual assault first responder training, bystander intervention training, and training for behavioural intervention and support for high-risk students.

Recognizing that well-being and mental health are critical for student success, and in response to the pandemic, NAIT's well-being portfolio shifted its programming to continue to provide opportunities to our community despite facility restrictions.

This shift included a contract with an industry partner to provide a “Fitness on Demand” mobile app that allowed students to stream well-being activities (yoga, aerobics, etc.) to their device in the comfort of their homes. All NAIT students had access to this service, and it was especially critical during the COVID-19 pandemic as our traditional well-being spaces, such as our Fitness and Weight Centre, were unavailable for safety reasons. Recognizing that some students face barriers even with at-home fitness due to a lack of equipment access, our well-being team spearheaded a new Fitness Equipment Loan program in collaboration with NAIT’s library, where members of the NAIT community could visit the library and borrow equipment (weights, a yoga mat, etc.) to further enable our disadvantaged community members to pursue no-cost fitness opportunities.

Our counselling department also shifted online for 100% of appointments with most clients reporting that the online option was appreciated and worked better for them than the previously offered in-person services.

NAIT’s New Student Orientation also moved online, a decision that was taken prior to COVID-19. We saw a significant increase in attendance with this shift (61% increase over the previous year), which is attributable to the accessible nature of the program. Students did not just attend the orientation, but they meaningfully engaged with the content, as 74% of all students who accessed the new Online Orientation completed most of the modules. Effective orientation is critical to all NAIT students, especially those who are underrepresented or disadvantaged as navigating the post-secondary environment can be a complex challenge.

Aboriginal learners also faced unique challenges this year. Not only did they experience the same disruptive impacts of COVID-19 as other students, but in addition there were significant numbers of Aboriginal learners learning from remote parts of Canada. With our reliance on technology due to remote learning, this introduced a unique barrier to our Aboriginal learners as internet technology in rural parts of Canada is still limited in some cases.

To support these learners and others who experienced technology as a barrier, NAIT used unreserved donation funding to purchase additional computers to loan students through the library. Further, many of our Aboriginal learners rely on NAIT’s Nisôhkamâtotân Centre for support throughout the year and, like the rest of our student services offerings at NAIT, the closure of the centre provided an opportunity for Nisôhkamâtotân to reimagine how they did their work. As a result, they launched NAIT’s first-ever “Pikiskwetân” sharing circle series where the team provided education to members of NAIT’s community on Canada’s Aboriginal experience, both historically and in the modern context. This initiative is now being rolled out to individual departments across NAIT as an opportunity for teams to learn together. As NAIT continues to learn how to best honour our commitments of Truth and Reconciliation, the Nisôhkamâtotân team and learning opportunities like Pikiskwetân are crucial for ensuring a campus that is truly welcoming to all people.

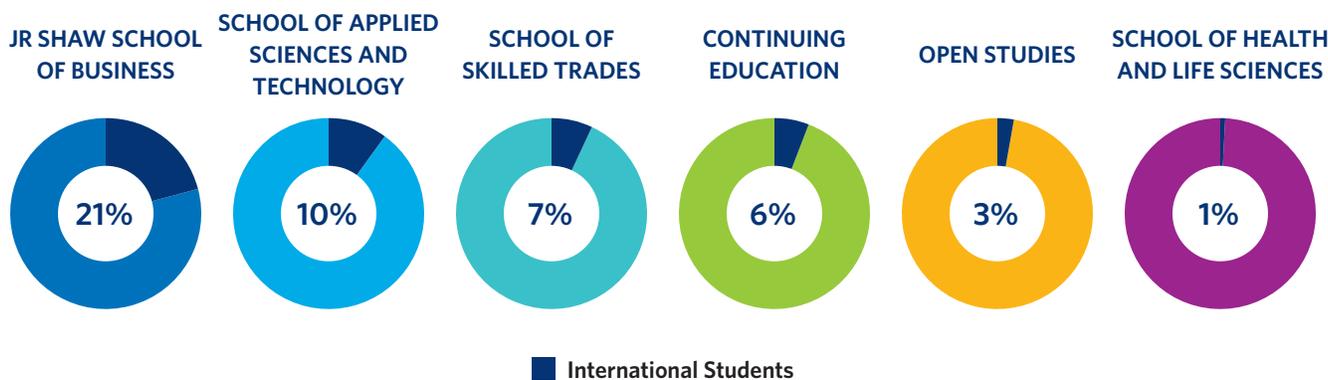
# INTERNATIONALIZATION

International student attraction and education continues to be a priority for NAIT, and while the pandemic shifted some of our growth targets, it also provided an innovative space to explore new virtual engagement platforms and allowed us to revisit our overall approach to global learning. The following highlights some key activities and initiatives that NAIT has undertaken in 2020/21 to align our internationalization goals more closely with the polytechnic model and to reflect our institute's commitment to diversity and inclusion.

## GLOBAL TALENT ATTRACTION

International students enhance the social and cultural diversity of the NAIT community and contribute to the institute's overall financial sustainability. In 2020/21 NAIT hosted 2,124 international students from over 80 countries. This accounted for 12.88% of the total student presence in degree, diploma and credit programming. While NAIT experienced a decrease of 17.71% in new international enrolments from the previous year, primarily due to COVID-19, we have been successful at mitigating impacts by offering deferrals in cases where students did not receive their study permit in time.

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



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

Alberta's International Education Strategy was welcomed by NAIT and informed our growth and diversification strategy, which resulted in:

- New partnerships to diversify and expand our international reach in Brazil, South Korea, Taiwan and Turkey and minimize the institute's risk associated with over-reliance in any one market.
- Our first international cohort to be piloted in the Digital Media and IT program in fall 2021.
- Development of new programs that both appeal to international students and align with the region's high-demand fields (e.g., the cybersecurity post-diploma certificate and the data analytics post-diploma certificate).
- Greater agility to engaging international audiences through virtual presentations, virtual open houses and employing multiple languages through our expansive network of agents and recruiters.

## GLOBAL AND INTERCULTURAL LEARNING

NAIT believes in providing students and faculty with the intercultural and global skills needed to succeed. Our approach aligns strongly with the polytechnic model and our first Equity, Diversity and Inclusion Strategy, which was released in January 2021.

To build and cultivate inclusion across our diverse community, NAIT has undertaken the following activities:

- Building Intercultural Competence course: launched an online six-week course that covers topics in intercultural communication, bias, power and privilege, truth and reconciliation. It is part of a suite of training resources to help instructors better support a diversity of learners, including international students.
- Newcomer Booster course: pivoted this two-week program to a virtual format, to prepare international and newcomer students to start their studies at NAIT, including topics of cultural adaptation to successfully transition to a Canadian classroom.

To better align with the strengths of polytechnic education, NAIT has reimagined its approach to education abroad. Moving away from the traditional semester-for-semester exchange model, NAIT's focus has shifted to instructor-led field schools, study tours and work-integrated learning opportunities that align with program outcomes while weaving in intercultural and global skill development.

An example of this model is the Light Up the World initiative, where staff and students from our Alternative Energy Technology program partner with a Canadian-based non-profit to provide solar-powered electricity to remote and Indigenous populations in South and Central America. Students demonstrate communication strategies that integrate cultural awareness and sensitivity, discuss how energy issues affect different groups of people, and perform risk assessments and risk mitigation plans for projects in remote and culturally diverse communities.

### GLOBAL LEARNING DURING A PANDEMIC

**While NAIT was unable to conduct in-person field schools in Peru because of the pandemic, students were able to connect to the NGO Light Up the World through capstone projects. Students worked virtually with Light Up the World to develop a new satellite internet option to add to their solar electricity offerings in remote, off-grid communities.**

# TRANSNATIONAL EDUCATION

In 2020/21, NAIT Corporate Training continued its long-standing partnership with the Heilongjiang Institute of Science and Technology in China to offer the Digital Media & IT (DMIT) diploma program. The classes offered by NAIT instructors were converted to online delivery, and training continued without delay. A total of 75 students completed the program in June 2020 and 319 students remain active in the program across four different cohorts.

The hands-on, technical training for the Uganda Technical Colleges in Elgon and Lira was planned to commence in 2020/21. As a direct result of travel restrictions, however, this training could not commence. As a result, virtual professional development training was provided to the management and instructional staff from both Ugandan institutes. This allowed Corporate Training to identify, in advance, any potential issues that could occur in the event the theoretical portion of the technical training was to commence online. The pilot was very successful and over 30 participants were trained.

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

NAME OF PROGRAM	TYPE OF CREDENTIAL	PRINCIPAL MODE OF DELIVERY	NAME OF PARTNER INSTITUTION	COUNTRY	NUMBER OF STUDENTS PARTICIPANTS	NUMBER OF GRADUATES
Digital Media & IT	- Diploma - Non-Credit Certificate of Achievement	Virtual and online delivery by NAIT instructors. Advanced credit and NAIT courses taught by HUST instructors.	Heilongjiang University of Science & Technology (HUST)	China	Group 16: 75 Group 17: 84 Group 18: 79 Group 19: 78 Group 20: 78	26 Certificates of Achievement and 34 Letters of Completion



# CONSOLIDATED FINANCIAL STATEMENTS

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# INDEPENDENT AUDITOR'S REPORT

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



## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### OPINION

I have audited the consolidated financial statements of The Northern Alberta Institute of Technology (the Group), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations, change in net financial assets, remeasurement gains and losses, and cash flows for the nine-month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and the results of its operations, its changes in net financial assets, its remeasurement gains and losses, and its cash flows for the nine-month period then ended in accordance with Canadian public sector accounting standards.

### EMPHASIS OF MATTER – CHANGE IN FISCAL YEAR END

I draw attention to Note 3 of the consolidated financial statements that describes the change in fiscal year end from June 30 to March 31. My opinion is not modified in respect to this matter.

### BASIS FOR OPINION

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

### OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]

Auditor General

May 25, 2021

Edmonton, Alberta

## STATEMENT OF MANAGEMENT RESPONSIBILITY

### FOR THE YEAR ENDED MARCH 31, 2021

The consolidated financial statements of the Northern Alberta Institute of Technology (NAIT) have been prepared by management in accordance with Canadian public sector accounting standards. The consolidated financial statements present fairly the financial position of NAIT as at March 31, 2021 and the results of its operations, remeasurement gains and losses, changes in net financial assets and cash flows for the nine months then ended.

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

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

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

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



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President and CEO



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Vice-President Administration and CFO

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021 (IN THOUSANDS OF DOLLARS)

	March 31, 2021 (note 3)	June 30, 2020
<b>Financial assets excluding portfolio investments restricted for endowments</b>		
Cash and cash equivalents (note 4)	\$ 28,172	\$ 37,524
Portfolio investments - non-endowment (note 5)	234,989	173,969
Accounts receivable	5,668	36,812
Inventories held for sale	2,124	2,658
	<b>270,953</b>	<b>250,963</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	30,522	39,836
Employee future benefit liabilities (note 7)	27,088	29,281
Debt (note 8)	126,787	128,232
Deferred revenue		
Unearned revenue	23,157	9,089
Deferred contributions (note 9)	74,642	70,380
	<b>282,196</b>	<b>276,818</b>
<b>Net debt excluding portfolio investments restricted for endowments</b>	<b>(11,243)</b>	<b>(25,855)</b>
Portfolio investments - restricted for endowments (note 5)	57,461	53,987
<b>Net financial assets</b>	<b>46,218</b>	<b>28,132</b>
<b>Non-financial assets</b>		
Tangible capital assets (note 10)	503,749	523,319
Prepaid expenses	4,334	4,558
	<b>508,083</b>	<b>527,877</b>
<b>Net assets before spent deferred capital contributions</b>	<b>554,301</b>	<b>556,009</b>
Spent deferred capital contributions (note 11)	303,859	316,645
<b>Net assets</b>	<b>\$ 250,442</b>	<b>\$ 239,364</b>
<b>Net assets is comprised of:</b>		
Accumulated surplus (note 12)	\$ 251,821	\$ 242,736
Accumulated remeasurement losses (note 5)	(1,379)	(3,372)
	<b>\$ 250,442</b>	<b>\$ 239,364</b>

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

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

# CONSOLIDATED STATEMENT OF OPERATIONS

NINE MONTHS ENDED MARCH 31, 2021 (IN THOUSANDS OF DOLLARS)

	Budget (note 25) (9 Months)	March 31, 2021 (9 Months)	June 30, 2020 (12 Months)
<b>Revenues</b>			
Government of Alberta grants			
Operating grants (note 22)	\$ 161,591	\$ 132,465	\$ 190,483
Expended capital recognized as revenue	12,174	11,965	17,663
Federal and other government grants			
Operating grants (note 22)	3,202	3,279	4,231
Expended capital recognized as revenue	793	731	852
Student tuition and related fees			
Degree, diploma and certificate programs			
Domestic Students	32,864	35,670	45,551
International Students	9,074	20,829	27,035
Apprenticeship training	2,855	4,744	4,567
Continuing education	8,848	9,674	12,210
Sales, rentals and services			
Ancillary operations	11,289	7,188	18,801
Training contracts	3,866	2,448	6,331
Other	5,876	6,255	10,286
Donations and other grants			
Donations and operating grants	3,340	6,065	7,281
Expended capital recognized as revenue	1,867	1,984	2,885
Investment income (note 20)	7,966	7,619	9,772
Restructuring transaction (note 21)		-	1,206
	<b>265,605</b>	<b>250,916</b>	<b>359,154</b>
<b>Expenses</b>			
Instructional delivery	102,034	101,807	157,949
Applied research	9,555	8,660	12,172
Facilities operations and maintenance	52,398	48,451	73,563
Academic and student support	38,530	36,720	57,862
Institutional support	40,219	36,780	54,697
Ancillary services	12,751	11,349	20,768
Fundraising	47	-	3
	<b>255,534</b>	<b>243,767</b>	<b>377,014</b>
<b>Operating surplus (deficit)</b>	<b>10,071</b>	<b>7,149</b>	<b>(17,860)</b>
Endowment contributions (note 12)		1,221	872
Endowment capitalized investment income (note 12)		715	593
		<b>1,936</b>	<b>1,465</b>
<b>Surplus (deficit)</b>		<b>9,085</b>	<b>(16,395)</b>
<b>Accumulated surplus, beginning of period</b>		<b>242,736</b>	<b>259,131</b>
<b>Accumulated surplus, end of period</b>		<b>\$ 251,821</b>	<b>\$ 242,736</b>

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

## CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

NINE MONTHS ENDED MARCH 31, 2021 (IN THOUSANDS OF DOLLARS)

	Budget (note 25) (9 Months)	March 31, 2021 (9 Months)	June 30, 2020 (12 Months)
<b>Surplus (deficit)</b>	\$ 10,071	\$ 9,085	\$ (16,395)
Acquisition of tangible capital assets	(3,000)	(5,208)	(11,234)
Proceeds from sale of tangible capital assets	150	262	107
Amortization of tangible capital assets	25,989	24,765	35,725
Loss (gain) on disposal of tangible capital assets	90	(249)	(48)
Change in prepaid expenses		224	(392)
Change in spent deferred capital contributions		(12,786)	(15,276)
Change in accumulated remeasurement gains (losses)		1,993	(14,283)
<b>Increase (decrease) in net financial assets</b>		<b>18,086</b>	<b>(21,796)</b>
<b>Net financial assets, beginning of period</b>		<b>28,132</b>	<b>49,928</b>
<b>Net financial assets, end of period</b>		<b>\$ 46,218</b>	<b>\$ 28,132</b>

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

## CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

NINE MONTHS ENDED MARCH 31, 2021 (IN THOUSANDS OF DOLLARS)

	March 31, 2021 (9 Months)	June 30, 2020 (12 Months)
<b>Accumulated remeasurement (losses) gains, beginning of period</b>	<b>\$ (3,372)</b>	\$ 10,911
Unrealized gains (losses) attributable to:		
Portfolio investments (note 5)		
Non-endowment	4,598	(13,087)
Amounts reclassified to the consolidated statement of operations:		
Portfolio investments (note 5)		
Non-endowment	(2,605)	(1,196)
<b>Accumulated remeasurement losses, end of period</b>	<b>\$ (1,379)</b>	\$ (3,372)

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

NINE MONTHS ENDED MARCH 31, 2021 (IN THOUSANDS OF DOLLARS)

	March 31, 2021 (9 Months)	June 30, 2020 (12 Months)
<b>Operating transactions</b>		
Surplus (deficit)	\$ 9,085	\$ (16,395)
Add (deduct) non-cash items:		
Amortization of tangible capital assets	24,765	35,725
Gain on sale of portfolio investments	(105)	(1,139)
Gain on disposal of tangible capital assets	(249)	(48)
Expended capital recognized as revenue	(14,680)	(21,399)
Change in non-cash items	9,731	13,139
Decrease (increase) in accounts receivable	31,144	(28,689)
Decrease in inventories held for sale	534	155
(Decrease) increase in accounts payable and accrued liabilities	(9,314)	8,585
(Decrease) increase in employee future benefit liabilities	(2,193)	1,452
Increase (decrease) in unearned revenue	14,068	(7,937)
Increase in deferred contributions	3,576	30,608
Decrease (increase) in prepaid expenses	224	(392)
<b>Cash provided by operating transactions</b>	<b>56,855</b>	<b>526</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets, less in-kind donations	(5,090)	(9,964)
Proceeds on sale of tangible capital assets	262	107
<b>Cash applied to capital transactions</b>	<b>(4,828)</b>	<b>(9,857)</b>
<b>Investing transactions</b>		
Purchase of portfolio investments	(63,731)	(44,055)
Proceeds on sale of portfolio investments	2,021	77,592
<b>Cash (applied to) provided by investing transactions</b>	<b>(61,710)</b>	<b>33,537</b>
<b>Financing transactions</b>		
Debt - repayment	(1,445)	(2,822)
Increase in spent deferred capital contributions, less expended capital recognized as revenue, less in-kind donations	1,776	4,853
<b>Cash provided by financing transactions</b>	<b>331</b>	<b>2,031</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(9,352)</b>	<b>26,237</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>37,524</b>	<b>11,287</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 28,172</b>	<b>\$ 37,524</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED MARCH 31, 2021 (IN THOUSANDS OF DOLLARS)

## 1. AUTHORITY AND PURPOSE

The Board of Governors of the Northern Alberta Institute of Technology (NAIT) is a corporation that manages and operates the Northern Alberta Institute of Technology 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 develop innovative solutions to meet real world problems. NAIT is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

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

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

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

The measurement of certain assets 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's management uses judgment to determine such estimates. Employee future benefit liabilities, amortization of tangible capital assets, revenue recognition for expended capital, and investment revenue are the most significant items based on estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these consolidated financial statements and, together with the following notes, should be considered an integral part of the consolidated financial statements.

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

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

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

Unrealized gains and losses from changes in the fair value of financial assets and liabilities are recognized in the consolidated statement of remeasurement gains and losses. When the restricted nature of a financial instrument and any related change in fair value create a liability, unrealized gains and losses are recognized as deferred contributions.

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 that is other than temporary is not reversed for a subsequent increase in value.

For financial assets and liabilities measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value. Investment management

fees are expensed as incurred. The purchase and sale of cash and cash equivalents and portfolio investments are accounted for using trade-date accounting. NAIT does not use foreign currency contracts or any other type of derivative financial instruments for trading or speculative purposes.

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 the end of the period is recognized as unearned revenue.

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

Government transfers are referred to as government grants.

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

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

In-kind donations of services, materials and tangible capital assets are recognized at fair value when such value can be reasonably determined. Transfers of tangible capital assets from related parties are recorded at the carrying value.

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

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

### **Endowment contributions**

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

### **Investment Income**

Investment income includes dividends, interest income, and realized gains or losses on the sale of portfolio investments, as well as revenue distributed by the pooled funds (which also 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 March 31 (three months). The accrual is estimated using historical distribution information per unit and current market values.

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

#### (d) ENDOWMENTS

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

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

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

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

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

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

#### (e) INVENTORIES HELD FOR SALE

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

#### (f) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of assets, and costs associated with asset retirement obligations. Cost includes overhead directly attributable to construction and development. Work in progress, which includes facilities and improvement projects and development of information systems, is not amortized until after the project is complete and the asset is in service.

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

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

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

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

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

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

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

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

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

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

##### **Pension**

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

NAIT does not have sufficient plan information on the LAPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the LAPP is comprised of employer contributions to the plan that are required for its employees during the period, which are calculated based on actuarially predetermined 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. NAIT provided non-contributory defined supplementary retirement benefits to executives up to December 31, 2018. As of January 1, 2019, any contributing plan members were transferred to a defined contribution supplemental retirement plan. One retired plan member still receives retirement benefits as a part of the defined benefit supplementary retirement plan and the pension expense is estimated based off prior experience. The pension expense for the defined contribution supplementary retirement plan is the employer's current period contribution to the plan as calculated in accordance with the expected plan rules.

##### **Special leave plan**

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

## Management retirement plan

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

## (j) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial results of NAIT, the Northern Alberta Institute of Technology Foundation and GO Productivity. The Foundation is a registered charity for the purpose of fundraising, operates within the *Alberta Gaming and Liquor Act* and is exempt from the payment of income tax. GO Productivity is a not-for-profit organization with a mandate to support productivity improvement, increase innovation, and build a skilled workforce to improve competitiveness and economic sustainability.

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

## (k) LIABILITY FOR CONTAMINATED SITES

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. Contaminated sites occur when an environmental standard exists and contamination exceeds the environmental standard.

A liability for remediation of contaminated sites from an operation(s) that is in productive use is recognized net of any expected recoveries when all of the following criteria are met:

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

A liability for remediation of contaminated sites from an operation(s) no longer in productive use, and/or an unexpected event occurs resulting in contamination, is recognized net of any expected recoveries when all of the following criteria are met:

- i. NAIT is directly responsible or accepts responsibility;
- ii. it is expected that future economic benefits will be given up; and
- iii. a reasonable estimate of the amount can be made.

## (l) EXPENSE BY FUNCTION

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

### Instructional delivery

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

### Applied research

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

### Facilities operations and maintenance

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

### **Academic and student support**

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

### **Institutional support**

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

### **Ancillary services**

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

### **Fundraising**

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

## **(m) FUNDS AND RESERVES**

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

## **(n) FUTURE ACCOUNTING CHANGES**

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

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

In November 2020, PSAB approved PSG 8 Purchased Intangibles. This Guideline is effective for fiscal years starting on or after April 1, 2023 and explains the scope of the intangibles now allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in PS 1000 Financial statement concepts.

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

## **3. CHANGE IN FISCAL YEAR END**

NAIT changed its fiscal year end to March 31, 2021 to coincide with that of the Government of Alberta. This change in fiscal year end was approved by the Minister of Advanced Education in September 2020. Information included in the consolidated financial statements reflect the first complete fiscal period consisting of the nine months ending March 31, 2021, as compared to the twelve-month period ending June 30, 2020. As a result, the two periods are not entirely comparable.

## 4. CASH AND CASH EQUIVALENTS

	March 31, 2021	June 30, 2020
Cash	\$ 21,716	\$ 34,573
Money market funds, short-term notes, and treasury bills	8,155	10,568
Less: Funds held on behalf of others (Note 18)	(1,699)	(7,617)
	<b>\$ 28,172</b>	<b>\$ 37,524</b>

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

## 5. PORTFOLIO INVESTMENTS

	March 31, 2021	June 30, 2020
Portfolio investments - non-endowment	\$ 234,989	\$ 173,969
Portfolio investments - restricted for endowments	57,461	53,987
	<b>\$ 292,450</b>	<b>\$ 227,956</b>

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

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Portfolio investments at fair value:				
Bonds and other fixed income				
Pooled investment funds	\$ -	\$ 110,803	\$ -	\$ 110,803
Equities				
Pooled investment funds - Canadian	-	38,228	-	38,228
Pooled investment funds - All World*	-	142,170	-	142,170
	-	291,201	-	291,201
Other at amortized cost				1,249
Total portfolio investments	<b>\$ -</b>	<b>\$ 291,201</b>	<b>\$ -</b>	<b>\$ 292,450</b>
	<b>0%</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>
	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Portfolio investments at fair value:				
Bonds and other fixed income				
Pooled investment funds	\$ -	\$ 81,375	\$ -	\$ 81,375
Equities				
Pooled investment funds - Canadian	-	26,945	-	26,945
Pooled investment funds - All World*	-	118,251	-	118,251
	-	226,571	-	226,571
Other at amortized cost				1,385
Total portfolio investments	<b>\$ -</b>	<b>\$ 226,571</b>	<b>\$ -</b>	<b>\$ 227,956</b>
	<b>0%</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>

\*All World equity includes investments in Canadian markets, equating to 9.6% (December 31, 2019: 10.0%) of the Fund at December 31, 2020.

The fair value measurements are those derived from:

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

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

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

NAIT's investment policy is dedicated to optimizing the return on investment while ensuring that the assets of NAIT are always prudently invested to minimize the potential for loss of capital. Specific guidelines have been established with respect to asset mix, diversification, security and performance measurement as well as quality, liquidity and term constraints.

	<b>Endowments recorded in deferred contributions (note 9)</b>	<b>Accumulated remeasurement gains and losses</b>	<b>Total</b>
Balance as at June 30, 2019	\$ 4,685	\$ 10,911	\$ 15,596
Unrealized losses attributable to portfolio investments	(4,226)	(13,087)	(17,313)
Amounts reclassified to statement of operations	(663)	(1,196)	(1,859)
<b>Balance as at June 30, 2020</b>	<b>(204)</b>	<b>(3,372)</b>	<b>(3,576)</b>
<b>Unrealized gains attributable to portfolio investments</b>	<b>550</b>	<b>4,598</b>	<b>5,148</b>
<b>Amounts reclassified to statement of operations</b>	<b>136</b>	<b>(2,605)</b>	<b>(2,469)</b>
<b>Balance as at March 31, 2021</b>	<b>\$ 482</b>	<b>\$ (1,379)</b>	<b>\$ (897)</b>

## 6. FINANCIAL RISK MANAGEMENT

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

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

NAIT is exposed to the following risks:

### MARKET RISK

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

A 5% change in the benchmark would result in a change in the market value of the investment portfolio per the table below.

	<b>March 31, 2021</b>	June 30, 2020
Pooled investment fund - Canadian equity		
S&P/TSX Composite Total Return Index benchmark	\$ 1,376	\$ 1,024
Pooled investment fund - All World* equity		
MSCI All Country World Index (Net Dividend, C\$) benchmark	4,692	3,902

\*All World equity includes investments in Canadian markets, equating to 9.6% (December 31, 2019: 10.0%) of the Fund at December 31, 2020.

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

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

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

The economic uncertainty surrounding COVID-19 has caused some volatility in the equity markets; fluctuations in the fair value of investments may be experienced as the situation evolves.

#### FOREIGN CURRENCY RISK

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

NAIT's portfolio investments do include equities that are held in foreign currencies, and there is some exposure to foreign currency risk if the currency that these equities are held in change in relation to the Canadian dollar. This risk is mitigated by NAIT's investment manager through their currency hedging strategy and through diversification of the portfolio. A 5% strengthening or weakening in the Canadian dollar would result in a \$5,402 (June 30, 2020: \$4,257) change in the market value of the investment portfolio.

#### CREDIT RISK

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

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

	<b>March 31, 2021</b>	June 30, 2020
AAA	<b>14.9%</b>	16.2%
AA	<b>8.4%</b>	22.2%
A	<b>42.2%</b>	35.8%
BBB	<b>31.2%</b>	24.9%
Short-term investments and other net assets (liabilities)	<b>3.3%</b>	0.9%
	<b>100.0%</b>	100.0%

## LIQUIDITY RISK

Liquidity risk is the risk that NAIT will encounter difficulty in meeting obligations associated with its financial liabilities. NAIT invests in short-term pooled funds to manage short-term cash requirements. NAIT maintains a short-term line of credit that is designed to ensure the availability of funds to meet current and forecasted financial requirements in the most cost-effective manner. At March 31, 2021, NAIT has committed borrowing facilities of \$2,500 (June 30, 2020: \$2,500), none of which has been drawn.

## INTEREST RATE RISK

Interest rate risk is the risk to NAIT's earnings that arises from the fluctuations in interest rates and the degree of volatility in these rates. The risk is managed by contractually setting interest rates with banking institutions and by investment policies that limit the term to maturity of certain fixed income securities that NAIT holds. If interest rates increased by 1%, and all other variables were held constant, the potential loss in fair value would be approximately 2.5% (June 30, 2020: 2.7%) of total investments. Interest risk on NAIT's debt is managed through fixed-rate agreements with the Department of Treasury Board and Finance (Note 8).

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

	March 31, 2021	June 30, 2020
< 1 year	7.5%	4.2%
1 - 5 years	37.9%	39.3%
> 5 years	54.6%	56.5%
	<b>100%</b>	<b>100%</b>
Average effective yield	1.77%	1.87%

## 7. EMPLOYEE FUTURE BENEFIT LIABILITIES

Employee future benefit liabilities are comprised of the following:

	March 31, 2021	June 30, 2020
Accrued vacation	\$ 20,051	\$ 21,900
Long-term disability	4,947	5,069
Supplementary retirement plan - defined contribution	1,498	1,723
Supplementary retirement plan - defined benefit	144	144
Special leave plan	400	367
Management retirement plan	48	78
	<b>\$ 27,088</b>	<b>\$ 29,281</b>

### (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 March 31, 2021. The long-term disability plan provides pension and non-pension benefits after employment, but before the employee's normal retirement date. Salary costs are covered by an insurance plan.

#### Supplementary Retirement Plan (SRP)

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

### **Special Leave Plan**

NAIT provides compensated absences for its employees under a special leave plan. Under this plan, 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 for the nine months ending March 31, 2021 is \$122 (12 months ending June 30, 2020 - \$295) and has been discounted at a rate of 2.1% (June 30, 2020 0.0%).

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

### **Local Authorities Pension Plan**

The Local Authority Pension Plan (LAPP) is a multi-employer contributory defined benefit pension plan for staff and is accounted for on a defined contribution basis. As at December 31, 2020, the LAPP reported an actuarial surplus of \$4,961,337 (December 31, 2019: \$7,913,261 surplus). An actuarial valuation of the LAPP was carried out as at December 31, 2018 and was then extrapolated to December 31, 2019. The pension expense recorded in these consolidated financial statements for the nine months ending March 31, 2021 is \$13,009 (12 months ending June 30, 2020 - \$20,144). Other than the requirement to make additional contributions, NAIT does not bear any risk related to any potential LAPP deficit.

### **Management Retirement Plan**

A management retiring allowance was established in 1988 in response to market conditions. The allowance is \$2 per year of eligible service. To be eligible to receive this allowance, employees must have been employed in an eligible management position with NAIT prior to July 1, 2002 and be eligible for retirement benefits from the Local Authorities Pension Plan. Managers whose employment with NAIT commenced on or after July 1, 2002 are not eligible for this allowance. The liability is calculated based on management's best estimate of when the eligible employee will retire and a discount rate of 2.45% (June 30, 2020 - 2.45%).

## **(c) DEFINED CONTRIBUTION**

### **Supplementary retirement**

NAIT provides non-contributory supplementary retirement benefits under a defined contribution plan to eligible executive members. NAIT's total defined contribution supplementary retirement expense for the 9 months ending March 31, 2021 was \$396 (12 months ending June 30, 2020 - \$245).

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

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

#### Financial Position

Accrued benefit obligation:

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

	June 30, 2020 (12 Months)				
	LTD	SRP (Defined Contribution)	SRP (Defined Benefit)	Special Leave	Management Retiring
<b>Expense</b>					
Current service cost	\$ 2,418	\$ 160	\$ 3	\$ (231)	\$ 14
Interest cost	130	85	7	-	-
<b>Total expense</b>	<b>\$ 2,548</b>	<b>\$ 245</b>	<b>\$ 10</b>	<b>\$ (231)</b>	<b>\$ 14</b>

#### Financial Position

Accrued benefit obligation:

Balance, beginning of year	\$ 4,061	\$ 1,478	\$ 176	\$ 598	\$ 64
Current service cost	2,418	160	3	(231)	14
Interest cost	130	85	7	-	-
Benefits paid	(1,540)	-	(42)	-	-
<b>Balance, end of year</b>	<b>\$ 5,069</b>	<b>\$ 1,723</b>	<b>\$ 144</b>	<b>\$ 367</b>	<b>\$ 78</b>

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:

	LTD	
	March 31, 2021	June 30, 2020
Accrued benefit obligation:		
Discount rate	2.90%	2.10%
Long-term average compensation increase		
Years 1-3	0.00%	0.00%
Year 4 and thereafter	2.00%	2.00%
Estimated average remaining service life	6	5

## 8. DEBT

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

	<b>Collateral</b>	<b>Maturity</b>	<b>Interest Rate</b>	<b>March 31, 2021</b>	<b>June 30, 2020</b>
Debtures payable to the Department of Treasury Board and Finance:					
Parkade	<b>(1)</b>	<b>December 2042</b>	<b>3.426%</b>	<b>\$ 19,196</b>	<b>\$ 19,487</b>
Blatchford lands and Productivity and Innovation Centre	<b>(2)</b>	<b>June 2049</b>	<b>3.184%</b>	<b>107,591</b>	<b>108,745</b>
				<b>\$ 126,787</b>	<b>\$ 128,232</b>

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

Principal and interest repayments are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 2,961	\$ 4,060	\$ 7,021
2023	3,058	3,963	7,021
2024	3,158	3,863	7,021
2025	3,260	3,761	7,021
2026	3,367	3,654	7,021
Thereafter	110,983	45,888	156,871
	<b>\$ 126,787</b>	<b>\$ 65,189</b>	<b>\$ 191,976</b>

Interest expense on debt for the 9 months ending March 31, 2021 is \$3,082 (12 months ending June 30, 2020: \$4,185) and is included in the consolidated statement of operations.

## 9. DEFERRED CONTRIBUTIONS

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

	<b>Unspent Operating Contributions</b>	<b>Unspent Capital Contributions</b>	<b>Total</b>
Balance as at June 30, 2019	\$ 43,190	\$ 1,471	\$ 44,661
Grants and donations received	45,885	35,913	81,798
Investment income (Note 20)	2,469	7	2,476
Transfer to spent deferred capital contribution (Note 11)	-	(6,159)	(6,159)
Recognized as revenue	(46,914)	-	(46,914)
Transferred to endowment	(593)	-	(593)
Unrealized loss on investments relating to deferred contributions (note 5)	(4,889)	-	(4,889)
<b>Balance as at June 30, 2020</b>	<b>\$ 39,148</b>	<b>\$ 31,232</b>	<b>\$ 70,380</b>
Grants and donations received	20,813	9,747	30,560
Investment income (Note 20)	2,771	593	3,364
Transfer to spent deferred capital contribution (Note 11)	-	(1,894)	(1,894)
Recognized as revenue	(27,739)	-	(27,739)
Transferred to endowment	(715)	-	(715)
Unrealized gain on investments relating to deferred contributions (Note 5)	686	-	686
<b>Balance as at March 31, 2021</b>	<b>\$ 34,964</b>	<b>\$ 39,678</b>	<b>\$ 74,642</b>

## 10. TANGIBLE CAPITAL ASSETS

	March 31, 2021							June 30, 2020
	Land	Buildings, Leasehold and Site Improvements	Furnishings, Equipment and Systems	Vehicles	Library holdings	Work in progress	Total	Total
<b>Cost</b>								
Balance, beginning of period	\$ 48,233	\$ 670,485	\$ 156,864	\$ 2,372	\$ 3,853	\$ 11,960	\$ <b>893,767</b>	\$ 891,122
Acquisitions	-	4,294	3,483	14	-	(2,583)	<b>5,208</b>	11,234
Disposals, including write-downs	-	-	(1,014)	(200)	-	-	<b>(1,214)</b>	(8,589)
	48,233	674,779	159,333	2,186	3,853	9,377	<b>897,761</b>	893,767
<b>Accumulated Amortization</b>								
Balance, beginning of period	\$ -	\$ (245,633)	\$ (119,328)	\$ (2,179)	\$ (3,308)	\$ -	\$ <b>(370,448)</b>	\$ (343,253)
Amortization expense	-	(16,590)	(8,010)	(76)	(89)	-	<b>(24,765)</b>	(35,725)
Effects on disposals, including write-downs	-	-	1,001	200	-	-	<b>1,201</b>	8,530
	-	(262,223)	(126,337)	(2,055)	(3,397)	-	<b>(394,012)</b>	(370,448)
<b>Net book value at March 31, 2021</b>	<b>\$ 48,233</b>	<b>\$ 412,556</b>	<b>\$ 32,996</b>	<b>\$ 131</b>	<b>\$ 456</b>	<b>\$ 9,377</b>	<b>\$ 503,749</b>	
Net book value at June 30, 2020	\$ 48,233	\$ 424,852	\$ 37,536	\$ 193	\$ 545	\$ 11,960		\$ 523,319

Interest: Additions to capital assets includes capitalized interest of \$0 (June 30, 2020: \$0).

Cost includes work-in-progress totaling \$9,377 (June 30, 2020: \$11,960), comprised of land \$4,669 (June 30, 2020: \$3,591), buildings \$107 (June 30, 2020: \$4,780), site improvements \$0 (June 30, 2020: \$26), equipment \$3,783 (June 30, 2020: \$2,746) and software \$818 (June 30, 2020: \$817).

Acquisitions during the period include in-kind contributions in the amount of \$118 (June 30, 2020: \$1,270).

## 11. SPENT DEFERRED CAPITAL CONTRIBUTIONS

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

	March 31, 2021	June 30, 2020
Balance, beginning of period	\$ 316,645	\$ 331,921
Transfers from unspent externally restricted grants and donations (Note 9)	1,894	6,159
Expended capital recognized as revenue	(14,680)	(21,400)
Net book value of asset disposals	-	(35)
Balance, end of period	\$ 303,859	\$ 316,645

## 12. NET ASSETS

	Accumulated Operating Surplus	Investment in Tangible Capital Assets	Funds and Reserves	Endowments	Total Accumulated Surplus
<b>Balance as at June 30, 2019</b>	\$ 43,991	\$ 142,614	\$ 37,658	\$ 45,779	\$ 270,042
Annual operating deficit	(17,860)	-	-	-	(17,860)
Endowments					-
Contributions	-	-	-	872	872
Capitalized investment income	-	-	-	593	593
Tangible capital assets					-
Amortization of tangible capital assets	14,326	(14,326)	-	-	-
Acquisition of tangible capital assets	(4,515)	5,076	(561)	-	-
Debt - expenditures from funds received in prior years	1,529	(1,529)	-	-	-
Debt - adjustments to previous expenditures no longer funded from debt	(9,088)	9,088	-	-	-
Debt - repayment	(2,822)	2,822	-	-	-
Debt - reduction in amount received in excess of requirements	2,566	(2,566)	-	-	-
Net book value of tangible capital asset disposals	23	(23)	-	-	-
Operating expenditures funded from funds and reserves	1,271	-	(1,271)	-	-
Net Board appropriation to funds and reserves	4,614	-	(4,614)	-	-
Change in accumulated remeasurement gains and losses	(14,283)	-	-	-	(14,283)
<b>Balance as at June 30, 2020</b>	\$ 19,752	\$ 141,156	\$ 31,212	\$ 47,244	\$ 239,364
Annual operating surplus (deficit)	7,149	-	-	-	7,149
Endowments					
Contributions	-	-	-	1,221	1,221
Capitalized investment income	-	-	-	715	715
Tangible capital assets					
Amortization of tangible capital assets	10,085	(10,085)	-	-	-
Acquisition of tangible capital assets	(2,896)	3,314	(418)	-	-
Debt - expenditures from funds received in prior years	39	(39)	-	-	-
Debt - repayment	(291)	291	-	-	-
Net book value of tangible capital asset disposals	13	(13)	-	-	-
Operating expenditures funded from funds and reserves	1,678	-	(1,678)	-	-
Net Board appropriation to funds and reserves	(4,057)	-	4,057	-	-
Change in accumulated remeasurement gains and losses	1,993	-	-	-	1,993
<b>Balance as at March 31, 2021</b>	\$ 33,465	\$ 134,624	\$ 33,173	\$ 49,180	\$ 250,442
<b>Net assets is comprised of:</b>					
Accumulated surplus	\$ 34,844	\$ 134,624	\$ 33,173	\$ 49,180	\$ 251,821
Accumulated remeasurement gains and losses	(1,379)	-	-	-	(1,379)
	\$ 33,465	\$ 134,624	\$ 33,173	\$ 49,180	\$ 250,442

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, June 30, 2020	Appropriations from (returned to) Accumulated Operating Surplus	Disbursements During the Period	Balance, March 31, 2021
Appropriation for capital activities:				
Main Campus Renovations	\$ 18,901	\$ (4)	\$ (7)	\$ 18,890
Capital Renewal	1,426	174	-	1,600
Industry Solutions	-	33	(33)	-
Strategic Investment Fund	-	378	(378)	-
	20,327	581	(418)	20,490
Appropriation for operating activities:				
Credit Education Enhancement Fund	1,082	-	(3)	1,079
ILM Reserve Fund	-	1,330	-	1,330
Industry Solutions	1,876	(33)	(402)	1,441
Main Campus Renovations	-	4	(4)	-
Strategic Investment Fund	3,173	2,175	(1,136)	4,212
Technology Transformation Fund	4,754	-	(133)	4,621
	10,885	3,476	(1,678)	12,683
	<b>\$ 31,212</b>	<b>\$ 4,057</b>	<b>\$ (2,096)</b>	<b>\$ 33,173</b>

## 13. CONTINGENT ASSETS

NAIT initiated legal matters and insurance claims where possible assets are being sought. These matters give rise to contingent assets. The outcomes from these matters may result in recognition of assets, though it is the opinion of NAIT's management that any settlement will not have a material effect on the financial position or the results of operations of NAIT.

## 14. CONTINGENT LIABILITIES

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

NAIT has obligations for various asbestos remediation, as scheduled for future fiscal periods. Management estimates remediation costs of \$1,613 (June 30, 2020 - \$1,107) based on contractual obligations and current industry costs. This amount has been recorded in the financial statements.

## 15. CONTRACTUAL RIGHTS

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

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

	<b>Operating leases, contracts and programs</b>	<b>Operations and Maintenance</b>	<b>Other Contracts</b>	<b>Total</b>
2022	\$ 15,148	\$ -	\$ -	\$ 15,148
2023	5,700	-	-	5,700
2024	3,476	-	-	3,476
2025	1,850	-	-	1,850
2026	1,276	-	-	1,276
Thereafter	2,999	-	-	2,999
Total at March 31, 2021	<b>\$ 30,449</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,449</b>
Total at June 30, 2020	<b>\$ 35,430</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,430</b>

## 16. CONTRACTUAL OBLIGATIONS

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

	<b>Blatchford land purchase<sup>(1)</sup></b>	<b>Capital projects</b>	<b>Long-term leases</b>	<b>Total</b>
2022	\$ 8,722	\$ 5,838	\$ 1,942	\$ 16,502
2023	-	2,036	1,593	3,629
2024	52,956	-	1,399	54,355
2025	-	-	1,366	1,366
2026	-	-	1,215	1,215
Thereafter	-	-	6,199	6,199
Total at March 31, 2021	<b>\$ 61,678</b>	<b>\$ 7,874</b>	<b>\$ 13,714</b>	<b>\$ 83,266</b>
Total at June 30, 2020	<b>\$ 61,678</b>	<b>\$ 1,708</b>	<b>\$ 15,531</b>	<b>\$ 78,917</b>

- (1) In October 2018, NAIT entered into a contract with the City of Edmonton to purchase a section of the Blatchford lands adjacent to main campus for future development. The contractual obligation of \$61,678 (June 30, 2020: \$61,678) represents the total purchase less deposit paid of \$623. The purchase is expected to be completed in 2023/24.

## 17. EXPENSE BY OBJECT

The following is a summary of expense by object:

	March 31, 2021		June 30, 2020
	Budget (9 Months)	Actual (9 Months)	Actual (12 Months)
Salaries and employee benefits	\$ 166,108	\$ 163,006	\$ 259,252
Materials, supplies and services			
Cost of goods sold	6,322	6,086	10,521
Purchased labour and services	12,766	11,022	15,807
Classroom, lab and general supplies	9,799	10,116	10,897
Other materials, supplies and services	6,011	2,890	6,520
Maintenance and repairs	18,636	14,571	22,735
Utilities	4,609	6,138	7,995
Scholarships, bursaries and prizes	2,030	2,091	3,376
Interest expense	3,264	3,082	4,186
Amortization of capital assets	25,989	24,765	35,725
	<b>\$ 255,534</b>	<b>\$ 243,767</b>	<b>\$ 377,014</b>

## 18. FUNDS HELD ON BEHALF OF OTHERS

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

	March 31, 2021	June 30, 2020
Alberta Post-Secondary Application System Society	\$ -	\$ 7,188
NAIT Student Association	369	429
Southern Alberta Institute of Technology	1,330	-
	<b>\$ 1,699</b>	<b>\$ 7,617</b>

## 19. RELATED PARTIES

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

In 2020/21, NAIT's key management personnel and their close family members did not have any material transactions with NAIT, the NAIT Foundation, GO Productivity or other Government of Alberta reporting entities that occurred at a value that was different from that which would have been arrived at if the parties were unrelated.

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

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

## 20. INVESTMENT INCOME

	<b>March 31, 2021</b> <b>(9 Months)</b>	June 30, 2020 (12 Months)
Investment earnings	\$ 9,910	\$ 10,339
Less transferred to Deferred Contributions (Note 9)	<b>(3,364)</b>	<b>(2,476)</b>
Investment earnings from unrestricted sources	<b>6,546</b>	7,863
Add transfers from Deferred Contributions	<b>1,073</b>	1,909
<b>Investment income</b>	<b>\$ 7,619</b>	<b>\$ 9,772</b>

Investment earnings include an accrual of \$2,613 (June 30, 2020: \$3,496). The accrual represents management's best estimate of revenue earned for the three months from January 1 to March 31 (June 30, 2020: six months from January 1 to June 30) and not yet distributed, based on information provided by the Investment Manager (see Note 2(c)).

## 21. RESTRUCTURING TRANSACTION

GO Productivity is a not-for-profit organization with a mandate to support productivity improvement, increase innovation, and build a skilled workforce to improve competitiveness and economic sustainability. In July 2019, GO Productivity's Board of Directors voted to appoint key members of NAIT's Board of Governors and management team as new directors of GO Productivity. As a result, NAIT's Board of Governors acquired control of GO Productivity through a non-purchase arrangement and no consideration was exchanged. The reason for this restructuring was due to the similar nature of the two entities. It was determined that both NAIT and GO Productivity could better meet their mandates through mutual cooperation, sharing of resources, administration and governance.

The assets and liabilities of GO Productivity have been recorded as cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued liabilities and deferred revenue at the carrying value at the time of the transfer, totaling \$1,206. This amount has been recorded as revenue during the 2019/20 period. Under the transfer, NAIT also assumed responsibility for all contractual obligations from GO Productivity. NAIT did not receive compensation or incur any other restructuring costs related to this transaction.

## 22. GOVERNMENT TRANSFERS

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

	<b>March 31, 2021</b> <b>(9 Months)</b>	June 30, 2020 (12 Months)
Grants from Government of Alberta		
Advanced Education		
Base Operating Grant	\$ 115,010	\$ 156,434
Apprenticeship	7,991	15,231
Infrastructure Maintenance Program	-	6,385
Capital - Blatchford Land	-	30,000
Capital - O Building Mechanical Upgrade	8,132	-
Targeted enrolment expansion	-	5,998
Other	4,124	4,193
Total Advanced Education	<b>135,257</b>	218,241
Other Government of Alberta departments and agencies		
Ministry of Jobs, Economy and Innovation (including Alberta Innovates)	380	1,108
Energy Efficiency Alberta-Refund	-	(78)
Agriculture and Forestry-Refund	(200)	-
Labour and Immigration	-	61
Municipal Affairs	-	50
Alberta Health Services	24	25
Total Other Government of Alberta departments and agencies	<b>204</b>	1,166
Total contributions received and receivable	<b>135,461</b>	219,407
Less deferred contributions	<b>(2,996)</b>	(28,924)
Total Government of Alberta operating grant revenue	<b>\$ 132,465</b>	\$ 190,483
Grants from federal and other governments		
Federal government	\$ 2,912	\$ 6,258
Other government	353	755
Total contributions received and receivable	<b>3,265</b>	7,013
Change in deferred contributions	14	(2,782)
Total federal and other government operating grant revenue	<b>\$ 3,279</b>	\$ 4,231

## 23. SALARY AND EMPLOYEE BENEFITS

	March 31, 2021 (9 Months)			
	Base Salary <sup>(8)</sup>	Other Cash Benefits <sup>(9)</sup>	Other Non-Cash Benefits <sup>(10)(11)</sup>	Total
<b>Governance<sup>(1)</sup></b>				
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	7	7
<b>Executive</b>				
President and CEO				
Past Interim <sup>(2)</sup>	52	38	(14)	76
Incumbent <sup>(3)</sup>	214	1	105	320
Vice President Academic and Provost	219	4	74	297
Vice President Administration and CFO	219	33	19	271
Vice President Industry Partnerships and CMO <sup>(4)</sup>	219	7	52	278
Vice President External Relations				
Interim <sup>(4)</sup>	7	-	1	8

	June 30, 2020 (12 Months)			
	Base Salary <sup>(8)</sup>	Other Cash Benefits <sup>(9)</sup>	Other Non-Cash Benefits <sup>(10)(11)</sup>	Total
<b>Governance<sup>(1)</sup></b>				
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	17	17
<b>Executive</b>				
President and CEO				
Past Incumbent <sup>(5)</sup>	202	420	127	749
Interim <sup>(6)</sup>	195	50	13	258
Vice President Academic and Provost	257	44	95	396
Vice President Administration and CFO				
Past Incumbent <sup>(6)</sup>	113	498	2	613
Incumbent <sup>(7)</sup>	158	38	24	220
Vice President Industry Partnerships and CMO	296	52	34	382

(1) The Chair and other members of the Board of Governors receive no remuneration for the services they provide as members of the Board of Governors.

(2) The interim appointment of President and CEO concluded in August 2020.

(3) The incumbent position of President and CEO was filled in August 2020.

(4) The incumbent Vice-President Industry Partnership and CMO will be leaving their position in May 2021. An interim appointment for the Vice-President External Relations was made in March 2021 to provide support after this departure.

(5) The past incumbent President left this position in December 2019. A termination benefit of \$263 has been included in other cash benefits.

(6) The past incumbent Vice President Administration and CFO left their position to fill the President and CEO role effective December 2019. This interim appointment concluded in August 2020 and a retirement allowance payable of \$449 was included in other cash benefits for the 12 months ended June 30, 2020.

(7) The incumbent position of Vice President Administration and CFO was filled in December 2019.

- (8) Base salary includes pensionable base pay.
- (9) Other cash benefits include variable compensation payments, vacation payouts by special approval or upon retirement/ termination, car allowance and pay in lieu of employee benefits. No bonuses or variable compensation payments were paid in the nine months ended March 31, 2021.
- (10) Other non-cash benefits include NAIT's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, moving expenses, professional memberships and tuition fees. Negative amounts may appear if accrued non-cash benefits are lower than actual cash benefits paid.
- (11) 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 a post-employment period.

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

	<b>Accrued Obligation June 30, 2020</b>	<b>Adjustment to Prior Year Interest Costs</b>	<b>Service Cost</b>	<b>Interest Cost</b>	<b>Benefits Paid</b>	<b>Accrued Obligation March 31, 2021</b>
President and CEO						
Past incumbent	\$1,600	(15)	-	323	(621)	1,287
Incumbent	-	-	24	2	-	26
Vice President Academic and Provost	123	(1)	20	24	-	166
Vice President Industry Partnerships and CMO	-	-	17	2	-	19

## 24. IMPACT OF COVID-19 PANDEMIC

The COVID-19 pandemic continues to cause material disruption to NAIT by causing the temporary closure of many buildings on campus, the temporary layoff of staff who are not able to work remotely and by creating an overall economic slowdown across Alberta and the rest of the world. NAIT continues to assess and monitor the impact of COVID-19 on its financial condition, including the likelihood of decreased revenues and increased expenditures as a direct result of this crisis. The magnitude and duration of COVID-19 is uncertain and, accordingly, it is difficult to reliably measure the potential future impact on NAIT's financial position and operations.

## 25. BUDGET FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from NAIT's 2020/21 Budget as approved by the Board of Governors. This budget was initially approved on a 12-month period, and the consolidated statement of operations has been reconciled to the financial reporting period as follows:

	Approved Budget (12 months)	Net Adjustment	Budget (9 Months)
<b>Revenues</b>			
Government of Alberta grants			
Operating grants	\$ 205,003	\$ (43,412)	\$ 161,591
Expended capital recognized as revenue	16,232	(4,058)	12,174
Federal and other government grants			
Operating grants	5,010	(1,808)	3,202
Expended capital recognized as revenue	1,057	(264)	793
Student tuition and related fees			
Degree, diploma and certificate programs			
Domestic Students	40,145	(7,281)	32,864
International Students	11,776	(2,702)	9,074
Apprenticeship training	3,845	(990)	2,855
Continuing education	11,375	(2,527)	8,848
Sales, rentals and services			
Ancillary operations	13,325	(2,036)	11,289
Training contracts	5,007	(1,141)	3,866
Other	7,679	(1,803)	5,876
Donations and other grants			
Donations and operating grants	5,945	(2,605)	3,340
Expended capital recognized as revenue	2,489	(622)	1,867
Investment income	10,621	(2,655)	7,966
	339,509	(73,904)	265,605
<b>Expenses</b>			
Instructional delivery	137,559	(35,525)	102,034
Applied research	13,370	(3,815)	9,555
Facilities operations and maintenance	69,788	(17,390)	52,398
Academic and student support	51,512	(12,982)	38,530
Institutional support	50,790	(10,571)	40,219
Ancillary services	15,728	(2,977)	12,751
Fundraising	104	(57)	47
	338,851	(83,317)	255,534
<b>Operating surplus</b>	\$ 658	\$ 9,413	\$ 10,071

The allocation of the budget from a twelve-month period to a nine-month period was approved as presented by NAIT's Board of Governors.

The budgetary figures on the consolidated statement of change in net financial assets has been reconciled to the financial reporting period as follows:

	Approved Budget (12 months)	Net Adjustment	Budget (9 Months)
Annual deficit	\$ 658	\$ 9,413	\$ 10,071
Acquisition of tangible capital assets	(4,000)	1,000	(3,000)
Proceeds from sale of tangible capital assets	200	(50)	150
Amortization of tangible capital assets	34,397	(8,408)	25,989
Loss on disposal of tangible capital assets	120	(30)	90

The expense by object (note 17) has been reconciled to the financial reporting period as follows:

	Approved Budget (12 months)	Net Adjustment	Budget (9 Months)
Salaries and employee benefits	\$ 221,179	\$ (55,071)	\$ 166,108
Materials, supplies and services			
Cost of goods sold	7,916	(1,594)	6,322
Purchased labour and services	16,848	(4,082)	12,766
Classroom, lab and general supplies	13,118	(3,319)	9,799
Other materials, supplies and services	7,884	(1,873)	6,011
Maintenance and repairs	24,570	(5,934)	18,636
Utilities	6,119	(1,510)	4,609
Scholarships, bursaries and prizes	2,713	(683)	2,030
Interest expense	4,107	(843)	3,264
Amortization of capital assets	34,397	(8,408)	25,989
<b>Total Expense</b>	<b>\$ 338,851</b>	<b>\$ (83,317)</b>	<b>\$ 255,534</b>

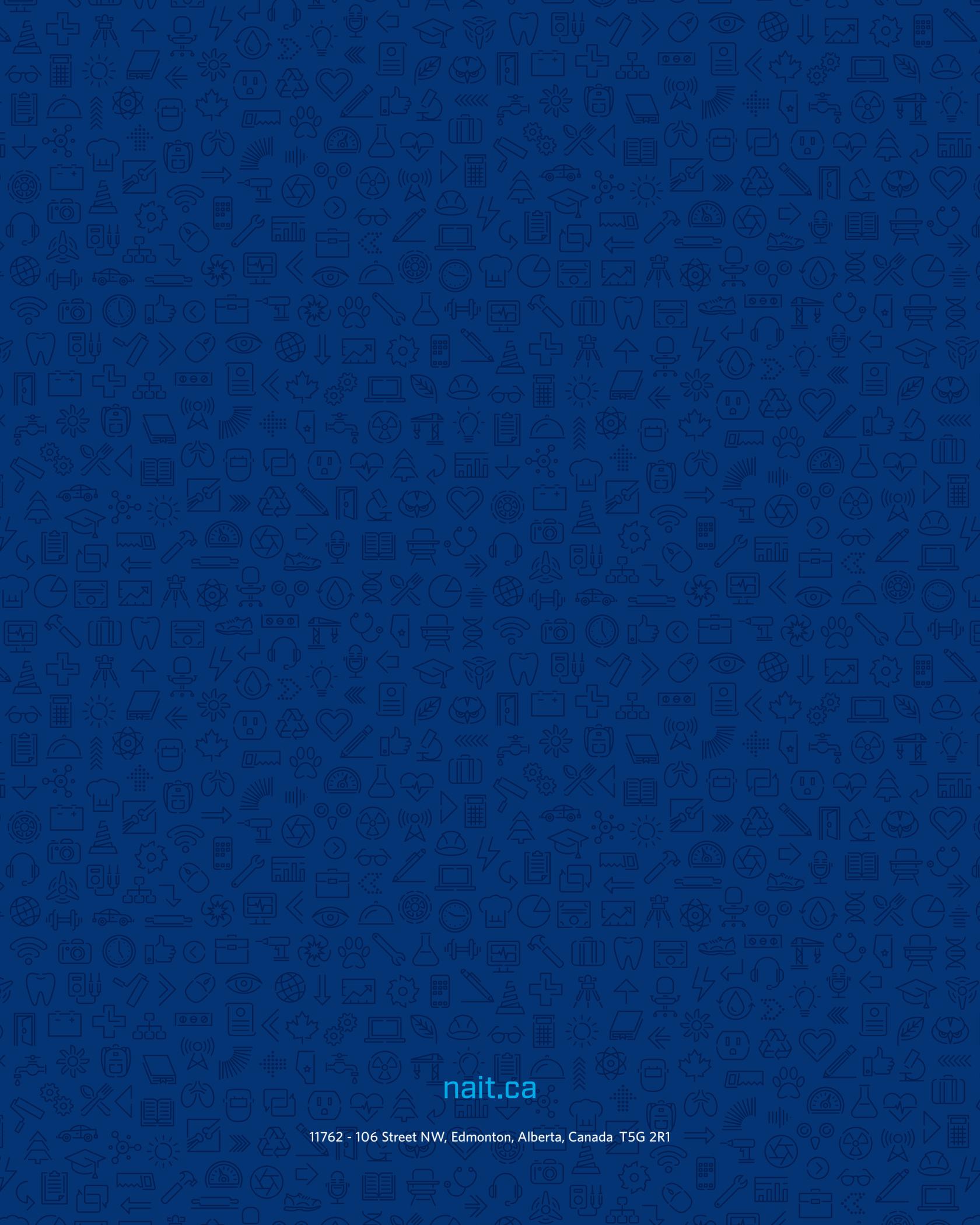
## 26. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Governors of the Northern Alberta Institute of Technology on May 25, 2021.

## 27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period presentation.





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