



INTENT
ON
IMPACT

ANNUAL REPORT 2022/2023

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.

INTENT ON IMPACT

NAIT is meeting Alberta's need for career-ready talent,
and preparing for even greater future impact.

We are...

...adapting and focusing our current operations to ensure financial sustainability in the long term.

...growing enrolments and related revenue in core programs that meet critical student and industry needs.

...improving the experience of students outside the classroom — from application to employment-readiness.

..using inspired visioning and progressive planning for strategic capital investment in crucial infrastructure.

We are targeting annual surpluses for re-investment by diversifying revenue, reducing expenditures and creating efficiencies in our operations.

We are realizing new growth in all enrolment diploma and certificate programs; apprenticeship training; and continuing education.

We found new ways to support students, made our admissions processes more engaging and effective and helped deepen student connections with industry.

We refined our vision for the Advanced Skills Centre and set a clear approach for modernizing our IT systems.

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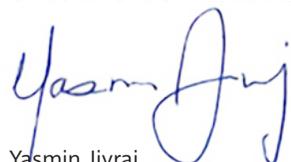
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ACCOUNTABILITY STATEMENT

The Northern Alberta Institute of Technology's (NAIT's) Annual Report for the year ended March 31, 2023, was prepared under the Board's direction in accordance with the *Fiscal Planning and Transparency Act* and ministerial guidelines established pursuant to the *Post-Secondary Learning Act*.

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

On behalf of the NAIT Board of Governors,



Yasmin Jivraj
Chair, Board of Governors
September 26, 2023

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

The Northern Alberta Institute of Technology's (NAIT's) management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the Annual Report, including the financial statements, performance results and supporting management information.

Systems of internal control are designed and maintained by management to produce reliable information to meet reporting requirements. The systems are designed to provide management with reasonable assurance that transactions are properly authorized and executed in accordance with all relevant legislation, regulations and policies; that 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; is approved by the Board of Governors; and is prepared in accordance with the *Fiscal Planning and Transparency Act* and the *Post-Secondary Learning Act*.

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

On behalf of management,



Laura Jo Gunter, MBA
President and CEO



Nazim Merali, CPA, CMA
Vice-President Administration and CFO

MESSAGE FROM THE CHAIR

I am pleased to present NAIT's 2022/23 Annual Report to the Ministry of Advanced Education. Now more than ever, NAIT is delivering the practical, hands-on polytechnic education that Alberta needs, and the talent that industry so clearly requires. We recognize and embrace the critical role we play today in support of the provincial economy, and we recognize the skilled workforce that NAIT provides will be even more necessary to Alberta in the future.

Recognizing past financial challenges, NAIT implemented a plan of action in 2022/23 to reduce expenditures and grow revenues within our control. I am very pleased to share that we ended March 31, 2023 with a small operating surplus, reinforcing our commitment to sound financial management. Modest annual surpluses will enable NAIT to return funds back into the institution, strategically investing in NAIT's future students.

This past year, we began to implement NAIT's strategic plan, *The NAIT Effect*. Led by the Board and executed by NAIT leadership, *The NAIT Effect* is all about impact, which has inspired the theme of this year's Annual Report. NAIT's Board is fully committed to supporting NAIT in the continued implementation of this important strategy.

The Board recognizes NAIT's positive impact within Alberta. As we embark on the design phase for the Advanced Skills Centre — a project that will serve the evolving needs of a modern Alberta economy and champion skilled trades and technology-based education for the next generation of learners — the Board will remain focused on expanding NAIT's impact in this province. NAIT's Board is strong, and as Board Chair it is my honour to continue to lead it.

Sincerely,



Yasmin Jivraj
Chair, the Board of Governors

MESSAGE FROM THE PRESIDENT AND CEO

With an unwavering focus on Alberta, NAIT is intent on impact, as we provide the hands-on, transformative polytechnic education the province needs now, and in alignment with *Alberta 2030: Building Skills for Jobs*.

Since launching our strategic plan, *The NAIT Effect* has moved from plan to action, with measurable success. *The NAIT Effect* is about Alberta, and the critical role NAIT plays to support the learners of today and industry needs of tomorrow. Over this past year we have demonstrated considerable progress.

Among our key priorities is NAIT's long-term financial sustainability. By adapting operations, we realized a modest annual operating surplus and a marginal accumulated surplus overall, which positions us well to invest forward into NAIT's future.

We have been focused on enrolment growth in key programs to meet student and industry demand. As we continue to increase domestic numbers, we were successful in growing international enrolment by 500 full load equivalent in 2022/23. Through events such as *Jill of All Trades*, *N=XT in Trades* and *World of Choices*, we showcased careers in the skilled trades to young people and historically marginalized populations, setting NAIT up for future growth.

With exceptional instruction inside the classroom, we gave special attention to enhancing the student experience outside the classroom. For instance, we saw dramatic increases in students accessing on-campus counselling and advising, with some 7,350 unique appointments completed, including approximately 1,250 appointments with students experiencing disabilities.

We are focused on Alberta's future and industry's critical need for more skilled workers. We can help answer this need through the Advanced Skills Centre, our keystone capital project, which is being designed to deliver greater numbers of skilled trades and technology graduates for our province.

We will continue to implement *The NAIT Effect* in 2023/24 with even more robust objectives and key results. I look forward to reporting on our progress at this time next year, to further demonstrate NAIT's necessary place as a key polytechnic within our province's educational landscape.

Sincerely,



Laura Jo Gunter, MBA
President and CEO

PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

The *Public Interest Disclosure (Whistleblower Protection) Act* facilitates the disclosure and investigation of wrongdoing in the public sector and protects employees in the public sector from reprisal for making a disclosure of wrongdoing in good faith.

During the 2022/23 year, NAIT's Designated Officer:

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

OPERATIONAL OVERVIEW

As a leading polytechnic, NAIT operations are intent on impact, reflecting our current and future-oriented concentrations on business and entrepreneurship, skilled trades, health and life sciences, and applied sciences and technology.

We deliver:

- more than 200 credit programs leading to baccalaureate degrees, applied degrees, diplomas, certificates and journeyperson tickets;
- more than 200 non-credit certificates;
- over 1,700 non-credit courses; and
- 34 active micro-credentials.

We are Canada's largest apprenticeship educator and a national leader in industry-driven applied research.

To meet Alberta's need for career-ready talent and research-based innovation, we are:

- adapting and focusing our current operations to ensure financial stability in the long term;
- growing enrolment in core programs that meet critical student and industry needs;
- improving the experience of students outside the classroom — from application to employment-readiness; and
- using inspired visioning and progressive planning for strategic capital investment in crucial infrastructure.

These areas of focus are high priorities for the realization of the institution's strategic plan, *The NAIT Effect*, and led to the establishment of four goals to guide our efforts.

Goal 1 is to ensure the long-term financial sustainability of the institution. We are targeting annual surpluses for strategic and important re-investment into the institution, by diversifying revenue, reducing expenditures and creating efficiencies in our operations.

NAIT's dependence on revenue from government continues to be reduced by diversifying revenue sources, enhancing our financial resilience. Tuition and related fees from international students, for example, grew by 29.6% over the prior year. Government of Alberta operating grants dropped to 49.7% of total revenue in 2022/23 compared with 52.7% in the prior year.

Among other deliberate actions, we implemented a cross-department budget review process to ensure widespread understanding of organizational priorities and, accordingly, the most impactful allocation of resources. We focused on stabilizing labour agreements with academic and non-academic bargaining units to provide more certainty to current and future labour costs. And, we continued to exercise restraint in new hiring to keep costs as low as possible while continuing to meet learner and industry needs.

Goal 2 is to increase enrolment in key programs to meet student and industry demand. We must continuously adapt to the market and provide learners with the most credible, accessible and useful credentials in Alberta.

To do this, in 2022/23, we worked to better understand and meet emerging student needs and expectations for learning in the continuously evolving employment environment. We made progress in the collection and integration of market data to inform our decisions on existing program viability and new program development. And, we expanded capacity in the most highly sought programs.

We introduced new feedback mechanisms to gather learner preferences relating to online, in-person and blended options, adjusted operating hours for on-campus ancillary services to better satisfy student preferences and operational realities, and ensured that all major student services are offered both online and on-campus.

These efforts had positive results. Institute-wide international credit full load equivalent (FLE) jumped by 33% year over year, with growth predominantly in the JR Shaw School of Business and the School of Applied Sciences and Technology. Enrolment in the Culinary Arts diploma grew by 41%. And, we nearly doubled the number of learners in the Automotive Service Technology — Pre-employment diploma stream.

Goal 3 is to enhance the student experience outside the classroom. The main intentions here are to make our admissions and administrative processes more engaging and effective and to help deepen student connections with industry in a way that enhances learning and improves pathways to careers.

A key activity in 2022/23 was preparing to invest in a new learning management system (LMS) to enhance teaching and learning experiences. We issued a request for proposal for NAIT's next LMS and assembled a diverse selection committee to make a recommendation in 2023/24.

Another area of focus was promoting and celebrating a renewed campus vibrancy with a stronger sense of community. The 2022/23 academic year marked a broad return to on-campus events. We doubled, to 150, the number of student businesses we supported in the Mawji Centre for New Venture and Student Entrepreneurship, our on-campus community dedicated to inspiring an entrepreneurial mindset through mentorship, guest speakers, competitions, workshops, networking and programming.

Goal 4 is to plan and deploy capital resources to support the physical and digital infrastructure necessary for long-term success. The top priority here is refining and sharing the vision for the Advanced Skills Centre, our next major capital project, to meet the growing learner and employer demand in skilled trades and technologist programs. In 2022/23, we advanced the pre-project planning for the centre, including completing a needs assessment and beginning to develop functional programming.

We are also establishing a clear medium-term plan to address our technology deficit in a timely and efficient way. In 2022/23, we updated our 10-year IT roadmap, setting priorities and timelines and quantifying required investments. And, we are exploring options for making better use of passive assets to support NAIT's core academic vision.

This year, NAIT took these and many more actions to position the polytechnic to meet the challenges and seize the opportunities of 2023/24 and beyond.

GOALS AND PERFORMANCE MEASURES

GOAL 1: Ensure the long-term financial sustainability of the institution

SUPPORTING DATA

MEASURE	RESULT	ANALYSIS	SOURCE
Diversify NAIT's revenue sources to enhance financial resilience and reduce dependence on a single revenue stream	Government of Alberta operating grants dropped to 49.7% of total revenue from 52.7% in the prior year.	NAIT's dependence on funding from the Government of Alberta is decreasing as other sources of income, such as tuition fees and donations, are becoming more significant contributors.	Consolidated Financial Statements
Sustain and grow a healthy net asset position to ensure financial stability and strength	The accumulated surplus increased to \$254 million from \$246 million in the prior year.	Though NAIT's total net assets declined from the prior year due to the impact of accumulated remeasurement losses, NAIT's accumulated surplus grew marginally as a result of the annual surplus.	Management's Discussion and Analysis
Ensure that NAIT achieves an operating surplus to restore its financial health from past deficits	NAIT ended the 2022/23 fiscal year with an operating surplus of \$6.5 million, an improvement over the restated \$2.6 million deficit for the prior year. The increase was due primarily to recognition of some of the one-time grant for the Blatchford lands purchase. Without this recognition, NAIT would have reported a deficit of \$0.8 million.	Enrolments, although falling short of budgetary targets, began to recover from levels experienced during the pandemic, including an increase in the number of international students. NAIT also experienced higher-than-expected donations and realized savings through curtailed operational spending.	Consolidated Financial Statements
Grow international enrolment in credit programming to support NAIT's internationalization and revenue-diversification objectives	NAIT's international full load equivalent (FLE) rose from 1,565 in 2021/22 to 2,085 in 2022/23.	Institute-wide international credit full load equivalent (FLE) grew by 33% year over year, with growth predominantly in the JR Shaw School of Business and the School of Applied Sciences and Technology.	Learning and Enrolment Reporting System (LERS) submission

PRIORITY INITIATIVE 1: Invest in the future needs of students, staff and industry using new surpluses secured through strategic financial management

2022/23 ACTIONS AND OUTCOMES

- Refined strategic intentions and drove 2022/23 performance according to *The NAIT Effect*, our strategic plan launched in 2021
- Aligned the processes for development of annual objectives and key results development to conform to the budgeting cycle to ensure mission-critical organizational initiatives are resourced effectively
- Moderately increased domestic and international student enrolment
- Adjusted targeted program offerings to better align with the needs of industry
- Strengthened the service model for Industry Solutions by increasing the offerings to provide a wider range of desired services to our industry partners
- Implemented a new cross-department budget-review process to ensure widespread understanding of organizational priorities and, accordingly, the most impactful allocation of resources
- Completed a comprehensive review of the approval processes for information systems, furniture and renovations to better align with our core academic mission
- Attracted and retained staff by improving our working environment, including implementing distributed and flexible work arrangements
- Continued to exercise restraint and followed a rigorous approval process for all new hires to keep labour costs as low as possible
- Outsourced non-academic work and sought efficiencies as opportunities arose
- Delayed spending on consultant work

PRIORITY INITIATIVE 2: Aggressively grow international student enrolment in high-demand programs

2022/23 ACTIONS AND OUTCOMES

- Finalized NAIT's first Global Education Strategy to better attract and support international learners
- Set specific growth targets for international learners in all schools for the first time
- Selected a dozen candidate programs to target future increases in international learners where demand is present and capacity is available
- Secured a third-party partnership focused on increasing international applications from key markets

PRIORITY INITIATIVE 3: Finalize stable labour agreements to introduce more certainty to current and future labour costs

2022/23 ACTIONS AND OUTCOMES

- Signed a new Collective Agreement with the NAIT Academic Staff Association (NASA) in line with direction from the Provincial Bargaining and Compensation Office
- Negotiated provisions for greater flexibility regarding staffing mixes, particularly in classrooms, labs and shops
- Negotiated instructor workload provisions that enable greater efficiencies and savings in instructor salary costs
- Signed a new Collective Agreement with AUPE (Local 038) in line with direction from the Provincial Bargaining and Compensation Office

GOAL 2: Grow enrolment in key programs to meet student and industry demand

SUPPORTING DATA

MEASURE	RESULT	ANALYSIS	SOURCE
Increase enrolment in IT programming	Computer Engineering Technology 2021/22 FLE: 132 2022/23 FLE: 207	FLE grew by 57% year over year.	LERS submission
Increase enrolment in Digital Media and IT diploma	2021/22 FLE: 955 2022/23 FLE: 1,137	The computer software development stream received Targeted Enrolment Expansion (TEE) funding and met its target for the year. FLE grew by 19% year over year.	LERS submission
Increase enrolment in Culinary Arts diploma	2021/22 FLE: 185 2022/23 FLE: 261	FLE grew by 41% year over year.	LERS submission
Increase enrolment in Automotive Service Technology — Pre-employment diploma	2021/22 FLE: 24 2022/23 FLE: 47	FLE grew by 96% year over year.	LERS submission

PRIORITY INITIATIVE 1: Expand capacity in programs with significant industry demand

2022/23 ACTIONS AND OUTCOMES

- Successfully applied for TEE funding in programs with significant industry demand, including Digital Media and IT, Business Administration, Accounting and Finance, and Veterinary Medical Assistant
- Identified seven high-demand programs for classroom and lab reconfiguration to support increased capacity
- Introduced Bring Your Own Device (BYOD) policy to select programs, creating less reliance on computer labs and resulting in an increase to section size capacity

PRIORITY INITIATIVE 2: Better understand and meet emerging student needs and expectations for learning in a rapidly changing environment

2022/23 ACTIONS AND OUTCOMES

- Introduced new feedback mechanisms at program and institutional levels to gather data on learner experience preferences regarding online and blended options
- Re-evaluated and adapted operating hours for on-campus ancillary services to better satisfy student demand and operational realities
- Offered all major student services both online and on-campus
- Launched first *Jill of All Trades*, *N=XT in Trades*, and *World of Choices* programs on campus to showcase careers in skilled trades to young people, women and those from historically marginalized populations
- Engaged with eight school boards around memoranda of understanding intended to develop collegiates focused on attracting more learners in trades and technology programming

PRIORITY INITIATIVE 3: Collect and integrate better market data to inform decisions on program viability and new program development

2022/23 ACTIONS AND OUTCOMES

- Completed a rigorous review of all NAIT programs to better understand the true cost of delivery, including those delivered entirely on-campus and those delivered in a blended learning environment
- Piloted a new program scorecard to maintain perspective on critical elements of program viability, such as application pressures, graduate employment rates, delivery cost versus generated revenue, and physical space capacity
- Introduced new industry engagement panels to collect different forms of intelligence from specific industry sectors where NAIT offers credit and non-credit programs

GOAL 3: Enhance the student experience outside the classroom

SUPPORTING DATA

MEASURE	RESULT	ANALYSIS	SOURCE
Increase student wellbeing activities and initiatives	<p>30,000 visits to Fitness Centre</p> <p>13,800 drop-in recreation visits in main gymnasium</p> <p>3,100 drop-in skating participants at rink</p> <p>11,500 visits to reflection and prayer rooms</p>	These all represent radical increases from previous years and demonstrate a pronounced return to campus.	Internal reporting in Students and Campus Life portfolio
Increase on-campus student support services	<p>2,000 student counselling appointments</p> <p>200 workshops hosted by student counselling office</p> <p>1,300 appointments and events at the Careers Centre</p> <p>16,200 library desk interactions</p> <p>1,250 advising interactions for students with disabilities</p> <p>4,100 appointments with student learning advisors</p> <p>10,000 exam accommodations at Assessment Centre</p>	These are a result of dedicating energy to providing students with on-campus and online options for critical supports and services to meet learners where they are and deliver an outstanding NAIT experience.	Internal reporting in Students and Campus Life portfolio
Plan a return of important on-campus events and celebrations	<p>First on-campus Pride Parade since 2019</p> <p>Return of Stew and Bannock events in Nisôhkamâtôtân Centre</p> <p>Return of on-campus New Student Orientation (more than 2,200 students attended in person)</p> <p>Hosted a symposium in recognition of National AccessAbility Week, which included community organizations, industry partners, the NAIT community, allies, and anyone looking to broaden their knowledge on accessibility</p>	These activities are a result of dedicated work to restore campus vibrancy.	Internal reporting in Students and Campus Life portfolio

MEASURE	RESULT	ANALYSIS	SOURCE
Increase student satisfaction with overall quality of educational experience	8/10 students stated they were satisfied (79.0%).	NAIT students were satisfied with the overall quality of their educational experience. The level of satisfaction was significantly higher than the previous year.	NAIT Student Engagement Survey 2023
Identify learner preferences for in-person, online and blended learning	About 28% of students prefer in-person, 26% prefer online, and 45% prefer blended.	Nearly half of learners prefer a blended learning approach.	NAIT Student Learning Survey (Spring 2021)
Increase student satisfaction with quality of instruction	The average score from student survey was 5.3 on a 6-point scale.	This remained the same as the previous year.	NAIT Student Survey on Instruction (NSSI): Question 19 (Fall and Winter 2022/23)
Increase graduate employment rate	For the class of 2022, the employment rate was 90%.	This remained the same as the previous year.	NAIT Graduate Satisfaction and Employment Survey 2021/22
Enhance support of newly created student businesses	155 student businesses were supported through Mawji Centre for New Venture and Student Entrepreneurship.	There was a near doubling from the previous year.	Internal reporting from JR Shaw School of Business

PRIORITY INITIATIVE 1: Deepen student connections to industry to enhance learning and create stronger career development pathways

2022/23 ACTIONS AND OUTCOMES

- Increased Work Integrated Learning (WIL) in applicable programs to enhance student learning and career outcomes
- Developed an Entrepreneurship Blue Book program through the Mawji Centre to help students progress from 'I have an idea' to 'I've launched' in one academic year. Seventy-five students were involved in the first cohort, and a total of 155 student businesses were supported during the year.

PRIORITY INITIATIVE 2: Prepare to invest in a new Learning Management System (LMS) to enhance teaching and learning experiences

2022/23 ACTIONS AND OUTCOMES

- Initiated a Request for Proposals (RFP) to select NAIT's next LMS
- Assembled a selection committee comprised of academic, non-academic and management staff to review future LMS options
- Began engaging academic staff about the need and opportunities of an upgraded LMS

PRIORITY INITIATIVE 3: Promote and celebrate a renewed campus vibrancy to create a sense of community

2022/23 ACTIONS AND OUTCOMES

- Held first primarily in-person new student orientation with a host of new engagement activities and revamped format
- Adjusted on-campus services, including counselling, wellbeing and food options to attract students to campus
- Focused energy to foster an improved and more collaborative working relationship with NAIT Students' Association (NAITSA), including regular meetings between NAIT and NAITSA executive teams
- Introduced a new on-campus parking application process to simplify user experience and build more flexibility for parking options

PRIORITY INITIATIVE 4: Improve systems and processes to offer a more seamless, user-friendly experience for application, admission and tuition payment experience

2022/23 ACTIONS AND OUTCOMES

- Redirected some internal IT resources to student-facing systems, and outsourced some maintenance of HR and Finance modules of the Enterprise Resource Planning (ERP) system to focus internal capabilities on student needs
- Introduced a new automated call-in system to improve service levels for current and prospective students, industry partners and other stakeholders calling the main NAIT line
- Piloted a new e-commerce platform for non-credit programs to simplify registration and payment processes, and increase shopping cart conversion rates
- Introduced Pay My Tuition system to simplify and increase the reliability of tuition and fees payments, resulting in a radical decrease in payment errors

GOAL 4: Plan and deploy capital resources to support the physical and digital infrastructure necessary for long-term success

SUPPORTING DATA

MEASURE	RESULT	ANALYSIS	SOURCE
Demonstrated progress in the pre-project planning for the Advanced Skills Centre	Allocated \$2.5 million to support the planning for this project. A needs assessment has been completed and the functional programming is underway.	NAIT expensed over \$0.4 million for this initial planning. Functional programming will be completed in 2023, ensuring NAIT is prepared to move into design phase.	Management's Discussion and Analysis
Allocate and expend capital dollars on digital transformation	At the conclusion of the fiscal year, NAIT had allocated more than \$3.2 million across various projects enabling digital transformation in our admissions, financial, HR, service, and identity management capabilities.	NAIT expensed more than \$1.1 million for implementation, licensing, and professional services enabling transformation.	Internal financial reporting
Acquire strategic land in Blatchford to enable NAIT's long-term growth	NAIT closed on one parcel of land and advanced towards closing for the remaining five parcels in the transaction.	NAIT purchased one parcel of land for \$7.3 million during the fiscal year, and closed on the balance in June 2023.	Management's Discussion and Analysis

PRIORITY INITIATIVE 1: Refine, share and amplify the vision for NAIT's Advanced Skills Centre

2022/23 ACTIONS AND OUTCOMES

- Completed the pre-project planning phase and revised overall cost and contributions based on the outcome of the Spring/Summer 2023 functional planning process
- Assigned a project manager to ensure various components of the Advanced Skills Centre project are connected and aligned
- Designed and launched a full suite of industry- and community-engagement initiatives to better understand industry needs relating to future skilled trades and technologist talent and innovation
- Engaged our public Board members in sessions to learn from them and better understand industry needs for the future of skilled trades and technology education in Alberta
- Engaged program leaders and instructional staff to explore space and equipment needs and interdisciplinary collaboration opportunities

PRIORITY INITIATIVE 2: Establish a clear medium-term roadmap to address NAIT's information technology deficit in an expedient and sustainable manner

2022/23 ACTIONS AND OUTCOMES

- Updated our 10-year IT roadmap, prioritizing investments enabling program growth and improved student experience
- Launched a new internal management system to identify critical system gaps in external-facing services to prioritize investments in system improvements
- Outlined timelines, priorities and interconnections for new LMS, ERP system, Student Information System, and Customer Relationship Management platform implementations
- Engaged with rural Northern colleges to explore shared systems and services options, resulting in a new province-wide, 24/7 cybersecurity monitoring program and exploration of other opportunities
- Explored financing options for necessary digital-system upgrades, including advocating with government that digital infrastructure should be deemed as important to post-secondary institutions as physical infrastructure, and should be provided funding accordingly

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 2022/23 fiscal year with an operating surplus of \$6,506, an improvement over the restated \$2,616 deficit for the prior year. The increase was due primarily to recognition of some of a one-time grant tied to past grants from the Government of Alberta for the Blatchford lands purchase. Without this recognition, NAIT would have reported a deficit of \$771. Enrolments, although falling short of budgetary targets, began to recover from the levels experienced during the pandemic, including an increase in the number of international students. NAIT is fully focused on continuing this improvement in its financial position in the coming years through enrolment growth, strategic investments, and vigilant fiscal management.

The following is an overview of the consolidated financial results achieved in the year ended March 31, 2023. The consolidated financial statements include the accounts of NAIT, the NAIT Foundation, and GO Productivity. The NAIT Foundation is a registered charity for the purpose of fundraising; it operates within the *Alberta Gaming and Liquor and Cannabis Act* and is exempt from the payment of income tax. GO Productivity is a not-for-profit organization with a mandate to support productivity improvement, increase innovation, and build a skilled workforce to improve competitiveness and economic sustainability.

This section of the Annual Report provides a discussion and analysis of the following:

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

OPERATING ENVIRONMENT AND OVERVIEW

NAIT's mandate as a polytechnic is aligned with the provincial government's *Alberta 2030: Building Skills for Jobs* initiative. Our mandate is to prepare learners for meaningful and successful careers to drive economic prosperity and provide existing and emerging industries with talent and innovation to compete locally and internationally. We strive always to elevate the value of polytechnic education and applied research in the service of students, employers and the Government of Alberta, with tangible outcomes for our industry partners and the Alberta economy.

NAIT's continuing focus areas in this are: business and entrepreneurship, skilled trades, health and life sciences, and applied sciences and technology. We offer more than 200 targeted programs leading to valuable baccalaureate degrees, applied degrees, diplomas and certificates; and we are the largest apprenticeship educator in Canada. We challenge ourselves to continually adapt and refine our programming, in partnership with industry, to anticipate and meet their evolving needs for career-ready graduates. We are proud that 98% of employers are satisfied with the NAIT graduates they hire, the vast majority of whom remain in Alberta and contribute to its economic resilience and prosperity.

With an eye to continued relevance and success in the future, our strategic plan, *The NAIT Effect* informs and drives everything we do as a polytechnic for the benefit of students, employers and funders. It defines six essential strategic imperatives — must do's — each with clear multi-year goals designed to ensure our institution stays positioned to deliver ongoing value.

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

NAIT has always worked diligently to be fiscally responsible. Our delivery of practical, experiential learning is highly effective in producing career-ready graduates. However, because the substantial capital required for our programs (examples are an ambulance simulator, heavy duty HVAC systems, and a mobile heavy-duty crane) and the necessity of smaller class sizes, the cost of delivery is high in comparison to other post-secondary programs. In response to this, NAIT has asked for consideration of a differential funding approach for apprenticeship, technical and healthcare training. The approach would reflect the true cost and be responsive to market demand.

Notwithstanding this, we continue to respond with a clear plan of action to reduce expenditures. NAIT made transformational changes to meet the three-year funding reductions from the October 2019 provincial budget. While we incurred a large deficit in 2019/20 — from costs associated with downsizing, outsourcing, and service reductions — it also positioned us to respond to expected challenges and turn them into opportunities.

NAIT ended the March 31, 2023 fiscal year with a small operating surplus of \$6,506, which is just less than 2% of total operations, compared to a deficit of \$2,616 in 2021/22. This surplus was due mainly to higher-than-expected returns in the investment portfolio and the partial recognition of revenue associated with provincial government grant tied to the purchase of the Blatchford lands. Without this land grant recognition, NAIT would have reported a deficit of \$771.

Although overall enrolments grew year over year, enrolments by international students did not grow to the expected level. We responded decisively to this, adjusting spending accordingly, and ended the year with improved results toward being financially sustainable. Continued growth in enrolments and predictability in government funding, coupled with ongoing operational efficiency, will be key to maintaining a balanced budget, and will enable us to invest in our future as a world-class polytechnic.

REVENUE STREAMS

NAIT continues to focus on diversifying revenue streams and developing new ones to reduce our reliance on government. We have, for example, strengthened our service model for Industry Solutions, increasing offerings to provide a wider range of desired services to our industry partners. We are also working to steadily grow enrolments, particularly by international students, to increase revenues and the number of graduates with relevant skills in Alberta's growing and changing workforce.

Despite these and other efforts, the aftereffects of the COVID-19 pandemic continue to result in a lower-than-planned return of enrolment and related revenue streams. Student tuition and related fees for the year were down 11% from budgetary targets, mostly due to lower-than-expected international enrolments, which continue to be depressed due to delays in study-permit processing. Ancillary revenues, including parking and food services, also continue to be lower than pre-pandemic levels, because of distributed learning and work and fewer people on campus.

We recognize that growth of tuition revenue, along with further diversification of revenue sources, will be critical for NAIT's long-term financial health and resilience. We also know that as Alberta's economy recovers, NAIT's innovation and workforce solutions will be needed more than ever by Alberta's industries, and NAIT will play a key role in training that workforce.

Even with efforts to increase the number and size of other revenue streams, NAIT continues to be dependent on various Government of Alberta capital and operating grants and on regulated tuition fees. Government of Alberta operating grants represented 49.7% of total revenue in 2022/23, down from 52.7% in the prior year. Student tuition and related fees were 28.4% of total revenue, essentially even year over year. Sales, rentals and services contributed 8.4% of total revenue, up from 7.6% in the prior year.

NAIT continues to adjust to the reduced base operating grant from Alberta's Ministry of Advanced Education. We are similarly positioning ourselves for the government's announced cap on tuition increases for the future academic years. We are focused organization-wide on finding opportunities and mitigating risks associated with the province's performance-based funding model in the Investment Management Agreement (IMA) for post-secondary institutions. Because each year the IMA ties an increasing portion of NAIT's provincial funding to our achievement of certain key metrics, including growth in student numbers, it will be a major influence on NAIT's strategic and operational decisions.

Meanwhile, NAIT continues to rely on the generous contributions from its many donors, who play a critical role in supporting the institution and learners through student awards. Recognized donations and operating grant revenue rose in 2022/23, and fundraising achievements (which include items not recognized as revenue in NAIT's consolidated statement of operations) significantly surpassed targets.

Complementing our focus on student learning, NAIT is actively engaged in fee-for-services applied research to create solutions to priority challenges facing industries today. The focus of this research, directly supporting our industry partners, is on pragmatic innovation, with all intellectual property rights resting with those partners.

Through sound fiscal management, NAIT is responsibly growing its investment portfolio, the earnings of which help fund operations. Investment income rose significantly year over year and represented 5.2% of total revenue in 2022/23, up from 3.1% in the prior year.

As at March 31, 2023, NAIT had cash and investments totalling \$291,344. Excluding investments offset by debt or reserved for endowments, NAIT's net investments totalled \$110,317. Although NAIT exceeded its budgeted investment revenue targets by 26% due to some one-time capital gains, there was a decrease in the market value of NAIT's investments, which is reflected in the increase in accumulated remeasurement losses of \$6,576.

As NAIT meets its contractual obligations over the next several years, cash and investments will be reduced (see note 18 in the consolidated financial statements for more information), and this will result in lower investment earnings. Volatility in investment markets also makes it difficult to predict the future value of NAIT's investment portfolio and investment income derived from it.

EXPENSES

NAIT planned for an increase in expenses, yet actual levels were 1% less than budgetary targets, as we responded prudently to lower-than-anticipated enrolments. This response, which included reducing contracted staff and leaving vacancies unfilled where possible, resulted in lowering salary and employee benefits budgeted by 3%. It is important to note that staffing levels need to be managed carefully so that NAIT can respond appropriately to short-term changes in enrolments and other operations. Maintaining flexibility in staffing is key to NAIT's financial sustainability.

Another significant variance in the year was in the amortization of capital assets, which was marginally less than in the prior period and 22% less than the 2022/23 budgetary target, as we reduced capital spending in response to the operating deficit. This was a short-term solution, as continued technological and capital investment are needed going forward, not only to improve the overall efficiency and effectiveness of operations, but also to support NAIT's strategic plan and growth to meet future demand.

FINANCIAL HEALTH INDICATORS

NAIT views its financial health in terms of both its net assets and its annual operating surplus/deficit; both are described below. Please note that effective April 1, 2022, NAIT adopted the new accounting standard PS 3280 Asset retirement obligations and applied the standard using the modified retroactive approach with a restatement of prior-year comparative information.

HEALTH OF NET ASSETS

As at March 31, 2023, NAIT had total net assets of \$247,101 (2021/22: \$253,845), which includes a total accumulated surplus of \$253,677 (2021/22: \$245,625) and accumulated remeasurement losses of \$6,576 (2021/22: remeasurement gains of \$8,220). It also includes \$129,742 relating to amounts invested in capital assets, and \$52,550 held for endowments, which continue to grow. Of the remaining \$64,809 in net assets, \$17,978 is reserved for capital activities, which include Main Campus renovations and capital renewal. NAIT has also reserved \$11,806 for priority operational activities, such as technology transformation, course redevelopment, applied research supports, and advancement of strategic initiatives.

One of the best indicators of NAIT's financial strength is the accumulated operating surplus that has not already been spent on capital or committed to future expenditures. As at March 31, 2023, this amount was \$35,025 or approximately 10% of NAIT's operating expenses. This is a decrease from the prior period of \$10,971, as there was a significant change in accumulated remeasurement gains and losses due to volatility in investment markets. Note 14 to the consolidated financial statements provides a complete presentation of NAIT's accumulated surplus.

HEALTH OF ANNUAL OPERATING SURPLUS/DEFICIT

NAIT ended the fiscal year with an operating surplus of \$6,506 (2021/22: deficit of \$2,616). This is due to the partial recognition of a grant tied to the purchase of the Blatchford lands; without this grant NAIT would have had a small operating deficit of \$771.

FINANCIAL SUSTAINABILITY — LOOKING FORWARD

NAIT will remain valuable to learners, industry and funders by continuing to identify and capture opportunities that provide needed educational programming and applied research, along with academic and student support. Like all post-secondary institutions, NAIT faces challenges from inflation, volatile investment markets and competition for student enrolments. And, we will need to be successful in meeting targets under the Government of Alberta's performance-based investment framework introduced in 2021. Under the framework, an increasing portion of our base operating grant will be tied to meeting annual performance metrics.

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

- Grow earned revenues through increasing continuing education revenue and Industry Solutions activities, and exploring commercial and ancillary revenue streams
- Grow credit program revenues in ways that maximize the use of existing resources (instructors and classrooms), whereby net new enrolment growth creates greater tuition and related fees revenue with minimal extra costs associated with this growth, where possible
- Increase domestic and international enrolments to both diversify NAIT's campus life and build revenue
- Advocate for sustainable approaches to funding and tuition models that consider outcomes and support growth to meet demand
- Negotiate labour agreements that have an appropriate balance of affordability and attractiveness to enable NAIT to recruit and retain the staff necessary to achieve its mandate and vision
- Continue to pursue and refresh the Capital Plan based on affordability and efficiency (optimal use of space and consolidation) and provide space to meet NAIT's long-term vision. The proposed Advanced Skills Centre is the next major project and will attract and produce learners in the skilled trades and technology-based programs that are critically in demand
- Optimize the use of resources to ensure they are deployed as efficiently as possible
- Continually assess services offered and ensure they remain relevant and valuable to students, industry and funders
- Improve the productivity of our information technology and other systems and processes

SIGNIFICANT FINANCIAL RISKS AND IMPLICATIONS

NAIT has identified the following most significant financial risks. It is essential for us to consider these risks carefully and develop strategies to mitigate them to ensure the long-term financial stability of the institution.

1. **Enrolments** — The uncertainty surrounding enrolments is a significant financial risk facing NAIT. We rely heavily on tuition and fees from domestic and international students — the second largest contribution to revenues — and a prolonged decrease in enrolments would have a significant impact on our financial position. Enrolment levels are affected by such external factors as delays in study permits, changes in demographics, competition from other institutions, fluctuations in the economy, and unanticipated global events.

To mitigate enrolment risk, NAIT has implemented several strategies. We are aggressively growing international student enrolments in high demand programs and have set specific growth targets across all schools. We have implemented strategic and targeted marketing both domestically and internationally, and we have developed new partnerships with high schools and community organizations. We monitor enrolment trends closely so we may adjust our operations accordingly to support financial sustainability.

2. **Diversity of revenue** — NAIT continues to focus on diversifying revenues and reducing our reliance on government funding to mitigate revenue risk and help to ensure our long-term viability. We understand that an increasing portion of Government of Alberta funding will be tied to performance metrics, including enrolment numbers. We continue to evaluate our programs, retaining those that add the most value and investing strategically in new ones that meet changing market needs. We are also working to capture other revenue-generating opportunities in continuing education programs, conferences and events, industry training, and applied research.
3. **Government funding** — Government funding is a significant revenue source for NAIT. Increasing enrolments, particularly in skilled trades, without the implementation of a differential funding approach or alignment of tuition, is a significant issue for NAIT. These programs are providing the graduates who are highly sought after by Alberta industries, but they are increasingly costly programs to deliver.

As the Government of Alberta continues to implement Investment Management Agreements (IMAs) as a part of its *Alberta 2030: Building Skills for Jobs* initiative, an increasing portion of NAIT's provincial funding will be at risk, though NAIT is confident that we can continue to reach the performance-based funding targets that we negotiate with government.

4. **Staffing** — Ongoing salary freezes, compensation caps and broad labour-market demand have increased staff turnover within Alberta's post-secondary sector over the past few years. NAIT recognizes it must continue to attract and retain talent to deliver high-quality education, and we are working to achieve this, while maintaining financial sustainability, by improving our working environment, including implementing distributed and flexible work arrangements. NAIT must balance the increasing costs of labour settlements against the limited increases in government funding and capped tuition rates.
5. **Funding for capital and technology** — To ensure NAIT's students graduate with the skills required by industry, they require access to the latest industry equipment in our shops and labs. Ongoing funding for capital equipment is critical for NAIT to continue to meet Alberta's demand for a highly trained workforce. Furthermore, as NAIT seeks to make progress on several key initiatives within its capital plan, additional capital funding is essential to support new facilities, most notably the Advanced Skills Centre, which is critical to building the skillsets necessary to accelerate Alberta's economic prosperity.

The need for investment in technology is another important financial risk. As technology plays an increasingly critical role in education, NAIT needs to invest in it to provide high-quality learning experiences for students. Administrative systems must be updated regularly to remain efficient and effective and meet stakeholder expectations. Investing sufficiently to keep up with the rapid pace of technological change is challenging, and to mitigate these risks, we are implementing comprehensive technology plans that align with strategic goals and budgetary constraints.

6. **Investment revenues** — With sound fiscal management, NAIT has accumulated an investment portfolio which is used to fund institutional capital priorities and repay debt. We need to continue to produce healthy operating surpluses each year to replenish our ability to invest in future capital and information technology priorities. We intend to keep a sizeable balance in our long-term investment fund to support endowments and other institutional priorities. Notes 5 and 6 to the consolidated financial statements contain more complete information on NAIT's investments and risk-mitigation actions.

DETAILED FINANCIAL RESULTS

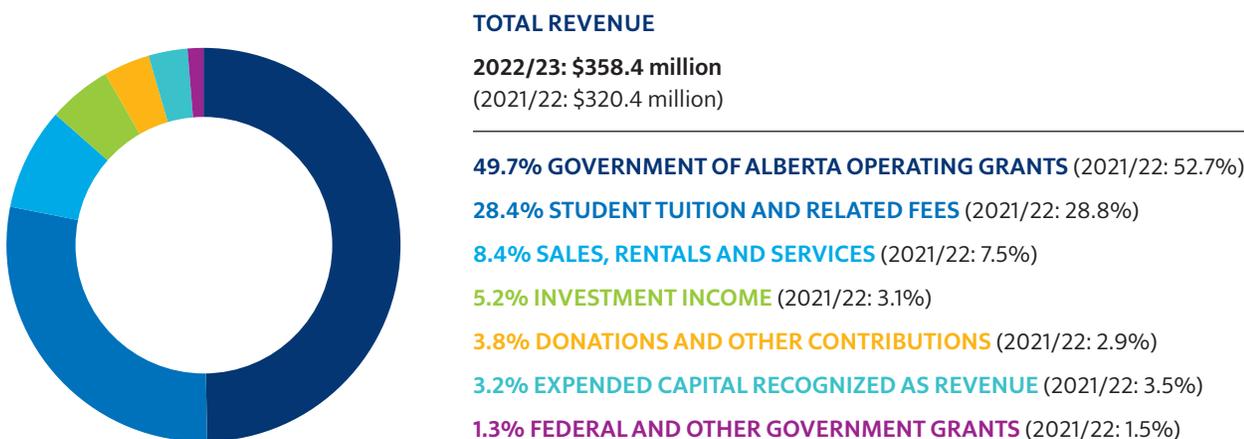
CONSOLIDATED STATEMENT OF OPERATIONS

OPERATING RESULTS COMPARED TO PRIOR YEAR

REVENUE

Total revenue increased by \$38,003 (11.9%) from the 2021/22 fiscal year. This is primarily due to the revenue recognition associated with a Government of Alberta grant received for the Blatchford lands purchase, higher international student revenue, and higher investment income.

The distribution of total revenue by source for the year ended March 31, 2023, is presented in the chart below.



Highlights of the changes in revenue are noted below.

Government of Alberta Grants

Government of Alberta total operating grants, which include NAIT's base operating grant and several conditional and one-time grants, increased from the prior year by \$9,439 (5.6%). A summary is as follows.

- NAIT's base operating grant, which represents NAIT's base funding from the Ministry of Advanced Education, decreased by \$8,151 (4.8%).
- NAIT recognized \$7,277 in grant revenue relating to a portion of the Blatchford lands purchase (the balance of which will be finalized in 2023/24), and \$5,180 in grant revenue relating to the O building mechanical upgrade. Neither of these is an ongoing source of funding.
- NAIT recorded a \$2,518 increase in grants from other Government of Alberta ministries and agencies — including from the Ministry of Jobs, Economy and Innovation and the Ministry of Environment and Protected Areas. Amounts received from the Ministry of Skilled Trades and Professions are discussed with apprenticeship-grant funding below.
- Targeted enrolment grant funding increased \$1,078, as NAIT received funding for the growth of selected programs, such as Digital Media and IT, and Veterinary Medical Assistant.
- Apprenticeship-grant funding, which includes amounts received from the Ministry of Skilled Trades and Professions, recognized as revenue decreased by \$178 (1.3%), due to the reduction in the provincial grant.

Investment Revenue

Investment revenue increased by \$8,720 (89.3%) compared to the prior year, due to the receipt of a one-time capital gain. The March 31, 2023 investment portfolio balance of \$278,364 was \$31,710 (10.2%) lower than at March 31, 2022. This decrease is due to a drop in the fair market value of the portfolio and the use of funds to purchase a portion of the Blatchford lands and for operational needs.

Further information on cash and portfolio investments is provided in notes 4 and 5 to the consolidated financial statements.

Federal and Other Government Grants

Federal and other government grants decreased by \$56 (1.2%) from the prior year. These grants typically fund applied research activities at NAIT and have leveled off after years of steady growth. There are additional applied research revenues that are captured in Government of Alberta grants and the sales, rentals and services revenue categories.

Student Tuition and Related Fees

Student tuition and related fees revenue increased by \$9,355 (10.1%) from the prior year. This increase is primarily due to increases in tuition attributed to growth in international and apprenticeship students, and inflation-related adjustments made to tuition rates. Student tuition and related fees represented a slightly lower proportion of NAIT's overall revenue in 2022/23, due to the one-time recognition of both the Blatchford lands grant and the investment gain.

There are several factors that influence the average tuition per full load equivalent (FLE), such as the individual course mix, the full-time versus part-time student mix, and the average number of courses per student. While a given increase or decrease in FLE will explain most of the change in tuition and related fees revenue, it will not necessarily yield the exact same percentage change for the above-noted reasons. Additionally, in 2022/23, many courses had credit loads standardized, which positively impacted FLE numbers by approximately 10% due to the recount. The table below illustrates the FLE trend over the past four years:

	Actual			
	2019/20	2020/21 (9 months)	2021/22	2022/23*
Degree, Diploma, Certificate Programs				
Domestic FLE	9,564	8,313	9,220	9,224
International FLE	1,631	1,386	1,582	2,085
Total Degree, Diploma, Certificate Programs	11,195	9,699	10,802	11,329
Apprenticeship FLE	1,406	1,595	1,934	2,059
Total FLE	12,601	11,294	12,736	13,388

*2022/23 FLE numbers are reflective of redominating courses to a standard credit load.

- Domestic, degree, diploma and certificate FLEs were relatively flat year over year, with a small reported increase of 24 FLE (0.3%). However, without the impact of credit adjustments, FLEs decreased by an estimated 905 (9.8%). Tuition and related fees increased slightly, by \$500 (1.1%), due to a 7% increase in domestic tuition fee rates for the 2022/23 academic year as allowed in Government of Alberta regulations.
- Tuition and related fees from international students increased by \$7,793 (29.6%) from the prior year. This is due to growth in international enrolments. Total international FLE increased by 503 (31.8%), while the international portion of this overall FLE increased from 12.4% as at March 31, 2022 to 15.6% as at March 31, 2023.
- Tuition and related fees from apprenticeship training increased by \$1,029 (14.0%) from the prior year. This is due to the growth in FLE from 1,934 in 2021/22 to 2,059 in 2022/23, along with allowable tuition fee increases. Note that the current level of apprenticeship funding was inadequate to cover related costs due to the lack of a differential approach to apprenticeship funding.

Sales, Rentals and Services Revenue

- Ancillary operations revenue increased by \$3,130 (31.7%), resulting from an increased on-campus presence of staff and students, though still not reaching pre-pandemic levels. Ancillary operations consist of the following.
 - *shop AT NAIT* (bookstore) operations (63% of total ancillary revenue), an increase of \$816 from the prior year
 - Parking (27% of total ancillary revenue), an increase of \$1,430 from the prior year
 - *eat AT NAIT* (4% of total ancillary revenue), an increase of \$277 from the prior year
 - Conferences and Events (5% of total ancillary revenue), an increase of \$552 from the prior year
 - *one AT NAIT* (One Card), which makes up the balance of ancillary revenue
- Training contracts increased by \$741 (14.7%) from the prior year. This increase is attributed to a combination of growth for both international and domestic revenues.
- Other sales, rentals and services revenue includes: application fees; NAIT’s share of PanGlobal management fees; Individual Learning Module (ILM) maintenance fees that NAIT collects from producing ILMs for apprenticeship students; locker rentals; event revenues; conference room rentals; and one-time revenues, such as gains on the disposal of assets; and insurance proceeds. This revenue increased by \$2,166 (23.4%), due to higher in-kind contributions and contract fees relating to NAIT’s applied research initiatives.

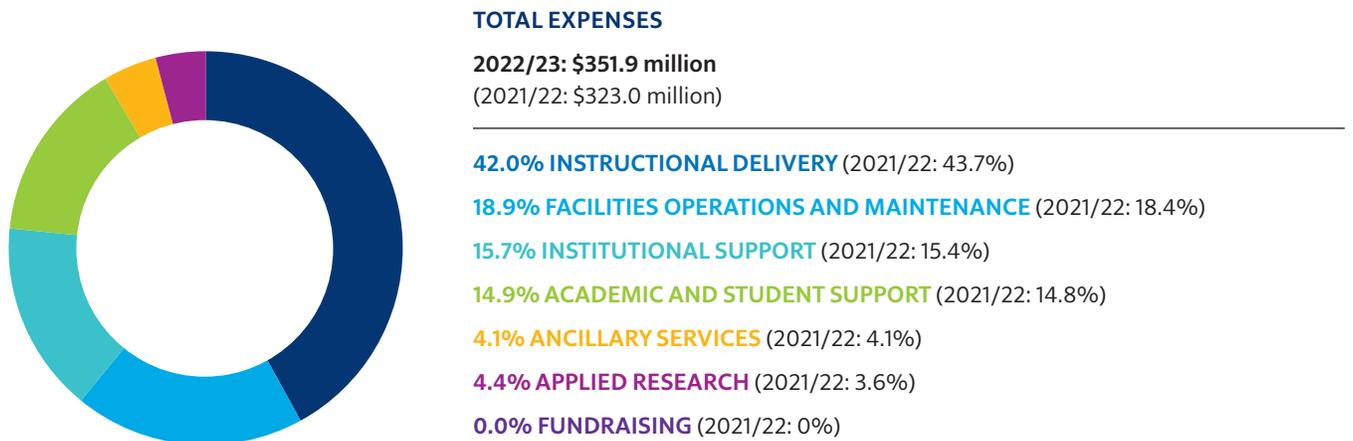
Donation and Other Contributions Revenue

Donation and other contributions revenue includes: the amount of revenue necessary to cover the fundraising costs for projects of NAIT Advancement Services; gifts in kind that are expensed; and scholarships, bursaries, and other expenses funded by donations. Donation revenues raised each year are not recognized as revenue until they are spent, so the financial statements do not reflect all fundraising activity for the year. The recognized donation and other contributions revenue increased by \$4,280 (45.7%), due to an increase in in-kind software donations.

EXPENSES

Total expenses increased by \$28,881 (8.9%), from \$323,045 for the year ended March 31, 2022 (restated) to \$351,926 for the year ended March 31, 2023.

The distribution of total expenses by function for the year ended March 31, 2023, is presented in the following chart.



The key expense highlights are as follows.

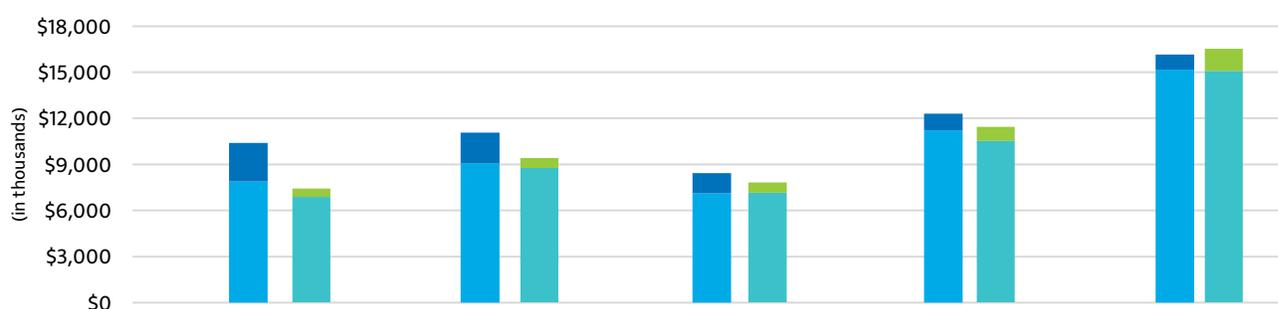
INSTRUCTIONAL DELIVERY

Instructional delivery increased by \$6,473 (4.6%), due to increases to support FLE growth, increases in salaries due to the NAIT Academic Staff Association collective agreement, and an increase in spending on supplies and services, as operations normalized after the pandemic.

APPLIED RESEARCH

Applied research expenses increased by \$3,692 (31.5%), primarily due to growth in both applied research and fee-for-service activities in many research centres and portfolios. As illustrated in the table below, NAIT's financial contribution to support research activities has steadily declined over the past five years, from \$2,974 (40.0% of applied research expenditures) for the twelve months ended June 30, 2019, to a net contribution back to NAIT operations of \$405 (2.4% of applied research expenditures) for the year ended March 31, 2023.

APPLIED RESEARCH OPERATING REVENUES AND EXPENDITURES



	2018/2019 ACTUALS	2019/2020 ACTUALS	2020/2021 ACTUALS (9 MONTHS)	2021/2022 ACTUALS	2022/2023 ACTUALS
DIRECT COST	\$ 7,885	\$ 9,059	\$ 7,119	\$ 11,214	\$ 15,165
INDIRECT COST	2,521	2,014	1,315	1,086	985
TOTAL COST	\$ 10,406	\$ 11,073	\$ 8,434	\$ 12,300	\$ 16,150
DIRECT FUNDING	6,875	8,766	7,157	10,522	15,092
INDIRECT FUNDING	557	658	665	937	1,463
TOTAL FUNDING	\$ 7,432	\$ 9,425	\$ 7,822	\$ 11,459	\$ 16,555
FUNDED BY NAIT	\$ 2,974	\$ 1,649	\$ 612	\$ 841	\$ (405)

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

FACILITIES OPERATIONS AND MAINTENANCE

Facilities operations and maintenance expenses increased by \$7,443 (12.6%) due to a combination of factors.

- More on-campus activities, which resulted in more normal levels of maintenance
- Higher utility costs due to carbon tax increases and substantial increases in electricity and natural gas prices
- Increased maintenance labour costs provided by third-party contractors

ACADEMIC AND STUDENT SUPPORT

Academic and student support expenses increased by \$4,718 (9.9%), mainly due to an increase in salaries and benefits, as additional support staff were brought in to support increased enrolments.

INSTITUTIONAL SUPPORT

Institutional support increased by \$5,451 (10.9%) from the prior period, mainly due to an increase in salaries and benefits as campus activity increased from the prior year, as well as higher software costs.

ANCILLARY SERVICES

Ancillary operations consist mainly of parking, *eat AT NAIT* (food services), conferences and events, and *shop AT NAIT* (bookstore) operations. Ancillary services expenses increased by \$1,100 (8.2%) from the prior year. There were higher expenses related to the increased bookstore sales in 2022/23.

OPERATING RESULTS COMPARED TO BUDGET

The consolidated statement of operations reports an operating surplus of \$6,506. Actual revenue was higher than budget by \$1,604 (0.5%), and actual expenses were under budget by \$4,782 (1.3%), as follows.

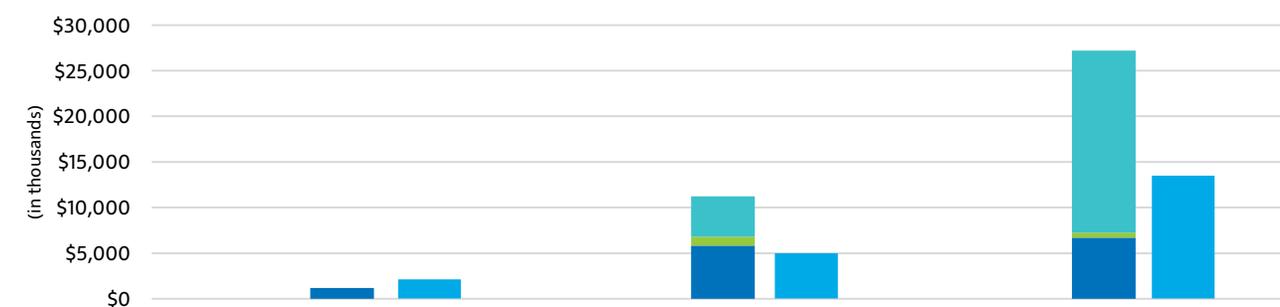
	BUDGET 2022/23	ACTUAL 2022/23	INCREASE (DECREASE)	CHANGE
TOTAL REVENUES	\$ 356,828	\$ 358,432	\$ 1,604	0.4%
TOTAL EXPENSES	\$ 356,708	\$ 351,926	\$ (4,782)	-1.3%
OPERATING SURPLUS	\$ 120	\$ 6,506	\$ 6,386	

Overall actual revenues were higher than budget for the following reasons.

- Although all student tuition and related fees categories were higher than the prior year, collectively they were below plan by \$12,068 for the following reasons.
 - Domestic Degree, Diploma and Certificate revenues were \$2,167 below plan, as enrolments did not meet aggressive targets.
 - International student revenues were less than planned by \$7,538, due to lower-than-expected enrolments arising from federal government delays in study-permit processing.
 - Apprenticeship training revenues were slightly lower than planned by \$182.
 - Non-credit training was lower than budget by \$2,181, as student enrolments did not achieve the targets put in place for the year and were lower than anticipated, coming in only slightly higher than in 2021/22.
- Investment income was above budget by \$3,773, due to the receipt of a one-time capital gain in the investment portfolio.
- Expended capital recognized as revenue was \$3,607 lower than budget for Government of Alberta grants, federal and other government grants, donations, and other grants. This revenue is recognized as the associated expenditures are recorded and declined because of lower-than-expected amortization from reduced capital spending.
- Applied research revenues (included in Government of Alberta grants; Federal and other government grants; Sales, rentals and services; and Donations and other grants) were higher than budget by \$1,557, as fee-for-service contracts and Government of Alberta grant funding exceeded targets.
- Training contract revenues were lower than planned by \$1,180, as international and domestic revenues were lower than targets.
- Ancillary revenues were less than budget by \$2,502, due to lower revenues from parking and food services, which have not fully recovered from the pandemic, and the increase of blended work and learning modes.
- Fundraising and donation revenues were higher than planned by \$6,679. All fundraising activities (including cash, in-kind, and amounts not yet recognized) totalled \$27,197, well above the target of \$13,600. While all activities exceeded expectations, this large variance can be mainly attributed to large software gifts in kind received.

ADVANCEMENT AND ALUMNI RELATIONS

2022/23



	NET OPERATING COST	FUNDS RECEIVED	FUNDRAISING ACHIEVEMENT
CASH	\$ 1,193	\$ 5,835	\$ 6,709
GIFTS IN KIND OTHER	\$ —	\$ 985	\$ 546
GIFTS IN KIND SOFTWARE	\$ —	\$ 4,418	\$ 19,942
BUDGET	\$ 2,115	\$ 5,000	\$ 13,600

Overall actual expenses were below budget by \$4,782 for the following reasons.

- NAIT leadership continued to be vigilant about containing spending throughout the year, including by reducing contracted staff and leaving vacancies unfilled where possible, and holding other planned spending to, or less than, budget.
- Instructional delivery costs were \$2,006 over budget, due to higher-than-planned costs relating to software gifts in kind, classroom supplies, and purchased labour and services.
- Applied research costs were \$279 below plan, due to hiring delays for projects that started later than anticipated.
- Facilities maintenance and operations costs were \$2,388 below plan, due to amortization costs that were \$5,705 less because of lower capital purchases. This was offset by higher utility and maintenance costs.
- Academic and Student support was less than planned by \$2,243, primarily due to vacant positions and lower-than-planned discretionary spending.
- Institutional Support was below plan by \$2,512, primarily due to vacant positions and intentionally placing a hold on spending to offset enrolments being under budget.
- Ancillary services expenses were above plan by \$615, due to the reduction of volume discounts negotiated with a third-party food services provider, resulting from fewer-than-anticipated customers.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

This provides a snapshot of the financial health of the organization as at March 31, 2023. It demonstrates NAIT's ability to finance activities and meet its liabilities and contractual obligations and illustrates NAIT's ability to provide future services.

CASH AND CASH EQUIVALENTS/PORTFOLIO INVESTMENTS

The total of cash and cash equivalents and portfolio investments (non-endowment) decreased by \$32,750 from the prior year. This decrease is due to the payment for the Blatchford lands (detailed in note 18), and a decrease in the fair market value of NAIT's investment portfolio. Investments restricted for endowments also decreased, by \$2,922, from the prior period. Further information on cash and portfolio investments is found in notes 4 and 5 to the consolidated financial statements.

ACCOUNTS RECEIVABLE

The accounts receivable balance is made up of amounts owing from students and commitments from government, government agencies and industry partners. There was an increase of \$2,807 in accounts receivable from the prior fiscal year, which was due to increases in receivables for training contracts, ancillary services and applied research.

INVENTORIES FOR SALE

The inventory of goods held for sale is for *shop AT NAIT* (NAIT's bookstore). Overall inventory increased by \$209, due to lower sales than expected.

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 \$3,466 in accounts payable and accrued liabilities from the prior period, largely attributable to an accrual made for the bus barns site demolition in 2021/22, which was completed in 2022/23.

EMPLOYEE FUTURE BENEFIT LIABILITIES

These include supplemental retirement plans, long-term disability, vacation entitlements and employee self-funded future leaves. The employee future benefit liabilities decreased by \$1,504 from the prior year, primarily due to payouts according to the supplementary retirement plan, and a targeted initiative to reduce vacation liability.

DEBT

NAIT has two outstanding sources of debt: \$17,982 for the construction of the parkade, which matures in 2042, and \$102,785 for the construction of the Productivity and Innovation Centre and the purchase of the Blatchford lands, which matures in 2049. The decline in the year-over-year balance is the result of ongoing repayments of 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 decreased by \$1,434 from the prior year.

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 decreased by \$12,796 from the prior year. Further details about deferred contributions can be found in note 10 of the consolidated financial statements.

TANGIBLE CAPITAL ASSETS

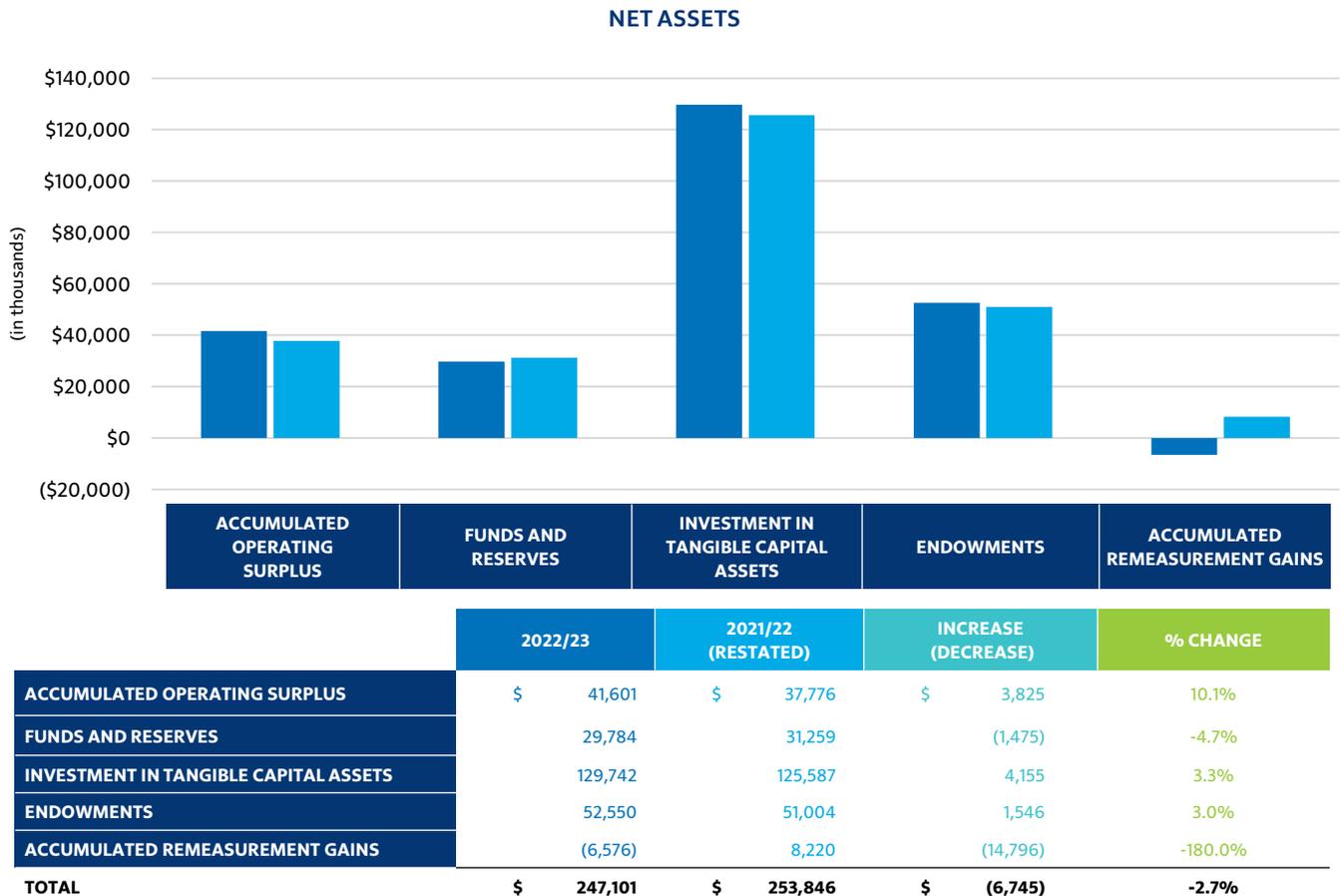
The overall decrease in the value of the capital assets, of \$4,205, is primarily due to reduced capital spending over the last fiscal period. NAIT recorded capital acquisitions of \$16,543, which is lower than the amortization of \$20,619, leading to the overall decline in the net value of capital assets. Further information on tangible capital assets is provided in note 12 of the consolidated financial statements.

SPENT DEFERRED CAPITAL CONTRIBUTIONS

This category represents contributions from donors and government spent on capital assets that have not been recognized yet as revenue. This revenue is recognized as those assets are amortized. Much of the balance of \$297,734 as at March 31, 2023, 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 can be found in notes 10 and 13 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 14 of the consolidated financial statements. Net assets decreased by \$6,744 from the prior year and is broken down as follows.



ACCUMULATED OPERATING SURPLUS

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

FUNDS AND RESERVES

Total funds and reserves decreased by \$1,475, mainly from reductions in the Campus Renovation Fund, of \$1,591; the Industry Solutions Fund, of \$546; and the Technology Transformation Fund, of \$474; offset by a \$1,160 increase in the Strategic Investment Fund. Details of the changes in funds and reserves can be found in note 14 of the consolidated financial statements.

INVESTMENT IN TANGIBLE CAPITAL ASSETS

The tangible capital assets of \$490,591 are funded by the following sources.

	2022/23	2021/22 (restated)
Internally funded (invested in tangible capital assets)	\$ 129,742	\$ 125,586
Externally financed (debt)	64,275	64,680
Externally funded (expended capital contributions)	297,734	306,168
Prepaid deposit on Blatchford lands	(8,186)	(9,345)
Asset retirement obligations	7,026	7,707
Net book value of tangible capital assets	\$ 490,591	\$ 494,796

The internally funded portion, of \$129,742 as at March 31, 2023, increased by \$4,156 from March 31, 2022, due to the accounting treatment of the Blatchford lands purchase, which is recognized immediately as revenue since there is no amortization associated with it. See note 12 of the consolidated financial statements for additional information on tangible capital assets.

ENDOWMENTS

Endowments increased by \$1,546 from the prior fiscal year. 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 14 of the consolidated financial statements.

ACCUMULATED REMEASUREMENT GAINS AND LOSSES

Remeasurement gains and losses is an instrument used to adjust the investment portfolio to fair market value. As at March 31, 2023, the investment portfolio had a net remeasurement loss of \$7,381, compared to an \$11,817 gain as at March 31, 2022. Of this remeasurement loss, \$805 was allocated to endowments and recorded in deferred contributions. The remaining \$6,576 was recorded as an accumulated remeasurement loss on the statement of financial position. The effect of the remeasurement gains is provided in the last table in note 5 of the consolidated financial statements.

CAPITAL PLAN

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

The project with the most impact is the Advanced Skills Centre. This project will:

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

TYPE OF PROJECT AND FUNDING SOURCES

TYPE	PROJECT DESCRIPTION	TOTAL PROJECT COST	FUNDING SOURCES	FUNDING RECEIVED TO DATE AND SOURCE	REVISED FUNDING SOURCES
PRIORITY PROJECTS (TOP THREE CAPITAL PRIORITIES)					
New	Advanced Skills Centre — Phase 1	\$753.0 million	77.4% GoA 22.6% NAIT and donations	\$2.5 million received from NAIT	Overall cost and contributions have been revised based on the outcome of the Spring/Summer 2023 functional planning process.
Preservation	E, F, G, H and J buildings ventilation upgrades	\$40.6 million	100% GoA	No funds received to date	No change
Preservation	Legacy security systems upgrade	\$6.2 million	100% GoA	No funds received to date	No change
OTHER					
New	Transfer of ownership of Heavy Equipment Technology (HET) building from GoA to NAIT	\$0	100% GoA	No funds required	No change (previously requested that property ownership be transferred for the consideration of \$1.00)
Preservation	Various remaining capital maintenance and rehabilitation projects	\$96.8 million	100% GoA	No funds received to date	No change
New	Main campus expansion land acquisition (Blatchford and Westwood)	\$69.5 million	45.6% GoA (\$30-million land grant plus \$1.7-million interest earned) 54.4% NAIT	Full funding received from GoA and NAIT	No change

TYPE	PROJECT DESCRIPTION	TOTAL PROJECT COST	FUNDING SOURCES	FUNDING RECEIVED TO DATE AND SOURCE	REVISED FUNDING SOURCES
OTHER (CONTINUED)					
New	Advanced Skills Centre — Phase 2	\$263 million	76% GoA 24% NAIT and donations	No funds received to date	Overall cost and contributions have been revised based on the outcome of the Spring/Summer 2023 functional planning process.
Preservation	O Building mechanical upgrade	\$81 million	100% GoA	Full funding received from GoA	No change

PROJECT DESCRIPTION	EXPECTED PROJECT START	EXPECTED PROJECT COMPLETION	PROJECT STATUS	PROGRESS MADE IN LAST 12 MONTHS
PROJECT TIMELINES AND STATUS				
Advanced Skills Centre — Phase 1	Underway	September 2029	Planning is well underway, with project implementation pending GoA funding approval.	Initial planning is complete. Functional space programming is underway and will be completed in 2023. NAIT earmarked \$2.5 million for this initial work. Once this work is done, NAIT will be ready to move into indicative design in 2024.
E, F, G, H and J buildings ventilation upgrades	April 2024	September 2028	Pending funding approval	Pending funding approval
Legacy security systems upgrade	April 2024	September 2026	Pending funding approval	Pending funding approval
Transfer of ownership of HET from GoA to NAIT	April 2024	December 2024	Pending funding approval	Pending funding approval
Advanced Skills Centre — Phase 2	TBD after approval of Phase 1	TBD after approval of Phase 1	Pending funding approval	Pending funding approval
Various remaining capital maintenance and rehabilitation projects	April 2024	September 2028	Pending funding approval	Pending funding approval
Main Campus expansion land acquisition (Blatchford and Westwood)	April 2014	Westwood closed in 2019. Blatchford closed in June 2023.	Completed	All conditions have been satisfied. Full funding by GoA and NAIT for Blatchford was received. Full payment was provided in June 2023, except for NAIT holding back \$15 million for servicing and transit.
O Building mechanical upgrade	September 2020	September 2023	Substantially completed	Reached substantial completion in January 2023

APPLIED RESEARCH AND SCHOLARLY ACTIVITIES

APPLIED RESEARCH WITH INDUSTRY

NAIT's applied research teams work with industry, partners and communities to solve problems and create impact that matters today and positions our clients for success and sustainability. Our applied research expertise is primarily in energy, the environment and sustainable development; and our collaborations have focused on circular economy, digital and virtual environments, food-product development, industrial process automation, and land management and restoration. We help build the capacity of highly qualified personnel and organizations to bolster Alberta's economic diversification, and we support technology commercialization and job creation in alignment with Alberta's Technology and Innovation Strategy.

NAIT continues to rank among the top of Canadian polytechnics and colleges for applied research activity and revenues. In 2022/23, our teams increased active projects to 196 (35% higher than in the prior fiscal year) and grew related revenues to \$18.2 million (43% higher than in the prior period). We are executing many multi-year, high-impact projects that will continue to create financially sustainable operations and team growth across our nine expanding applied research centres. These develop solutions for our business and community partners, and applied research teams work closely with NAIT schools and programs to create opportunities for students to engage and to gain valuable hands-on, pre-employment experience.

As a leading polytechnic, NAIT plays a key role in Alberta's post-secondary sector by contributing our applied research expertise to help industry advance and commercialize innovative technology solutions and to contribute to the growth of Alberta's economy. Our teams collaborate with several other post-secondaries and innovation service providers throughout Alberta and Canada. Our post-secondary collaborators and partners include: Athabasca University, Memorial University, Mount Royal University, Portage College, Red Deer Polytechnic, Red River Polytechnic, Saskatchewan Polytechnic, Southern Alberta Institute of Technology, University of Alberta, University of Calgary, Université Laval and University of Waterloo. Our teams also maintain close working relationships and partnerships with innovation service providers such as InnoTech and Alberta Innovates.

EXISTING APPLIED RESEARCH CENTRES

- **Centre for Advanced Medical Simulation (CAMS)** provides realistic, immersive simulation training to NAIT students, partners and external clients. CAMS continues to work on Phase 2 of the Health Innovation Platform Partnerships (HIPP) Project with Alberta Innovates. CAMS provides validation services and end-user testing to support health innovation, focusing on small- to medium-sized enterprises.
- **Centre for Boreal Research** develops best practices and technologies to enable industry to address the reclamation and management of disturbed landscapes and promote sustainable environmental practices across Alberta's forestry and energy extraction companies.
- **Centre for Culinary Innovation** provides access to state-of-the-art research kitchen facilities and culinary arts expertise so food companies can transform Alberta-grown ingredients into new food and beverage products. The centre is partnering with agri-food producers to convert starch wastes into novel food ingredients, thereby reducing the sector's impact on the environment.
- **Centre for Grid Innovation** supports Alberta's energy transition to an electrified and renewable-electricity grid of the future. The centre provides expertise in microgrid developments, solar installations, electric vehicle integration, and a microgrid testing and validation environment to facilitate new product development. The microgrid laboratory provides an isolated residential-scale electrical system with a unique plug-and-play interface that allows for the testing and validation of new technologies.
- **Centre for Innovative Media** works with and supports partner companies to optimize their operations by developing innovative software and content, as well as data-visualization tools and user interfaces, including virtual and augmented realities.

- **The Clean Technologies Team** is focused on the development of methods and technologies that enable companies to adopt circular economic business models. The team works with a broad array of private sector and not-for-profit partners to transform plastic, forestry and agricultural wastes into value-added products.
- **Technology Access Centre for Oil Sands Sustainability** is committed to a future in which the environmental and economic challenges of the oil sands are solved. We work with companies to develop technologies that improve the economic and environmental performance of the oil sands industry. We bridge the gap between existing oil sands environmental research and the creation of relevant solutions, taking innovative ideas from bench to scale-up in collaboration with our industry partners.
- **Technology Access Centre for Sensors and System Integration** is a world-class systems integration centre with professional researchers who provide industry with prototyping, product enhancement, testing, and characterization services related to sensors and system integration. This centre helps industry develop prototype devices and improve existing technologies for addressing sensor-based challenges — primarily in resource extraction, energy efficiency and environmental monitoring.
- **Boreal Forest Plant and Seed Technology Access Centre** provides scientific findings and practical methods, technologies and services to advance the capacity of industry to use native plants to lessen its environmental footprint in the boreal forest. Our goal is to address present and emerging knowledge gaps in seed collection, treatment, propagation and deployment on disturbed sites. The team works at our Peace River research facilities and is part of the NAIT Centre for Boreal Research.

SCHOLARLY ACTIVITIES

NAIT remains dedicated to enhancing and harnessing the influence of an active community of faculty researchers as we strive for excellence in scholarly pursuits. At NAIT, scholarly activity encompasses purposeful exploration, integration and sharing of knowledge, all of which undergo rigorous assessment by polytechnic peers. Through our commitment to scholarly activity, NAIT maximizes the wealth of expertise within our institution, fostering collaborative ventures, empowering growth and facilitating widespread dissemination of knowledge.

During the 2022/23 academic year, NAIT faculty engaged in scholarly activities that included 47 presentations at professional conferences locally and nationally, as well as articles and contributions in numerous journals and publications.

- The JR Shaw School of Business faculty also conducted more than 50 other scholarly activities within various subject areas. These focused on scholarship of teaching and learning, such as the creation of brave spaces in educational settings, experiential learning, and the use of artificial intelligence (AI) in polytechnic education.
- The School of Health and Life Sciences scholarly activity focus has been in the areas of interprofessional health education, patient safety, animal-assisted intervention, and the use of simulation in healthcare education and health innovation.
- The School of Skilled Trades emphasized innovative diploma programs and diverse delivery methods. Part-time learning options, remote delivery and enhanced blended-delivery courses were explored. Independent Learning Modules (ILMs) — which are key to curriculum in apprenticeship, certificate, and diploma programs — were developed and updated.

Other initiatives include the following.

Performance Enhancement Process — Program chairs continue their role of coaching and mentoring scholarly activity through conversations during the year as part of the performance enhancement process. Faculty review their scholarly activity goals, milestones and progress during these conversations. Chairs can also help identify opportunities for collaboration between faculty with similar interests.

Engage 2023 — NAIT held its first annual Engage event, where more than 500 staff participated in a day of sessions that showcased scholarly activity, innovation, AI, teaching, and learning at NAIT. A total of 22 sessions were held (one keynote address, two panel discussions, ten plenary sessions, and nine 'flash talks') that focused on the theme of IDEAS (Inclusion, Diversity, Equity, Accessibility and Sustainability).

RURAL Pathways — NAIT continues to support the rural pathways program that enables students to remain in their home centres for education through collaborative partnerships with Keyano and Portage Colleges for the delivery of the Bachelor of Business Administration Degree — Management concentration. Post-pandemic, we are updating existing collaborative agreements to be more reflective of the needs of small centres with respect to delivery. We continue to provide shared learning opportunities to both partner institutions and seek opportunities for shared scholarly activity.

Fostering a culture of scholarly activity and collaboration — Several grassroots initiatives under this important priority took place during the year. For example, faculty from the JR School of Business and Human Resources programs began a learning community to investigate how to create safe/brave/accountable spaces for students in their classes. In the School of Health and Life Sciences, a lunch and learn series was rolled out, providing a platform for disseminating scholarly activity, best practices, and innovation from within the school. Ten sessions were held from September 2022 to June 2023, with attendance from academic, administration and support staff. All sessions were recorded and posted for maximum accessibility.

REGIONAL STEWARDSHIP, FOUNDATIONAL LEARNING, UNDERREPRESENTED LEARNERS

NAIT maintained successful efforts during the year to attract and support a diverse body of foundational and underrepresented learners. We did this mainly through targeted community partnerships; specialized Indigenous programming; and careful attention to equity, diversity and inclusion. We also continued planning for the Advanced Skills Centre which will create inclusive pathways to skilled trades and technologist programs for learners of all demographics and backgrounds.

COMMUNITY PARTNERSHIPS TO ENHANCE PATHWAYS TO LEARNING

NAIT is committed to creating and facilitating successful programs that promote learner and community growth. Over the past year, we continued to deliver adaptable training options to Indigenous communities, correctional facilities and newcomers to Canada.

- **Indigenous partnerships and engagement** — NAIT had 71 formal engagements with Indigenous communities, organizations and businesses over the course of the 2022/23 year. We carried out 34 community-based training projects in 15 communities, taking fully into account the unique needs of each partner. More than 175 students were successfully trained in a variety of disciplines, including an introduction to home renovation, culinary arts, medical office administration, basic computer operation, plant and seed collection, and environmental monitoring.
- **Corporate and continuing education** — We provided in-person training to 240 inmates of the Fort Saskatchewan Correctional Centre, furnishing them with employable skills for when they transition from incarceration to the workforce. The training included courses in food safety, small engine repair, and the transportation of dangerous goods.
- **Apprenticeship education** — During the year, NAIT was awarded an Alberta at Work Apprenticeships Partnerships Program grant, of \$1.5 million for an Accelerated Trade Entry program. To date, 27 students have completed their initial placement assessments, during which these newcomers to Canada gain access to pre-apprenticeship training, English for Specific Purpose (ESP) classes, and Apprenticeship Entry Exam Preparation sessions. As part of this project, NAIT designed trade-readiness courses and completed digitizing the placement assessment process.

INDIGENOUS PROGRAMMING

As part of NAIT's response to the Truth and Reconciliation Commission's 94 Calls to Action, we are taking actions to ensure our community learns more about Indigenous history and culture. This past year, teams across NAIT developed programming and hosted workshops to advance the process of reconciliation and deepen our appreciation of Indigenous ways of knowing.

- To address the Truth and Reconciliation Commission's Calls to Action, beginning in the fall of 2023, students across all programs in the School of Health and Life Sciences will examine the history, impact, and legacy of colonialism on Indigenous health in Canada and develop intercultural competence to provide culturally appropriate care and services. A series of self-directed modules will introduce students to the history, legacy, and impact of colonialism in Canada, and encourage them to reflect on their individual understanding and personal perspective about reconciliation.
- NAIT also delivered its first suite of programs to recognize and commemorate the National Day for Truth and Reconciliation. The NAIT community participated in a blanket exercise and learning activities on residential schools, and individuals were encouraged to reflect on what truth and reconciliation means to them.

- The Nîsôhkamâtotân Centre is a community gathering place on campus where Indigenous and non-Indigenous students continued to gather to network, study and share their post-secondary learning experiences. The centre is an integral part of the NAIT community and continued to lead a workshop series to involve NAIT staff in the process of truth and reconciliation. The Pîkiskwetân (Let's Talk) Sharing Circle series provided ways for participants to learn about and share perspectives on the residential school system and, more broadly, how Indigenous Peoples have been treated over time.

LEARNING SERVICES FOR STUDENTS

NAIT offers a variety of online and in-person resources and services to reduce barriers to learning. These include advice on available student supports to remove barriers to learning and to help students build their academic skills, customized support to address learning challenges, and individualized accommodations for students with disabilities. The following services are provided to students with disabilities in a hybrid delivery both on-campus in-person or virtually.

- **Exam accommodations** — Students with barriers to learning, including disabilities, may be eligible for exam accommodation. During 2022/23, NAIT accommodated students for 1,768 exams.
- **Assistive technology** — Working individually with an assistive technology specialist, NAIT students with disabilities can access at no cost a variety of assistive applications and devices to enable their learning. Students with disability accommodation can discuss how to access any specialized software and an inventory of equipment with an assistive technology specialist. During the past year, 71 students were supported in this way.
- **Alternative-format reading materials** — All students with disabilities can request that their textbooks, Apprenticeship Individualized Learning Manuals (ILMs), course packs, and any other relevant course materials be supplied to them in large-print and/or electronic formats. The online format enables students to read using text-to-speech and/or screen reader software. During 2022/23, NAIT processed 206 requests for alternative-format materials.
- **Advisory services for students with learning disabilities** — Throughout the academic year, students with learning disabilities can confer with learning advisors to discuss any barrier to learning they may be experiencing. During the past year, learning advisors interacted with 1,934 students a total of 4,072 times to provide ongoing support.
- **Consultation related to learning strategies** — NAIT employs learning strategies to help all students develop skills to improve memory and learning, increase focus and concentration, enhance exam preparation and writing, and build general study techniques. During 2023/23, learning strategists provided individualized support to 183 students with learning disabilities in one-to-one meetings and served 50 students during drop-in sessions.

EQUITY, DIVERSITY AND INCLUSION (EDI)

NAIT is committed to advancing equity, building a diverse campus community, and cultivating inclusion. This is to promote a sense of belonging and dignity, and encourage efforts to enable people in our community to feel safe, respected and valued. During the year, we advanced initiatives using our Equity, Diversity and Inclusion Lens (EDI) toolkit, including the following.

- **Self-identification** — We implemented a self-identification project, which enabled students and staff to voluntarily disclose their pronouns, preferred names, and gender identities (staff only) for use in various IT systems.
- **Gender-based and sexual violence (GBSV) prevention and education** — We hired our first coordinator, using funds provided by the Government of Alberta, who will lead education, outreach and resource development to increase awareness of GBSV, disclosure pathways, and services available to support survivors.
- **Student awards** — NAIT introduced a new Student Awards Policy that included a new award category specifically focused on providing financial support to historically excluded and equity-deserving communities.

THE ADVANCED SKILLS CENTRE

NAIT's state-of-the-art Advanced Skills Centre will be the platform that revolutionizes and transforms how we deliver programs to meet the needs of industry and produce the skilled workforce of tomorrow. It will do the following.

- Expand enrolment in high demand programs, especially in areas where Alberta is experiencing or anticipates workforce shortages
- Shape a more resilient and innovative future-ready workforce empowered to succeed
- Promote skilled trades and technology program exploration for junior high and high school students
- Support stronger pathways into skilled trades and technology-based programs for learners, including underrepresented groups such as women, Indigenous Peoples, and new Canadians
- Drive Alberta's reputation as a technology and innovation leader built on a skilled, diverse, agile, and industry-driven workforce that is second to none
- Provide learning spaces that consider the physical and emotional safety and well-being of all learners and staff
- Increase the depth of Alberta's technology and innovation skills to attract the world to Alberta for investment and prosperity
- Support NAIT's long-term sustainability plan by modernizing the spaces in which students learn and reducing our carbon footprint while improving operational efficiencies

INTERNATIONALIZATION

During 2022/23, NAIT finalized and launched its first Global Engagement Strategy, which has three priority areas of focus guiding our internationalization efforts.

- Attracting more international students to Alberta
- Fostering a global mindset and intercultural competence among students and staff
- Forming strategic partnerships with like-minded organizations and institutions around the world

Work is underway on several institution-wide initiatives aimed at advancing these intentions over the next five years.

INTERNATIONAL STUDENT ATTRACTION

International students enhance the social and cultural diversity of the NAIT community and contribute to the institute's overall financial sustainability.

The Global Engagement Strategy seeks to aggressively grow international student enrolments in all schools and features the goal of having international learners represent 30% of our degree, diploma, and certificate student body by 2027 — nearly double that of 2022/23. 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 learner supports are factored into a program's capacity to sustainably grow international student enrolment.

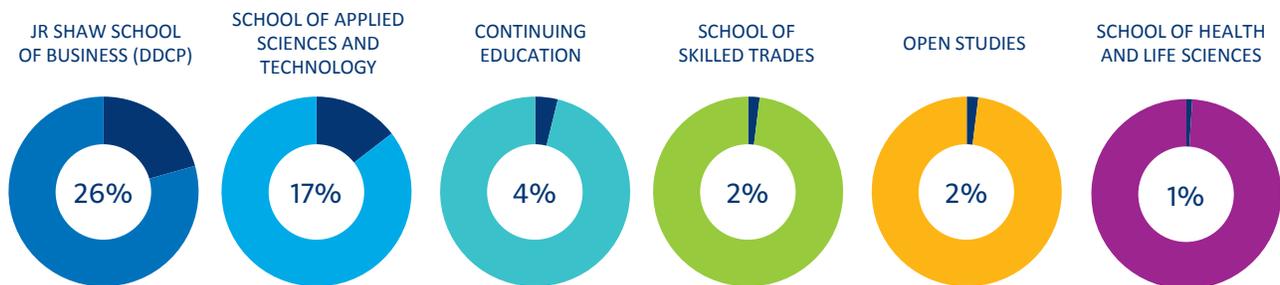
Among our 2022/23 initiatives in pursuit of international student growth, we:

- began a new partnership with a regional recruitment representative for key countries in South Asia, augmenting our diversified roster of 53 authorized agents responsible for recruitment elsewhere in the world; and
- added an agent coordinator role in our student recruitment team to manage training and communications for our growing network of agents.

In 2022/23, following the lifting of most pandemic-related travel restrictions, the number of international applicants partially rebounded. NAIT hosted 2,987 international students from 100 countries. This accounted for 16% of the total student presence in degree, diploma and credit programming across our four schools, and 3% of students in non-credit programming.

This increase, however, was less than budgeted, due mainly to ongoing delays in study-permit processing by the federal government. NAIT continued to offer deferral opportunities to international students who had not obtained their study permits in time to start as anticipated.

Nearly all international students are in three schools: the JR Shaw School of Business (51%), the School of Applied Sciences and Technology (29%), and Continuing Education (17%). The following graphs show the percentage of international students to total students in each of NAIT's six schools.



■ International students as a percentage of total students in each school

Note: Numbers represent headcount (distinct students) for the 2022/23 Learning and Enrolment Reporting System years.

GLOBAL AND INTERCULTURAL LEARNING

NAIT's Global Engagement Strategy stipulates that every student has access to inclusive supports and intercultural learning experiences that enable them to thrive in today's global economy. Accordingly, we took measures to centralize international student supports, hired an intercultural specialist, resurrected many in-person international engagement activities, and continued to grow education-abroad opportunities for Canadian students so they can apply their program learning outcomes in diverse countries other than Canada.

- **Wrap-around supports for international students** — NAIT launched the International and Intercultural Community Centre in 2022. The centre is open to all students and staff and is the hub for community building, capacity development, outreach and connection. The support team at the centre completed 1,155 student appointments (virtual, phone and in person) and responded to 1,682 student email queries.
- **Building intercultural competence** — To create inclusive learning environments, NAIT is equipping staff and students with greater intercultural competence. In 2022/23, we hired an intercultural specialist to embed more intercultural resources into our teaching and learning supports and develop scalable intercultural training programs for all NAIT staff and students.
- **Engagement on campus** — The international engagement team facilitated more than 65 events and programming throughout 2022/23 to support international students' transition to life in Canada. Building a sense of community and encouraging well-being and belonging are key components of this team's portfolio.
- **Education abroad** — NAIT continues to provide opportunities for domestic students to go abroad as part of their programs of study. In 2022/23 this included:
 - an off-grid solar installation project in Peru for 10 students of the Alternative Energy Technology Program. (Twenty-three students from various programs, including Alternative Energy Technology, and Wireless Systems Engineering Technology, participated in a virtual component of the project, preparing the 10 for the trip to a remote community in Pallccapampa in Peru to install solar panels and Wi-Fi internet in May 2023.);
 - an international field school in Portugal for six students of Culinary Arts and Professional Food Studies; and
 - a new partnership agreement with the VIA University College in Denmark, whereby five students in the Bachelor of Business Administration Program attended a summer school program in August 2023.

TRANSNATIONAL EDUCATION

NAIT's Global Engagement Strategy commits to pursuing opportunities to collaborate globally to address real-world challenges, and to nurturing a network of partners to help advance our mutual goals.

NAIT continues to expand articulation agreements with post-secondary institutions around the world that will enable students to progress deliberately from one institution to another via seamless pathways. In 2022/23, we were proud to provide 17 2+2 pathways, with the following institutions: Culinary Arts Academy — Cesar Ritz Colleges (Switzerland); the University of Derby (UK); the SHMS Swiss Hotel Management School (Switzerland); Columbia Southern University (USA); and Technological University of the Shannon (Ireland).

In December 2022, NAIT completed all deliverables successfully for two World Bank-funded capacity-building projects at the Uganda Technical College (UTC). The projects helped to formally establish UTC-Elgon and UTC-Lira as Technical and Vocational Education and Training Centres of Excellence in the delivery of hands-on competency-based education and training. This will support Uganda's construction and road building industries by generating graduates with demand-driven skills.

In June 2022, NAIT met with the Argentinian governors of Santa Cruz, San Juan, and Catamarca, along with the Canadian Ambassador to Argentina to discuss local training and capacity-development opportunities in the country. We subsequently finalized memoranda of understanding (MOUs) with the provinces of Santa Cruz and Catamarca. Negotiations are underway to establish a training program in collaboration with them, local training companies, and multinational mining agencies.

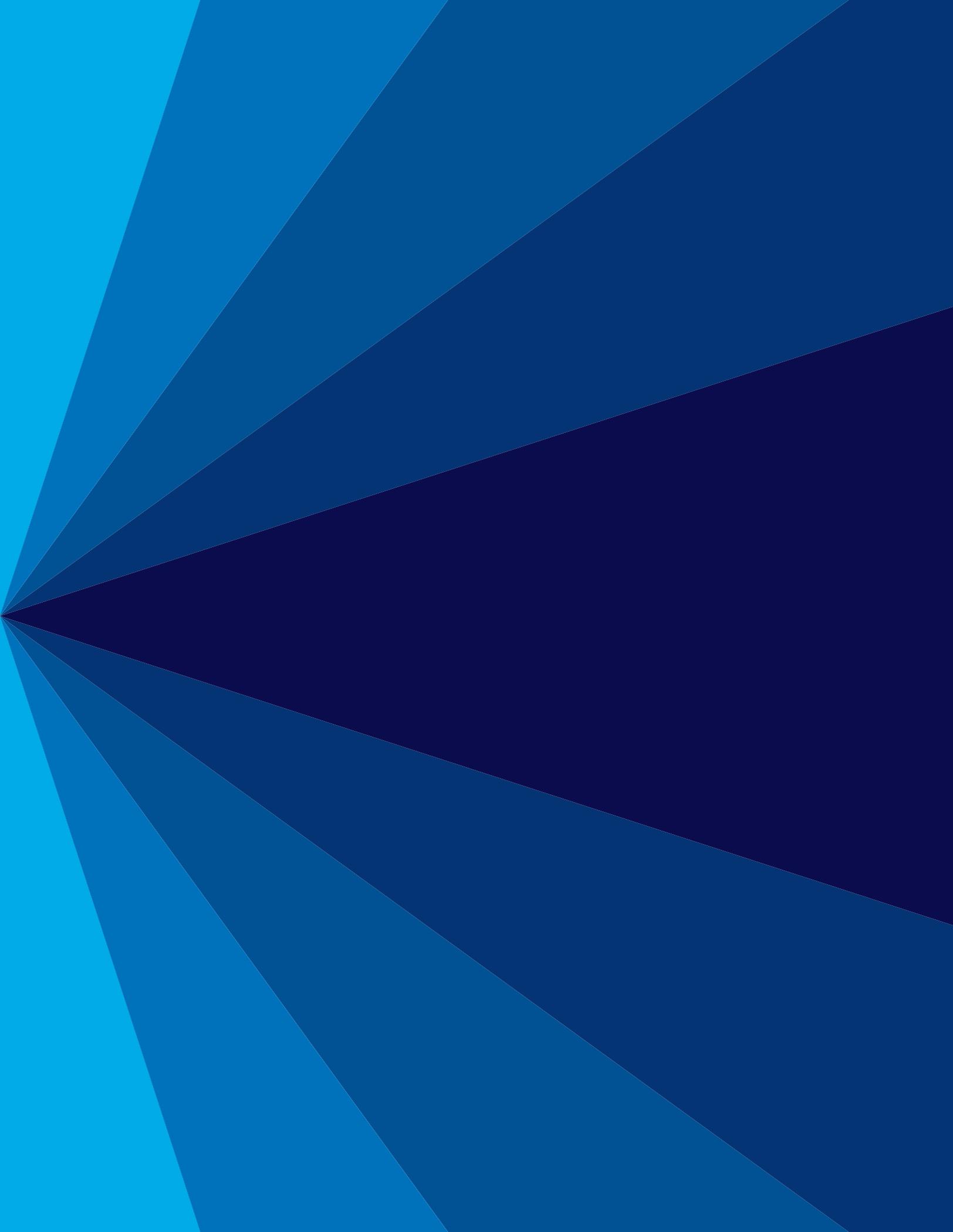
In February 2022, NAIT welcomed nine instructors from various technical institutions throughout Ghana for a customized instructor training program in industrial maintenance. The Ghanaians completed their program in October 2022 after nine months of training in: pipefitting, industrial maintenance, welding, e-learning and becoming a master instructor.

In March 2023, NAIT signed one international MOU with National Institute of Technology, (Nagano, Japan). This partnership established a foundation for the future exchange of students and faculty, and cultural and technical understanding between Nagano College and various programs at our School of Applied Sciences and Technology.

NAIT continues its relationship with the Heilongjiang University of Science and Technology (HUST) to offer our Digital Media and IT diploma in Harbin, China. A total of 79 students completed the program in June 2022, and 235 students remain active in the program in three different cohorts.

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

NAME OF PROGRAM	TYPE OF CREDENTIAL	PRINCIPAL MODE OF DELIVERY	NAME OF PARTNER INSTITUTION	COUNTRY	NUMER OF STUDENT PARTICIPANTS	NUMBER OF GRADUATES
Digital Media and IT	Diploma	Virtual and online delivery by NAIT	Heilongjiang University of Science and Technology	China	Group 17: 79	38 with Certificates of Achievement
	Non-credit Certificate of Achievement	Advanced-credit and NAIT courses taught by instructors from Heilongjiang University of Science and Technology			Group 18: 79	
					Group 19: 78	41 with Letters of Completion
					Group 20: 79	



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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, 2023, and the consolidated statements of operations, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

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

Other information

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

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

May 30, 2023
Edmonton, Alberta

STATEMENT OF MANAGEMENT RESPONSIBILITY

FOR THE YEAR ENDED MARCH 31, 2023

The consolidated financial statements of the Northern Alberta Institute of Technology (NAIT) have been prepared by management in accordance with Canadian public sector accounting standards as described in note 2 to the consolidated financial statements. The consolidated financial statements present fairly the financial position of NAIT as at March 31, 2023 and the results of its operations, remeasurement gains and losses, change in net financial assets and cash flows for the year then ended.

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

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

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

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



Laura Jo Gunter, MBA
President and CEO



Nazim Merali, [CPA, CA, ICD.D]
Vice-President Administration and CFO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2023 (IN THOUSANDS OF DOLLARS)

	2023	2022 (Restated Note 3)
Financial assets excluding portfolio investments restricted for endowments		
Cash and cash equivalents (note 4)	\$ 12,980	\$ 16,942
Portfolio investments — non-endowment (note 5)	218,104	246,892
Accounts receivable	9,955	7,148
Inventories held for sale	2,244	2,035
Investment in government business enterprise (note 7)	484	903
	243,767	273,920
Liabilities		
Accounts payable and accrued liabilities	28,734	32,200
Employee future benefit liabilities (note 8)	21,953	23,457
Debt (note 9)	120,767	123,825
Deferred revenue		
Unearned revenue	21,866	23,300
Deferred contributions (note 10)	61,404	74,200
Asset retirement obligations (note 11)	7,026	7,707
	261,750	284,689
Net debt excluding portfolio investments restricted for endowments	(17,983)	(10,769)
Portfolio investments — restricted for endowments (note 5)	60,260	63,182
Net financial assets	42,277	52,413
Non-financial assets		
Tangible capital assets (note 12)	490,591	494,796
Prepaid expenses	11,967	12,804
	502,558	507,600
Net assets before spent deferred capital contributions	544,835	560,013
Spent deferred capital contributions (note 13)	297,734	306,168
Net assets (note 14)	\$ 247,101	\$ 253,845
Net assets is comprised of:		
Accumulated surplus	\$ 253,677	\$ 245,625
Accumulated remeasurement (losses) gains	(6,576)	8,220
	\$ 247,101	\$ 253,845
Contingent assets and contractual rights (notes 15 and 17)		
Contingent liabilities and contractual obligations (notes 16 and 18)		

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

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2023 (IN THOUSANDS OF DOLLARS)

	Budget (Note 20)	2023	2022 (Restated Note 3)
Revenues			
Government of Alberta grants			
Operating grants (note 21)	\$ 168,097	\$ 178,310	\$ 168,871
Expended capital recognized as revenue	12,074	8,804	8,860
Federal and other government grants			
Operating grants (note 21)	6,060	4,707	4,763
Expended capital recognized as revenue	858	819	684
Student tuition and related fees			
Degree, diploma and certificate programs			
Domestic students	48,316	46,149	45,649
International students	41,699	34,161	26,368
Apprenticeship training	8,551	8,369	7,340
Continuing education	15,157	12,976	12,943
Sales, rentals and services			
Ancillary operations	15,501	12,999	9,869
Training contracts	6,968	5,788	5,047
Other	9,781	11,430	9,264
Donations and other grants			
Donations and operating grants	6,957	13,636	9,356
Expended capital recognized as revenue	2,098	1,800	1,651
Investment income (note 22)	14,711	18,484	9,764
	356,828	358,432	320,429
Expenses (note 23)			
Instructional delivery	145,350	147,356	140,883
Applied research	15,709	15,430	11,738
Facilities operations and maintenance	69,023	66,635	59,192
Academic and student support	54,823	52,580	47,862
Institutional support	57,808	55,296	49,845
Ancillary services	13,891	14,506	13,406
Fundraising	104	123	119
	356,708	351,926	323,045
Annual operating surplus (deficit)	\$ 120	\$ 6,506	\$ (2,616)
Endowment contributions and capitalized investment income			
Endowment contributions (note 14)		520	835
Endowment capitalized investment income (note 14)		1,026	989
		1,546	1,824
Annual surplus (deficit)		\$ 8,052	\$ (792)
Accumulated surplus, beginning of year		245,625	246,417
Accumulated surplus, end of year (note 14)		\$ 253,677	\$ 245,625

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

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31, 2023 (IN THOUSANDS OF DOLLARS)

	Budget (Note 20)	2023	2022 (Restated Note 3)
Annual surplus (deficit)	\$ 120	\$ 8,052	\$ (792)
Acquisition of tangible capital assets	(3,400)	(16,543)	(10,422)
Proceeds from sale of tangible capital assets	50	303	41
Amortization of tangible capital assets	26,324	20,619	21,421
(Gain) loss on disposal of tangible capital assets	(50)	(174)	203
Decrease (increase) in prepaid expenses		837	(8,470)
(Decrease) increase in spent deferred capital contributions		(8,434)	2,309
(Decrease) increase in accumulated remeasurement gains		(14,796)	9,599
(Decrease) increase in net financial assets		(10,136)	13,889
Net financial assets, beginning of year		52,413	38,524
Net financial assets, end of year		\$ 42,277	\$ 52,413

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

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

YEAR ENDED MARCH 31, 2023 (IN THOUSANDS OF DOLLARS)

	2023	2022
Accumulated remeasurement gains (losses), beginning of year	\$ 8,220	\$ (1,379)
Unrealized (losses) gains attributable to:		
Portfolio investments — non-endowments (note 5)	(12,764)	11,396
Amounts reclassified to the consolidated statement of operations:		
Portfolio investments — non-endowments (note 5)	(2,032)	(1,797)
Change in accumulated remeasurement (losses) gains	(14,796)	9,599
Accumulated remeasurement (losses) gains, end of year	\$ (6,576)	\$ 8,220
Accumulated remeasurement (losses) gains is comprised of:		
Portfolio investments — non-endowment	\$ (6,576)	\$ 8,220
	\$ (6,576)	\$ 8,220

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2023 (IN THOUSANDS OF DOLLARS)

	2023	2022 (Restated Note 3)
Operating transactions		
Annual surplus (deficit)	\$ 8,052	\$ (792)
Add (deduct) non-cash items:		
Amortization of tangible capital assets	20,619	21,421
Loss (gain) on sale of portfolio investments	744	(1,493)
(Gain) loss on disposal of tangible capital assets	(174)	203
Expended capital contributions recognized as revenue	(11,423)	(11,195)
Decrease in employee future benefit liabilities	(1,504)	(3,631)
Change in non-cash items	8,262	5,305
Increase in accounts receivable	(2,807)	(1,480)
(Increase) decrease in inventories held for sale	(209)	89
(Decrease) increase in accounts payable and accrued liabilities	(3,466)	1,678
(Decrease) increase in unearned revenue	(1,434)	143
Decrease in deferred contributions	(8,394)	(3,556)
(Decrease) increase in asset retirement obligations	(681)	13
Decrease (increase) in prepaid expenses	837	(8,470)
Cash provided by (applied to) operating transactions	160	(7,070)
Capital transactions		
Acquisition of tangible capital assets, less in-kind donations	(16,253)	(9,614)
Proceeds on sale of tangible capital assets	303	41
Cash applied to capital transactions	(15,950)	(9,573)
Investing transactions		
Purchase of portfolio investments	(31,279)	(37,644)
Proceeds on sale of portfolio investments	43,466	33,323
Cash provided by (applied to) investing transactions	12,187	(4,321)
Financing transactions		
Debt — repayment	(3,058)	(2,962)
Increase in spent deferred capital contributions, less expended capital contributions recognized as revenue, less in-kind donations	2,699	12,696
Cash (applied to) provided by financing transactions	(359)	9,734
Decrease in cash and cash equivalents	(3,962)	(11,230)
Cash and cash equivalents, beginning of year	16,942	28,172
Cash and cash equivalents, end of year	\$ 12,980	\$ 16,942

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023 (IN THOUSANDS OF DOLLARS)

1. AUTHORITY AND PURPOSE

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

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

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

The measurement of certain assets, liabilities, revenues and expenses is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. NAIT's management uses judgment to determine such estimates. Employee future benefit liabilities, amortization of tangible capital assets, asset retirement obligations, 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
Asset retirement obligations	Cost
Debt	Amortized cost

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

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

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

amortized cost. Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of cash and cash equivalents and portfolio investments are accounted for using trade-date accounting.

NAIT does not use foreign currency contracts or any other type of derivative financial instruments for trading or speculative purposes.

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

(c) REVENUE RECOGNITION

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

Government grants, non-government grants, and donations

Government transfers are referred to as government grants.

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

Government grants without terms for the use of the grant are recognized as revenue when NAIT is eligible to receive the funds. Unrestricted non-government grants and donations are recognized as revenue in the year received or in the year 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 year in which they are received and are required by donors to be maintained intact in perpetuity.

Investment income

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

Investment income from restricted grants is recognized as deferred contributions when the terms of use create a liability and is recognized as investment income when the terms of the grant are met. The endowment spending allocation portion of investment income earned by endowments is recognized as deferred contributions when the terms for the use by the endowment create a liability. Realized investment income allocated to endowment balances for the preservation of

endowment capital purchasing power is recognized in the consolidated statement of operations. Unrealized gains and losses on portfolio investments that are from unrestricted contributions are recognized in the consolidated statement of remeasurement gains and losses until settlement. Once realized, these gains or losses are recognized as investment income in the consolidated statement of operations.

(d) ENDOWMENTS

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

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

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

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

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from NAIT's operating funds, from the accumulated deferred investment income, or from the cumulative capitalized investment income.

Endowment contributions, matching contributions, and associated investment income allocated for the preservation of endowment capital purchasing power are recognized in the consolidated statement of operations in the year 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, leasehold and site improvements	10 – 50 years
Furnishings, equipment, vehicles and systems	3 – 25 years
Library holdings	10 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. Net write-downs are recognized as expense.

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

(g) FOREIGN CURRENCY TRANSLATION

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

(h) EMPLOYEE FUTURE BENEFITS

Pension

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

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

Supplementary retirement plan

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

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 year of employee disability. Actuarial gains or losses on the accrued benefit obligation are amortized over the average expected year the benefits will be paid.

Special leave plan

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

Management retirement plan

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

(i) INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE

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

This GBE is not material to NAIT's financial statements and, therefore, separate condensed financial information is not presented.

(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 non-profit organization with a mandate to support productivity improvement, increase innovation, and build a skilled workforce to improve competitiveness and economic sustainability.

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

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

This partnership is not material to NAIT's consolidated financial statements and, therefore, separate condensed financial information is not presented.

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

(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. It does not include airborne contaminants. NAIT recognizes a liability for remediation of contaminated sites when the following criteria have been met:

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

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

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

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

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

(l) ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. Asset retirement activities include all activities relating to an asset retirement obligation. These may include, but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
- remediation of contamination of a tangible capital asset created by its normal use;
- post-retirement activities such as monitoring; and
- constructing other tangible capital assets to perform post-retirement activities.

A liability for an asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

When a liability for an asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

The asset retirement obligation is measured at the current estimated cost to settle or otherwise extinguish the liability.

(m) 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.

(n) 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.

(o) FUTURE CHANGES IN ACCOUNTING STANDARDS

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

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

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

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

3. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2022, NAIT adopted the new accounting standard PS 3280 Asset retirement obligations and applied the standard using the modified retroactive approach with restatement of prior year comparative information.

At the beginning of the fiscal year in which PS 3280 was in effect, NAIT recognized the following to conform to the new standard:

- asset retirement obligations;
- asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
- accumulated amortization on the capitalized cost; and
- adjustment to the opening balance of the accumulated surplus.

Amounts are measured using information and assumptions that are current at the beginning of the fiscal year in which the standard is in effect. The amount recognized as an asset retirement cost is measured as of the date the asset retirement obligation was incurred. Accumulated amortization is measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect to the date as of which this standard is first applied.

	As Previously Reported	Asset Retirement Obligations Adjustment Recognized	As Restated
Consolidated Statement of Operations			
Expense — Facilities operations and maintenance	\$ 58,993	\$ 199	\$ 59,192
Total expenses	322,846	199	323,045
Annual operating deficit	(2,417)	(199)	(2,616)
Annual deficit	(593)	(199)	(792)
Accumulated surplus, beginning of year	251,821	(5,404)	246,417
Accumulated surplus, end of year	251,228	(5,603)	245,625
Consolidated Statement of Financial Position			
Liability — Asset retirement obligations	\$ -	\$ 7,707	\$ 7,707
Total liabilities	276,982	7,707	284,689
Net debt excluding portfolio investments restricted for endowments	(3,062)	(7,707)	(10,769)
Net financial assets	60,120	(7,707)	52,413
Non-financial asset — Tangible capital assets	492,692	2,104	494,796
Non-financial assets	505,496	2,104	507,600
Net assets before spent deferred capital contributions	565,616	(5,603)	560,013
Net assets	259,448	(5,603)	253,845
Net assets — Accumulated surplus	251,228	(5,603)	245,625
Consolidated Statement of Change in Net Financial Assets			
Annual deficit	\$ (593)	\$ (199)	\$ (792)
Acquisition of tangible capital assets	(10,409)	(13)	(10,422)
Amortization of tangible capital assets	21,222	199	21,421
Increase in net financial assets	13,902	(13)	13,889
Net financial assets, beginning of year	46,218	(7,694)	38,524
Net financial assets, end of year	60,120	(7,707)	52,413
Consolidated Statement of Cash Flows			
Operating transactions — Annual surplus	\$ (593)	\$ (199)	\$ (792)
Operating transactions — Amortization of tangible capital assets	21,222	199	21,421
Operating transactions — Change in non-cash items	5,106	199	5,305
Operating transactions — Increase in asset retirement obligations	-	13	13
Cash applied to operating transactions	(7,083)	13	(7,070)
Capital transactions — Acquisition of tangible capital assets, less in-kind donations	(9,601)	(13)	(9,614)
Capital transactions — Cash applied to capital transactions	(9,560)	(13)	(9,573)

4. CASH AND CASH EQUIVALENTS

	2023	2022
Cash	\$ 13,580	\$ 11,475
Money market funds, short-term notes, and treasury bills	1,518	7,580
Less: Funds held on behalf of others (note 24)	(2,118)	(2,113)
	\$ 12,980	\$ 16,942

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

5. PORTFOLIO INVESTMENTS

	2023	2022
Portfolio investments — non-endowment	\$ 218,104	\$ 246,892
Portfolio investments — restricted for endowments	60,260	63,182
	\$ 278,364	\$ 310,074

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

	2023			
	Level 1	Level 2	Level 3	Total
Portfolio investments at fair value:				
Bonds and other fixed income				
Pooled investment funds	\$ -	\$ 104,465	\$ -	\$ 104,465
Equities				
Pooled investment funds — Canadian	-	32,504	-	32,504
Pooled investment funds — All World*	-	141,395	-	141,395
Total portfolio investments	\$ -	\$ 278,364	\$ -	\$ 278,364
	0%	100%	0%	100%
	2022			
	Level 1	Level 2	Level 3	Total
Portfolio investments at fair value:				
Bonds and other fixed income				
Pooled investment funds	\$ -	\$ 116,110	\$ -	\$ 116,110
Equities				
Pooled investment funds — Canadian	-	38,926	-	38,926
Pooled investment funds — All World*	-	154,914	-	154,914
	-	309,950	-	309,950
Other at amortized cost	-	-	-	124
Total portfolio investments	\$ -	\$ 309,950	\$ -	\$ 310,074
	0%	100%	0%	100%

*All World equity includes investments in Canadian markets, equating to 8.4% (December 31, 2021: 10.0%) of the Fund at December 31, 2022.

The fair value measurements are those derived from:

Level 1 — Quoted prices in active markets for identical assets

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

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

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

	Endowments Recorded in Deferred Contributions (Note 10)	Accumulated Remeasurement Gains and Losses	Total
Balance as at March 31, 2021	\$ 482	\$ (1,379)	\$ (897)
Unrealized gains attributable to portfolio investments	4,517	11,396	15,913
Amounts reclassified to statement of operations	(1,402)	(1,797)	(3,199)
Balance as at March 31, 2022	3,597	8,220	11,817
Unrealized gains attributable to portfolio investments	3,756	(12,764)	(9,008)
Amounts reclassified to statement of operations	(8,158)	(2,032)	(10,190)
Balance as at March 31, 2023	\$ (805)	\$ (6,576)	\$ (7,381)

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 do 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.

	2023	2022
Pooled investment fund — Canadian Equity		
S&P/TSX Composite Total Return Index benchmark	\$ 1,170	\$ 1,440
Pooled investment fund — All World* equity		
MSCI All Country World Index (Net Dividend, C\$) benchmark	4,242	5,577

*All World equity includes investments in Canadian markets, equating to 8.4% (December 31, 2021: 10.0%) of the Fund at December 31, 2022.

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

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

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

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. NAIT does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. NAIT's exposure to foreign exchange risk is low due to the minimal business activities conducted in a foreign currency. NAIT further mitigates risk by limiting international contracts that are not in Canadian dollars to only U.S. 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 \$5,656 (2022: \$6,197) decrease or increase, respectively, in the market value of the investment portfolio.

Credit risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with NAIT. NAIT is exposed to credit risk on investments and has established an investment policy with required minimum credit quality standards and issuer limits to manage this risk. The credit risk from accounts receivable is relatively low, as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed 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:

	2023	2022
AAA	22.8%	20.3%
AA	6.2%	9.3%
A	37.5%	34.1%
BBB	28.5%	33.7%
Short-term investments and other net assets (liabilities)	5.0%	2.6%
	100.0%	100.0%

Liquidity risk

Liquidity risk is the risk that NAIT will encounter difficulty in meeting obligations associated with its financial liabilities. NAIT invests in short-term pooled funds to manage short-term cash requirements. NAIT maintains a short-term line of credit that is designed to ensure the availability of funds to meet current and forecasted financial requirements in the most cost-effective manner. At March 31, 2023, NAIT has committed borrowing facilities of \$2,500 (2022: \$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 2.4% (2022: 2.6%) of total investments. Interest risk on NAIT's debt is managed through fixed-rate agreements with the Department of Treasury Board and Finance (note 9).

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

	2023	2022
< 1 year	4.8%	5.6%
1 — 5 years	35.6%	31.9%
> 5 years	59.6%	62.5%
	100.0%	100.0%
Average effective yield	3.5%	3.2%

7. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE

NAIT holds a 33.33% share in a government business enterprise (PanGlobal Training Systems Ltd.) with the Southern Alberta Institute of Technology and the British Columbia Institute of Technology. PanGlobal Training Systems Ltd. is engaged in the design, development and delivery of world-class learning resources for the regulated trades and the energy technology education sector. As at March 31, 2023, NAIT's investment in PanGlobal Training Systems Ltd. is \$484 (2022 — \$903).

8. EMPLOYEE FUTURE BENEFIT LIABILITIES

Employee future benefit liabilities are comprised of the following:

	2023	2022
Accrued vacation	\$ 17,404	\$ 17,776
Long-term disability	3,863	4,257
Supplementary retirement plan — defined contribution	250	945
Supplementary retirement plan — defined benefit	144	144
Special leave plan	240	285
Management retirement plan	52	50
	\$ 21,953	\$ 23,457

(a) DEFINED BENEFIT ACCOUNTED FOR ON A DEFINED BENEFIT BASIS

Long-term disability (LTD)

NAIT provides long-term disability defined benefits to employees. The most recent actuarial valuation for these benefits was as at March 31, 2023. 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 on 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 year ending March 31, 2023 is \$243 (2022: \$127) and has been discounted at a rate of 2.7% (March 31, 2022: 2.1%).

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

Local Authority Pension Plan

The Local Authority Pension Plan (LAPP) is a multi-employer contributory defined benefit pension plan for staff and is accounted for on a defined contribution basis. As at December 31, 2022, the LAPP reported an actuarial surplus of \$12,671,000 (December 31, 2021: \$11,922,370 surplus). An actuarial valuation of the LAPP was carried out as at December 31, 2021 and was then extrapolated to December 31, 2022. The pension expense recorded in these consolidated financial statements for the year ending March 31, 2023 is \$16,779 (2022: \$17,655). 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 6.70% (March 31, 2022: 2.70%).

(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 year ending March 31, 2023 was \$9 (2022: \$199).

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

	2023				
	LTD	SRP (Defined Contribution)	SRP (Defined Benefit)	Special Leave	Management Retirement Plan
Expense					
Current service cost	\$ (395)	\$ 53	\$ -	\$ 35	\$ 2
Interest cost	161	(44)	10	-	-
Total expense	\$ (234)	\$ 9	\$ 10	\$ 35	\$ 2

Financial Position

Accrued benefit obligation:

Balance, beginning of year	\$ 4,257	\$ 945	\$ 144	\$ 285	\$ 50
Current service cost	(395)	53	-	35	2
Interest cost	161	(44)	10	-	-
Benefits paid	(160)	(704)	(10)	(80)	-
Balance, end of year	\$ 3,863	\$ 250	\$ 144	\$ 240	\$ 52

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

Financial Position

Accrued benefit obligation:

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

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	
	2023	2022
Accrued benefit obligation:		
Discount rate	5.3%	4.2%
Long-term average compensation increase		
Year 1	2.0%	0.0%
Year 2 — 3	3.0%	2.0%
Year 4 and thereafter	3.0%	2.0%
Estimated average remaining service life	5	5

9. DEBT

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

	Collateral	Maturity	Interest Rate	2023	2022
Debentures payable to the Department of Treasury Board and Finance:					
Parkade	(1)	December 2042	3.426%	\$ 17,982	\$ 18,599
Blatchford lands and Productivity and Innovation Centre	(2)	June 2049	3.184%	102,785	105,226
				\$ 120,767	\$ 123,825

Collateral — (1) Cashflows; (2) Security interest in all its present and after-acquired personal property.

Principal and interest repayments are as follows:

	Principal	Interest	Total
2023	\$ 3,158	\$ 3,863	\$ 7,021
2024	3,260	3,761	7,021
2025	3,367	3,654	7,021
2026	3,476	3,545	7,021
2027	3,590	3,431	7,021
Thereafter	103,916	38,912	142,828
	\$ 120,767	\$ 57,166	\$ 177,933

Interest expense on debt for the year ending March 31, 2023 is \$3,937 (2022: \$4,032) and is included in the consolidated statement of operations.

10. DEFERRED CONTRIBUTIONS

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

	Unspent Operating Contributions	Unspent Capital Contributions	Total
Balance as at March 31, 2021	\$ 34,964	\$ 39,678	\$ 74,642
Grants and donations received	42,819	1,763	44,582
Investment income (note 22)	3,784	727	4,511
Transfer to spent deferred capital contribution (note 13)	-	(13,517)	(13,517)
Recognized as revenue	(38,144)	-	(38,144)
Transferred to endowment	(989)	-	(989)
Unrealized gain on investments relating to deferred contributions (note 5)	3,115	-	3,115
Balance as at March 31, 2022	\$ 45,549	\$ 28,651	\$ 74,200
Grants and donations received	58,299	(9,738)	48,561
Investment income (note 22)	3,693	609	4,302
Transfer to spent deferred capital contribution (note 13)	-	(3,025)	(3,025)
Recognized as revenue	(57,206)	-	(57,206)
Transferred to endowment	(1,026)	-	(1,026)
Unrealized gain on investments relating to deferred contributions (note 5)	(4,402)	-	(4,402)
Balance as at March 31, 2023	\$ 44,907	\$ 16,497	\$ 61,404

11. ASSET RETIREMENT OBLIGATIONS

	2023	2022 (Restated Note 3)
Liability incurred	\$ 10	\$ 13
Liability settled	(691)	-
Revisions in estimates	-	-
(Decrease) increase in asset retirement obligations	(681)	13
Asset retirement obligations, beginning of year	7,707	7,694
Asset retirement obligations, end of year	\$ 7,026	\$ 7,707

Tangible capital assets with associated retirement obligations include buildings, leasehold improvements and equipment. The majority of obligation relates to asbestos contained within older buildings, which is remediated as renovations on these buildings are completed.

Asset retirement obligations are initially measured as of the later of acquisition or the date of legislation, based on management's best estimate of the amount required to retire tangible capital assets, and are subsequently re-measured taking into account any new information and the appropriateness of assumptions used. The estimate of the liability is based on quotes provided by third-party consultants, the use of environmental specialists, program area valuations, previous experience, and the use of professional judgement.

Asset retirement obligations are currently unfunded and are expected to be settled as funding becomes available. As such, the timing of these settlements is indeterminate.

12. TANGIBLE CAPITAL ASSETS

	2023					2022
	Land	Buildings, Leasehold and Site Improvements	Furnishings, Equipment, Vehicles and Systems	Library Holdings	Total	(Restated Note 3) Total
Cost						
Balance, beginning of year	\$ 53,979	\$ 683,873	\$ 172,706	\$ 3,853	\$ 914,411	\$ 905,455
Acquisitions	7,524	1,273	7,706	40	16,543	10,422
Disposals, including write downs	-	(1,080)	(4,928)	(74)	(6,082)	(1,466)
	61,503	684,066	175,484	3,819	924,872	914,411
Accumulated Amortization						
Balance, beginning of year	\$ -	\$ (279,841)	\$ (136,297)	\$ (3,477)	\$ (419,615)	\$ (399,416)
Amortization expense	-	(12,152)	(8,392)	(75)	(20,619)	(21,421)
Effects on disposal, including write downs	-	1,047	4,832	74	5,953	1,222
	-	(290,946)	(139,857)	(3,478)	(434,281)	(419,615)
Net book value at March 31, 2023	\$ 61,503	\$ 393,120	\$ 35,627	\$ 341	\$ 490,591	
Net book value at March 31, 2022	\$ 53,979	\$ 404,032	\$ 36,409	\$ 376		\$ 494,796

Interest: Additions to capital assets includes capitalized interest of \$0 (March 31, 2022: \$0).

Cost includes work-in-progress totaling \$12,698 (2022: \$15,113), comprised of land \$5,822 (2022: \$5,746), buildings \$1,426 (2022: \$1,421), equipment \$1,867 (2022: \$6,029) and software \$3,583 (2022: \$1,917).

Acquisitions during the year include in-kind contributions in the amount of \$290 (2022: \$808).

13. 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).

	2023	2022
Balance, beginning of year	\$ 306,168	\$ 303,859
Transfers from unspent externally restricted grants and donations (note 10)	3,025	13,517
Expended capital contributions recognized as revenue	(11,423)	(11,195)
Net book value of asset disposals	(36)	(13)
Balance, end of year	\$ 297,734	\$ 306,168

14. NET ASSETS

	Accumulated Operating Surplus (Restated Note 3)	Investment in Tangible Capital Assets (Restated Note 3)	Funds and Reserves	Endowments	Total Accumulated Surplus (Restated Note 3)
Net assets, as at March 31, 2021	\$ 33,465	\$ 129,220	\$ 33,173	\$ 49,180	\$ 245,038
Operating surplus	(2,616)	-	-	-	(2,616)
Endowments					
Contributions	-	-	-	835	835
Capitalized investment income	-	-	-	989	989
Tangible capital assets					
Amortization of tangible capital assets	10,226	(10,226)	-	-	-
Acquisition of tangible capital assets	(5,350)	6,237	(887)	-	-
Debt — expenditures from funds received in prior years	13	(13)	-	-	-
Debt — repayment	(597)	597	-	-	-
Net book value of tangible capital asset disposals	229	(229)	-	-	-
Operating expenditures funded from funds and reserves	2,401	-	(2,401)	-	-
Net Board appropriation to funds and reserves	(1,374)	-	1,374	-	-
Change in accumulated remeasurement gains and losses	9,599	-	-	-	9,599
Net assets, as at March 31, 2022	\$ 45,996	\$ 125,586	\$ 31,259	\$ 51,004	\$ 253,845
Annual operating surplus	6,506	-	-	-	6,506
Endowments					
Contributions	-	-	-	520	520
Capitalized investment income	-	-	-	1,026	1,026
Tangible capital assets					
Amortization of tangible capital assets	9,196	(9,196)	-	-	-
Acquisition of tangible capital assets	(10,832)	12,348	(1,516)	-	-
Debt — expenditures from funds received in prior years	274	(274)	-	-	-
Debt — repayment	(681)	681	-	-	-
Asset retirement obligations — liability settled	(691)	691	-	-	-
Net book value of tangible capital asset disposals	94	(94)	-	-	-
Operating expenditures funded from funds and reserves	2,342	-	(2,342)	-	-
Net Board appropriation to funds and reserves	(2,383)	-	2,383	-	-
Change in accumulated remeasurement gains and losses	(14,796)	-	-	-	(14,796)
Net assets, as at March 31, 2023	\$ 35,025	\$ 129,742	\$ 29,784	\$ 52,550	\$ 247,101
Net assets is comprised of:					
Accumulated surplus	\$ 41,601	\$ 129,742	\$ 29,784	\$ 52,550	\$ 253,677
Accumulated remeasurement gains and losses	(6,576)	-	-	-	(6,576)
	\$ 35,025	\$ 129,742	\$ 29,784	\$ 52,550	\$ 247,101

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

Funds and reserves

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

	Balance, March 31, 2022	Appropriations from (Returned to) Accumulated Operating Surplus	Disbursements During the Period	Balance, March 31, 2023
Appropriation for capital activities:				
Main Campus Renovations	\$ 17,731	\$ (1,229)	\$ (362)	\$ 16,140
Capital Renewal	1,829	147	(138)	1,838
Strategic Investment Fund	-	404	(404)	-
Industry Solutions	-	387	(387)	-
Technology Transformation Fund	-	225	(225)	-
	<u>19,560</u>	<u>(66)</u>	<u>(1,516)</u>	<u>17,978</u>
Appropriation for operating activities:				
Strategic Investment Fund	3,965	1,809	(649)	5,125
Technology Transformation Fund	4,048	(225)	(249)	3,574
ILM Reserve Fund	1,641	(6)	-	1,635
Credit Education Enhancement Fund	1,073	-	(27)	1,046
Industry Solutions	972	(381)	(165)	426
Main Campus Renovations	-	1,229	(1,229)	-
Capital Renewal	-	23	(23)	-
	<u>11,699</u>	<u>2,449</u>	<u>(2,342)</u>	<u>11,806</u>
	\$ 31,259	\$ 2,383	\$ (3,858)	\$ 29,784

15. 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 consolidated financial position or the consolidated results of operations of NAIT.

16. CONTINGENT LIABILITIES

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

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

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

17. CONTRACTUAL RIGHTS

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

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

	Operating Leases, Contracts and Programs	Operations and Maintenance	Other Contracts	Total
2024	\$ 24,470	\$ -	\$ -	\$ 24,470
2025	12,098	-	-	12,098
2026	4,680	-	-	4,680
2027	3,943	-	-	3,943
2028	2,576	-	-	2,576
Thereafter	1,241	-	-	1,241
Total at March 31, 2023	\$ 49,008	\$ -	\$ -	\$ 49,008
Total at March 31, 2022	\$ 27,938	\$ -	\$ -	\$ 27,938

18. CONTRACTUAL OBLIGATIONS

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

	Blatchford Land Purchase ⁽¹⁾	Capital Projects	Long-Term Leases	Total
2024	\$ 46,838	\$ 6,019	\$ 1,508	\$ 54,366
2025	-	-	1,503	1,503
2026	-	-	1,352	1,352
2027	-	-	1,192	1,192
2028	-	-	1,175	1,175
Thereafter	-	-	3,917	3,917
Total at March 31, 2023	\$ 46,838	\$ 6,019	\$ 10,647	\$ 63,504
Total at March 31, 2022	\$ 52,956	\$ 7,705	\$ 11,935	\$ 72,596

(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 \$46,838 (2022: \$52,956) represents the total purchase less deposits paid of \$8,186. The purchase is expected to be completed in 2023/24.

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 2022/23, 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 year, NAIT conducted business transactions with related parties, including Ministries of the Province of Alberta, other Alberta post-secondary institutions, and corporations for which certain Board members of NAIT serve as management. The revenues and expenses incurred for these transactions have been included in the consolidated statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair market value. No material amounts are recorded in accounts receivable or accounts payable other than transactions entered into at arm's length.

NAIT has liabilities with the Department of Treasury Board and Finance as described in Note 9.

20. BUDGET FIGURES

NAIT's 2022/23 budget was approved by the Board of Governors and submitted to the Minister of Advanced Education.

21. GOVERNMENT TRANSFERS

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

	2023	2022
Grants from Government of Alberta		
Advanced Education		
Base Operating Grant	\$ 135,497	\$ 143,648
Apprenticeship	12,221	13,944
Capital Maintenance Renewal Grant	6,385	9,675
Other	5,689	4,611
Total Advanced Education	<u>159,792</u>	<u>171,878</u>
Other Government of Alberta departments and agencies		
Ministry of Jobs, Economy and Innovation (including Alberta Innovates)	5,923	3,592
Ministry of Skilled Trades and Professions	1,545	-
Ministry of Environment and Protected Areas	837	-
Alberta Health Services	3	3
Agriculture and Forestry	-	750
Other	100	-
Total Other Government of Alberta departments and agencies	<u>8,408</u>	<u>4,345</u>
Total contributions received and receivable	168,200	176,223
Change in deferred contributions	10,110	(7,352)
Total Government of Alberta operating grant revenue	\$ 178,310	\$ 168,871
Grants from federal and other governments		
Federal government	\$ 6,134	\$ 4,522
Other government	1,470	154
Total contributions received and receivable	7,604	4,676
Change in deferred contributions	(2,897)	87
Total federal and other government operating grant revenue	\$ 4,707	\$ 4,763

22. INVESTMENT INCOME

	2023		2022	
Investment earnings	\$	20,331	\$	12,217
Less transferred to Deferred Contributions (note 10)		(4,302)		(4,511)
Investment earnings from unrestricted sources		16,029		7,706
Add transfers from Deferred Contributions		2,455		2,058
Investment income	\$	18,484	\$	9,764

Investment earnings include an accrual of \$2,715 (2022: \$2,446). The accrual represents management's best estimate of revenue earned for the three months from January 1 to March 31 and not yet distributed, based on information provided by the Investment Manager (see note 2(c)).

23. EXPENSE BY OBJECT

The following is a summary of expense by object:

	2023		2022 (Restated)			
	Budget (Note 20)	Actual	Budget	Actual		
Salaries and employee benefits	\$	238,411	\$	230,479	\$	220,279
Materials, supplies and services						
Cost of goods sold		7,909		8,493		6,953
Purchased labour and services		19,283		22,474		17,098
Classroom, lab and general supplies		14,923		19,000		14,053
Other materials, supplies and services		6,571		7,083		5,387
Maintenance and repairs		27,041		25,906		21,516
Utilities		9,709		10,151		9,152
Scholarships, bursaries and prizes		2,602		3,784		3,154
Interest expense		3,935		3,937		4,032
Amortization of capital assets		26,324		20,619		21,421
	\$	356,708	\$	351,926	\$	323,045

24. 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.

	2023		2022	
Southern Alberta Institute of Technology	\$	1,635	\$	1,641
NAIT Student Association		483		472
	\$	2,118	\$	2,113

25. SALARY AND EMPLOYEE BENEFITS

	2023			
	Base Salary ⁽¹²⁾	Other Cash Benefits ⁽¹³⁾	Other Non-Cash Benefits ⁽¹⁴⁾⁽¹⁵⁾	Total
Governance⁽¹⁾				
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	23	23
Executive				
President and CEO	358	6	98	462
Vice-President Academic	267	43	33	343
Vice-President Administration and CFO				
Past incumbent ⁽²⁾	219	258	(43)	434
Interim ⁽³⁾	70	-	-	70
Incumbent ⁽⁴⁾	78	2	26	106
Vice-President External Relations	243	6	48	297
Vice-President Students and Campus Life ⁽⁵⁾	224	37	21	282
2022				
	Base Salary ⁽¹²⁾	Other Cash Benefits ⁽¹³⁾	Other Non-Cash Benefits ⁽¹⁴⁾⁽¹⁵⁾	Total
Governance⁽¹⁾				
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	9	9
Executive				
President and CEO	353	6	91	450
Vice-President Academic and Provost ⁽⁶⁾	120	326	(18)	428
Vice-President Academic				
Interim ⁽⁷⁾	199	-	-	199
Incumbent ⁽⁸⁾	10	-	1	11
Vice-President Administration and CFO	291	48	(1)	338
Vice-President Industry Partnerships and CMO ⁽⁹⁾	27	55	(70)	12
Vice-President External Relations				
Interim ⁽¹⁰⁾	91	8	6	105
Incumbent ⁽¹¹⁾	148	4	80	232

1. The Chair and other members of the Board of Governors receive no remuneration for the services they provide as members of the Board of Governors.
2. The past incumbent Vice-President Administration and CFO occupied the position until September 2022. A termination benefit of \$193 has been included in other cash benefits.
3. The interim appointment of the Vice-President Administration and CFO position was held from September 2022 to December 2022.
4. The incumbent position of Vice-President Administration and CFO was filled in December 2022.
5. The incumbent position of Vice-President Students and Campus Life was filled in May 2022.

6. The Vice-President Academic and Provost position was occupied until August 2021 and was not subsequently filled. The accountability of this position was moved to the interim Vice-President Academic position. A termination benefit of \$290 has been included in other cash benefits.
7. The interim appointment of Vice-President Academic extended from September 2021 to March 2022.
8. The incumbent position of Vice-President Academic was filled in March 2022.
9. The Vice-President Industry Partnership and CMO was occupied until May 2021 and was not subsequently filled. The accountabilities of this position were moved to the Vice-President External Relations and the President and CEO.
10. The interim appointment of Vice-President External Relations concluded August 2021.
11. The incumbent position of Vice-President External Relations was filled in August 2021.
12. Base salary includes pensionable base pay.
13. Other cash benefits include variable compensation payments, vacation payouts by special approval or upon retirement/ termination, car allowance and pay in lieu of employee benefits. No bonuses or variable compensation payments were paid in the twelve months ended March 31, 2023.
14. Other non-cash benefits include NAIT's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short- and long-term disability plans, moving expenses, professional memberships and tuition fees. Negative amounts may appear if accrued non-cash benefits are lower than actual cash benefits paid.
15. Under the terms of the supplemental retirement plan, executive officers may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide pension income over a post-employment period.

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

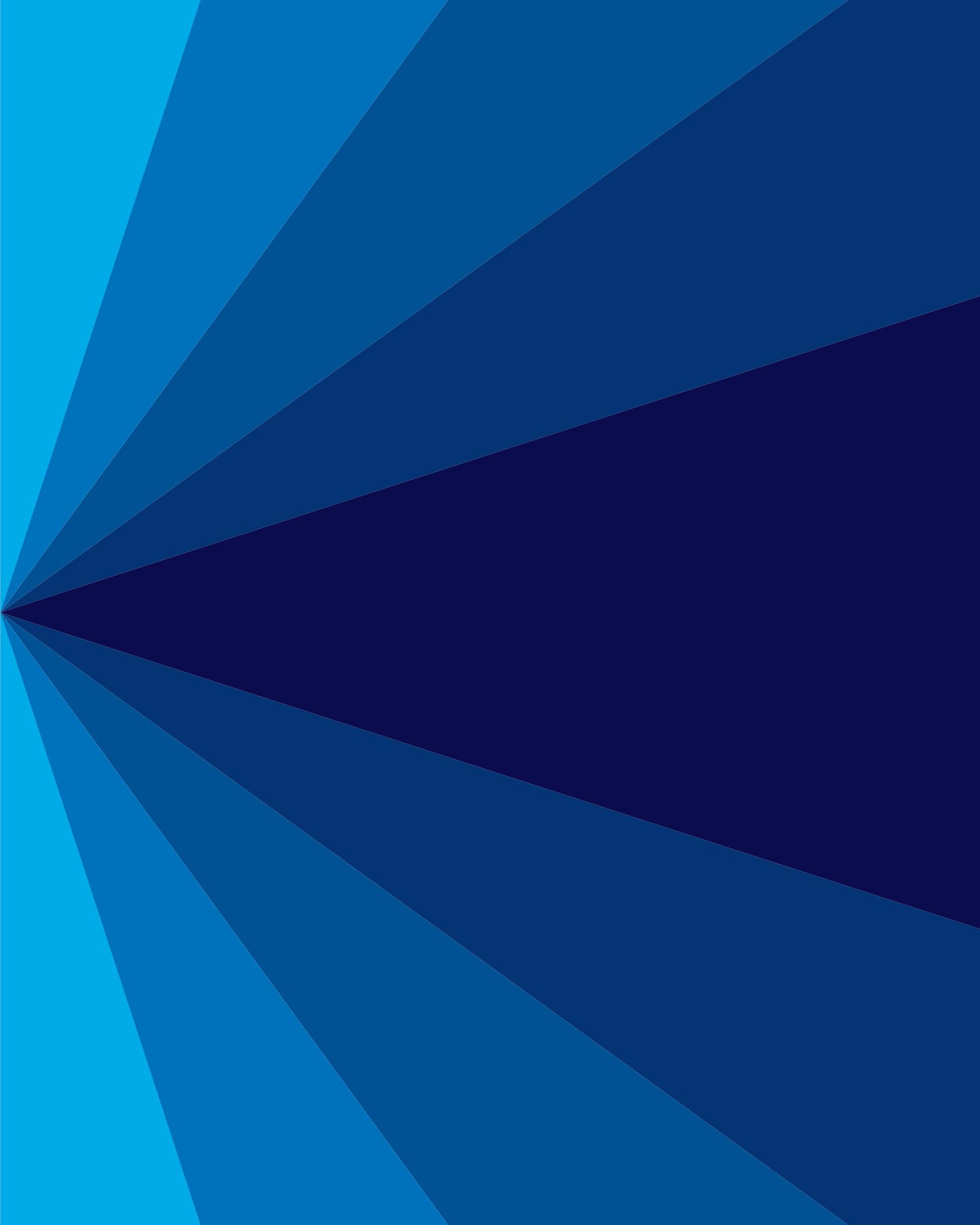
	Accrued Obligation March 31, 2022	Service Cost	Interest Cost	Benefits Paid	Accrued Obligation March 31, 2023
President and CEO					
Past incumbent	\$ 689	\$ -	\$ (41)	\$ (648)	\$ -
Incumbent	65	37	2	-	104
Vice-President Academic and Provost					
Past incumbent	184	-	(6)	(56)	122
Vice-President Administration and CFO	-	5	-	-	5
Vice-President External Relations	7	11	1	-	19

26. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

27. COMPARATIVE FIGURES

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



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INTENT ON **IMPACT**