

# Management's Discussion and Analysis of the Consolidated Financial Statements

## For the Year Ended March 31, 2024

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

This document, the Management Discussion and Analysis (MD&A), is meant to provide a high-level summary of the Northern Alberta Institute of Technology (NAIT)'s financial health and should be read in conjunction with NAIT's consolidated financial statements and accompanying notes, which have been prepared in accordance with Canadian Public Sector Accounting Standards. 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 ended the fiscal year with an operating surplus of \$39,456, which represents approximately 10% of total revenues and an increase from prior year surplus of \$6,506. This surplus is due to two main factors: a grant from the Government of Alberta for the Blatchford land purchase in the amount of \$30,000 and investment income. From the grant, NAIT was able to recognize \$22,723 of revenue in the current fiscal year (with the remaining \$7,277 recognized in the previous fiscal year). Without this land grant, NAIT would have ended the fiscal year with a healthy \$16,733 surplus. Investment income, which is somewhat volatile in nature, also came in stronger than expected at \$14,921 and will be used to support future investments in technology and capital. If both the land grant and investment income were removed, NAIT would have reported a much smaller surplus of \$1,812.

While this is a small surplus, it represents a significant milestone for NAIT, as it demonstrates financial sustainability after years of successive deficits. Much of this is due to strong growth in the enrollment of domestic and international students, as well as the Government of Alberta's investment for skilled trades training. Work will continue in future years to strengthen the financial health of NAIT by diversifying revenues and replenishing reserves, so NAIT can better weather unexpected events. Both domestic and international enrolment growth, as well as strategic investments and prudent fiscal management, are still required to ensure that NAIT rebuilds a foundation of financial stability.

The following is an overview of the consolidated financial results achieved in the fiscal year ending March 31, 2024. 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 having to pay income tax. GO Productivity is a not-for-profit organization with a mandate to support improved productivity, increased innovation, and strengthen the 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 to prepare learners for meaningful and successful careers to drive economic prosperity and provide existing and emerging industries with talent and innovation to compete, both here and internationally. NAIT strives to elevate the value of polytechnic education and applied research through the education of students, partnerships with industries, and in finding solutions for communities whose successes require high-quality educational opportunities and a robust economy.

Focused on business and entrepreneurship, skilled trades, health and life sciences, and applied sciences and technology, we offer more than 200 programs leading to baccalaureate degrees, applied degrees, diplomas and certificates, and we are one of the largest apprenticeship educators in Canada. To meet evolving industry needs we are continually refining and adapting our programming in partnership with industry and their support shows; 98% of employers are satisfied with the NAIT graduates they hire – the vast majority of whom remain in Alberta.

We realize, however, that just as the needs of Alberta change, so do its economic realities. To guide how we respond to change, we refer to NAIT's strategic plan, *The NAIT Effect*, which informs and drives everything we do as a polytechnic, defines six broad strategic imperatives that are essential to NAIT's future, and set multi-year goals to transform and position our institution for success. These areas of focus include a) the NAIT experience, b) the intersection of work and learning, c) putting innovation to work, d) industry's most trusted partner, e) plugged-in and connected, and f) sustainability and adaptability.

### Revenue Streams

NAIT continues to focus on developing new revenue streams to diversify its reliance on government funding. One way is by growing domestic and international enrolments to increase the number of graduates positioned for success in Alberta's growing and changing workforce. Due to increased enrolment, student tuition and fees increased 23% in 2023/24 vs 2022/23, and further growth is anticipated. With more on-campus activities occurring, ancillary revenues (including bookstore, parking and food services) improved greatly in 2023/24, up 26% year-over-year. NAIT has also strengthened its service model for Corporate and Continuing Education and increased its offerings to provide a wider range of services to our industry partners to help Alberta's industry to become more competitive no matter the student's stage of life.

Even with efforts to grow other revenue streams, NAIT continues to rely on various Government of Alberta capital and operating grants and is impacted by regulated tuition revenues. While base operating grant funding from Alberta's Ministry of Advanced Education is now stable, the Government has communicated a cap on tuition increases in the next academic year which impacts the other key revenue source for NAIT. Furthermore, international students are a key component of NAIT's revenues, and NAIT needs to be allocated sufficient Provincial Attestation Letters to maintain its financial sustainability. NAIT has traditionally only had a small proportion of international students as its student population but has seen a significant growth in enrolments in recent years, with the capacity to accommodate even more.

NAIT continues to rely on the generous contributions of its many donors, which play a critical role in supporting the institution and its learners through scholarships, bursaries, and prizes. This last fiscal year, NAIT recognized donation and operating grant revenue 14% higher than what was planned in the budget, and fundraising achievements (which include items not recognized as revenue in NAIT's consolidated statement of operations) surpassed expectations and targets.

In addition to our focus on students, we are actively engaged in applied research to find solutions to the challenges facing businesses. As of March 31, 2024, NAIT had 63 active applied research grants with the federal government

with a total value of \$37,819, with another 34 research grants that were either submitted or under development. Our skills in innovating, ideating, and implementing, means we are solving real-life problems in collaboration with partners and all intellectual property rights remain with those partners.

Through sound fiscal management, NAIT has accumulated a sizeable investment portfolio, and the earnings help fund annual operations. As of March 31, 2024, NAIT had cash and investments totalling \$293,595. Excluding investments offset by debt or reserved for endowments, NAIT's net investments totalled \$112,525. The volatility of investment markets in today's global economy makes it difficult to predict how investments will be impacted, and as such, it is important that NAIT does not develop an operational reliance on investment income. NAIT intends to use the earnings from investments to support one-time capital and technology initiatives that will support the growth and operations of the institution.

## **Expense Streams**

NAIT's expenses and how they are incurred are as diverse as its revenues. Overall, NAIT's expenses were less than budgeted by 5.6%. Instructional delivery expenses represent the largest investment by NAIT, accounting for 43% of NAIT's overall expenditures. These expenses are related to program and training delivery for both credit and non-credit programming, and include instructional salaries and benefits, classroom lab supplies, etc. Academic and student support, facilities operations and maintenance and institutional support also represent significant portions of NAIT's expenditures, and support instructional delivery, the student body and the like.

Salary and employee benefits are the largest category of expenses, accounting for 68% of NAIT's overall expenses. This was lower than budgeted by 5.6% as NAIT reduced contracted staff and left vacancies unfilled, where possible. Maintenance & repairs expenses were also 21.7% lower than budget as some projects were delayed and NAIT aggressively sought ways to find savings in this area. Another significant variance was related to the amortization of capital assets, as NAIT reduced its capital spending in response to the structural deficit. This is a short-term solution, as continued technological and capital investment will be needed not only to improve the overall efficiency and effectiveness of operations but also to support NAIT's strategic plan and growth into the future.

## **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.

### **Health of Net Assets**

As of March 31, 2024, NAIT had total net assets of \$292,227 (2023: \$247,101), which includes a total accumulated surplus of \$295,178 (2023: \$253,677) and accumulated remeasurement losses of \$2,951 (2023: \$6,576). It includes \$159,981 related to amounts invested in capital assets and \$54,595 held for endowments, which continue to grow. Of the remaining \$77,651 net assets, \$17,043 is reserved for capital activities, which include Main Campus renovations and capital renewal. NAIT has also reserved \$9,657 for priority operational activities such as technology transformation, course redevelopment, Industry Solutions, and advancement of strategic initiatives.

One of the better indicators of NAIT's financial strength is its accumulated operating surplus that has not already been spent on capital or committed to future expenditures. As of March 31, 2024, this amount was \$50,951 or approximately 14.3% of NAIT's operating expenses. This represents an increase from the prior period of \$15,926. Note 14 to the consolidated financial statements contains a more complete picture of NAIT's accumulated surplus.

## Health of Annual Operating Surplus/(Deficit)

NAIT ended the fiscal year with an operating surplus of \$39,456 (2023: \$6,506). This is due to the recognition of a grant tied to the purchase of the Blatchford lands, and without this grant NAIT would have had an operating surplus of \$16,733. Removing investment income of \$14,921 as well (which is planned to support one-time future initiatives), NAIT would have reported a surplus of \$1,812.

## Significant Financial Risks and Implications

NAIT has identified the following items as the most significant financial risks that we are facing today. 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** – One of the significant financial risks facing NAIT is the uncertainty surrounding enrolments. NAIT relies heavily on tuition and other fees from students, and a decrease in enrolments can have a significant impact on its financial stability. Factors such as changes in demographics, competition from other institutions, and fluctuations in the economy can all affect enrolment numbers. Additionally, NAIT has an aggressive international student recruitment strategy to bring the ratio of international students in line with other Alberta post-secondary institutions. While international student growth is still part of NAIT's overall strategy, the Provincial Attestation Letter process is challenging. NAIT closely monitors enrolment trends and adjusts its operations accordingly to ensure financial sustainability.
- 2. Diversity of Revenue** – NAIT continues to focus on diversifying revenues and reducing our reliance on government funding. We understand we are in uncertain times, and we welcome funding certainty to help us plan. We continue to evaluate our programs and retain those that add the most value and contribute to our future sustainability and invest in new programs that meet the changing needs of industry and Alberta. Other targeted revenue-generating opportunities include our continuing education programs, conferences and events, and supporting industry training and applied research. By diversifying its revenue sources, NAIT can mitigate financial risks, reduce its dependence on a single source of revenue, and ensure its long-term financial sustainability.
- 3. Government funding** – Government funding remains a key revenue source for NAIT. As the Government of Alberta continues to implement Investment Management Agreements as a part of its *Alberta 2030: Building Skills for Jobs* initiative, a portion of NAIT's government funding is at risk. Though NAIT has met its performance targets outlined in the Investment Management Agreement to date, the number of metrics that NAIT is evaluated on and the portion of funding at risk increases in following years. In addition, NAIT's ability to adjust domestic tuition and fees are controlled by government regulations. Without additional government support, it will be difficult for NAIT to offset rising costs and inflation. Furthermore, domestic tuition is insufficient to cover the costs of delivering instructional programming. As NAIT's student numbers grow, the lack of additional government funding to support this increase in volume is a significant issue for NAIT. These programs are providing graduates that are highly sought after by Alberta's industry, but they are increasingly expensive programs to deliver as tuition fees only cover a very small portion of the costs. NAIT has received successive years of additional funding for skilled trades and targeted enrolment, but a permanent solution to the funding model is required for long term financial sustainability.

Federal government funding also remains a critical part of NAIT's revenues, as it supports the applied research necessary for NAIT to work with industry and help develop innovations and solutions they need. This federal funding has grown significantly over the last few years, and ongoing support is needed to empower Alberta's industry to adapt and grow in a changing environment.

4. **Staffing** – Ongoing salary freezes, compensation caps and labour market demand have increased staffing turnover within Alberta’s post-secondary sector over these last few years. We must continue to attract and retain talent to deliver high-quality education, and we are working to achieve this together with our ongoing efforts toward financial sustainability. NAIT is actively looking for ways to improve its working environment by implementing distributed and flexible work arrangements.
  
5. **Funding for capital and technology** – With the changes to the *Skilled Trades and Apprenticeship Education Act* and the announcement of funding to plan for the Advanced Skills Centre, NAIT is prepared to expand its leadership in skilled trades training. However, along with our programming in health and applied sciences and technology, such training can be expensive, as it provides students with opportunities to work with the latest industry equipment in the controlled, supervised environments of NAIT shops and labs. Funding for capital equipment, or donations of this equipment, will be critical for NAIT to develop Alberta’s highly trained workforce.

The need for investment in technology and cyber security is another important financial risk that NAIT faces. As technology plays an increasingly critical role in education, NAIT needs to invest in technology to provide high-quality learning experiences to students. Furthermore, many administrative systems need to be updated to continue to be efficient and effective and meet stakeholder expectations. However, funding for technology can be challenging, and it can be a struggle to keep up with the rapid pace of technological change. To mitigate these risks, NAIT has developed comprehensive technology plans that align with strategic goals and budgetary constraints.

6. **Investment Revenues** – NAIT’s sound financial management has allowed it to accumulate a sizable investment portfolio, which has produced income that helped sustain operations and operating surpluses in the past. However, investment revenues, by their nature, are subject to unstable returns due to the volatility of investment markets and cannot be relied on to fund normal day-to-day operations. Notes 5 and 6 to the 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

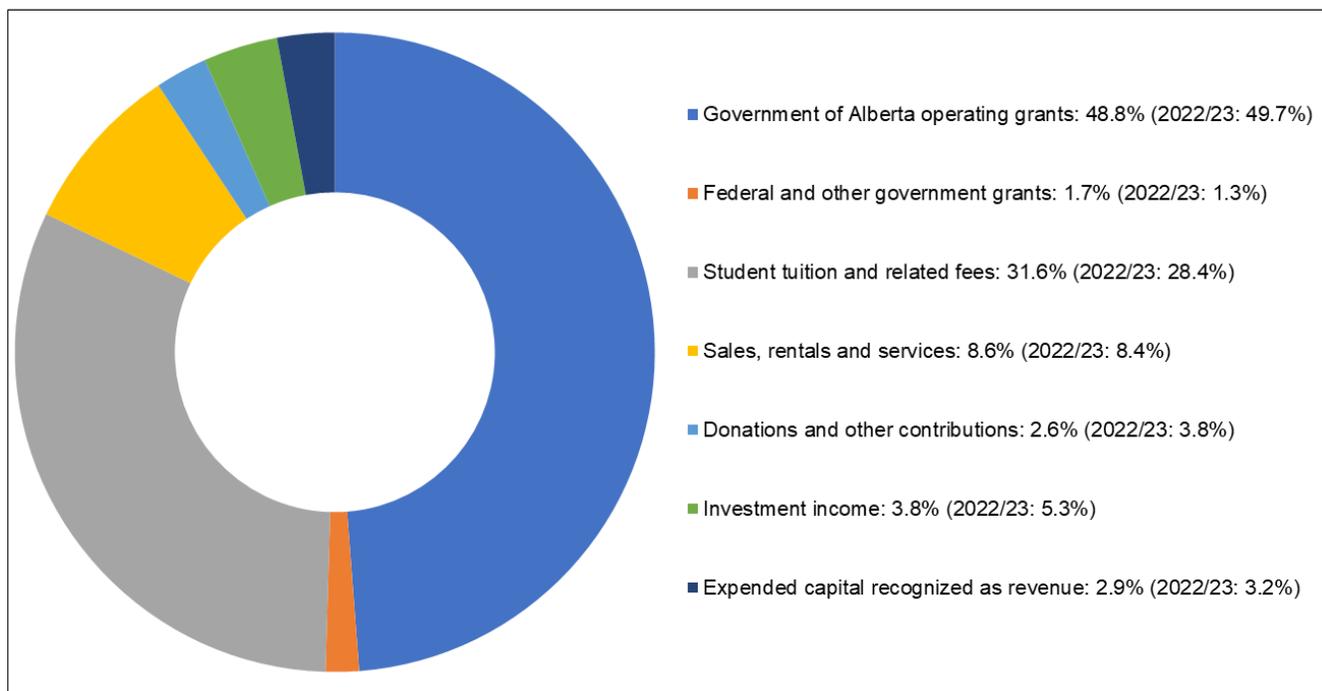
---

#### Revenue

NAIT's total revenue increased by \$38,256 (10.7%) from the 2022/23 fiscal year to the 2023/24 fiscal year. This is primarily due to the revenue recognition associated with Government of Alberta grants received for the Blatchford land purchase and apprenticeship training, higher student tuition revenue and ancillary revenues.

The distribution of total revenue between revenue sources for the year ended March 31, 2024, is presented in the chart below. The comparative percentage for the previous year is shown in brackets.

**Total Revenue**  
**2024: \$396.7 million**  
(2023: \$358.4 million)



Highlights of the change in revenue are noted below:

#### Government of Alberta Grants

Government of Alberta operating grants, which include NAIT's base operating grant and several conditional and one-time grants, increased from the prior year by \$15,442 (8.7%). A summary of the main grant sources is as follows:

- NAIT's base operating grant, which represents NAIT's base funding from the Ministry of Advanced Education, had no increase and is stable after years of provincial funding decreases.
- Apprenticeship grant funding has increased by \$9,388 (76.8%), due to the provincial funding increases for additional apprenticeship training seats.
- Capital Maintenance Renewal Grant increased by \$1,055 (16.6%)
- NAIT has also seen a \$5,604 decrease in grants from other Government of Alberta ministries and agencies. This is due to decreases in grants from Ministries of Jobs, Economy & Innovation, Environment & Protected Areas.
- NAIT also recognized \$22,723 in grant revenue related to a portion of the Blatchford Land purchase which was in 2023/24. The remaining \$7,277 of this grant was recognized in the 2022/23 fiscal year.

### **Investment Revenue**

Investment revenue decreased by \$3,563 (-19.3%) compared to the prior year, as NAIT received a one-time capital gain in 2022/23. The portfolio investment balances decreased by \$33,002 (-11.9%) from the March 31, 2023, balance of \$278,364 to \$245,362 as of March 31, 2024. This decrease is due liquidating funds to purchase a portion of the Blatchford lands.

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

### **Federal and Other Government Grants**

Federal and other government grants increased by \$1,987 (42.2%) from the prior year. These grants typically fund applied research activities at NAIT, which have grown significantly as many federal research agreements have been awarded across the portfolio. There are additional applied research revenues that are captured in Government of Alberta grants and sales, rentals and services revenue categories.

### **Student Tuition and Related Fees**

Student tuition and related fees revenue increased by \$23,553 (23.2%) from the prior year. This increase is due to increases in tuition attributed to growth in domestic, international and apprenticeship students combined with the inflationary adjustments made to tuition rates. The significant growth in student tuition and related fees represented a higher proportion of NAIT's overall revenue in 2023/24.

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

	Actual			
	2020/21 (9 months)	2021/22	2022/23*	2023/24
<b>Degree, Diploma, Certificate Programs</b>				
Domestic FLE	8,313	9,220	9,244	9,674
International FLE	1,386	1,582	2,085	2,642
<b>Total Degree, Diploma, Certificate Programs</b>	<b>9,699</b>	<b>10,802</b>	<b>11,329</b>	<b>12,316</b>
Apprenticeship FLE	1,595	1,934	2,059	2,119
<b>Total FLE</b>	<b>11,294</b>	<b>12,736</b>	<b>13,388</b>	<b>14,435</b>

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

- Domestic, degree, diploma and certificate FLEs grew by 430 for an increase of 4.7%. Tuition and related fees have increased by \$5,752 (12.5%) due to enrolment growth and domestic tuition fee rates for the 2023/24 academic year increasing by an inflationary adjustment of 5.5% as allowed per the Government of Alberta regulations.
- Tuition and related fees from international students increased by \$15,012 (43.9%) from the prior year. This is due to significant growth in enrolments as NAIT is implementing a strategy to grow the international student population. Total international FLE increased by 557 (26.7%), and the percentage of international FLEs of NAIT's total FLEs increased from 15.6% at March 31, 2023 to 18.3% at March 31, 2024.
- Tuition and related fees from apprenticeship training increased by \$1,196 (14.3%) from the prior year. This is due to the growth in FLE from 2,059 in 2021/22 to 2,119 in 2023/24, along with allowable tuition fee increases.

### **Sales, Rentals and Services Revenue**

- Ancillary operations revenues increased by \$3,193 (23.0%), resulting from increased on-campus activities from staff and students. Ancillary operations consist of:
  - shop AT NAIT (Bookstore) operations (54% of total ancillary revenue), which increased \$1,063 from the prior year.
  - Parking (28% of total ancillary revenue), which increased \$1,256 from the prior year.
  - eat AT NAIT (11% of total ancillary revenue), which increased \$761 from the prior year.
  - Conferences and Events (4% of total ancillary revenue), which increased \$111 from the prior year.
  - one AT NAIT (One Card), which makes up the balance of ancillary revenue.
- Training contracts decreased by \$57 (-1.0%) from the prior year.
- Other sales, rentals and services revenue includes various amounts, including application fees, NAIT's share of PanGlobal management fees, Individual Learning Module (ILM) maintenance fees that NAIT collects from producing and selling ILMs to apprenticeship students, locker rentals, conference room rentals, event revenues, and one-time revenues such as gain on disposal of assets, insurance proceeds, etc. This revenue increased by \$770 (7.3%) due to increases in application fees and rentals, offsetting lower in-kind contributions and contract fees related to NAIT's applied research initiatives.

### **Donation and Other Contribution Revenue**

Donation and other contribution revenue include the amount of revenue that is necessary to cover the fundraising costs of projects of NAIT Advancement Services, gifts in kind that are expensed, and scholarships, bursaries, and other expenses funded by donations. Donation revenues that are raised each year are not recognized as revenue

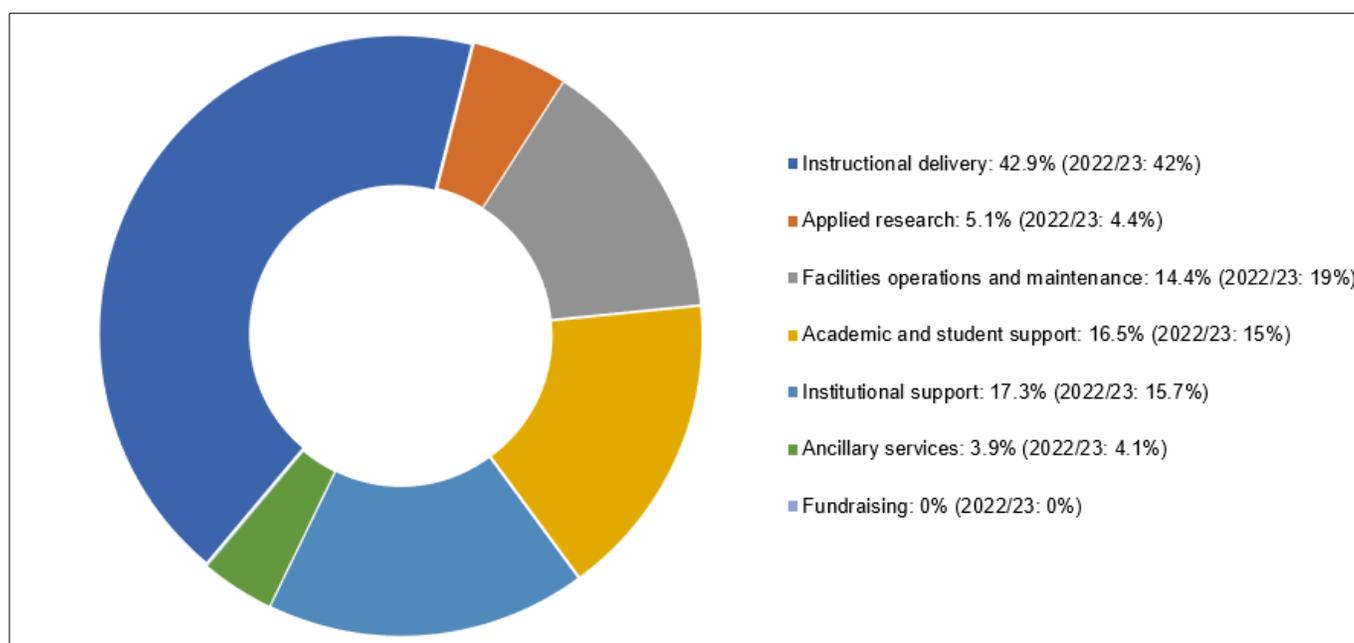
until they are spent, so the financial statements only reflect those donations which were spent and not all the fundraising activity for the year. The recognized donation and other contributions decreased by \$3,171 (-23.3%) due to decreases in in-kind donations related to software.

## Expenses

Total actual expenses increased by \$5,306 (1.5%), from \$351,926 for the year ended March 31, 2023, to \$357,232 for the year ended March 31, 2024.

The distribution of total expenses by function for the year ended March 31, 2024, is presented in the following chart. The comparative percentage for the previous year is shown in brackets.

**Total Expenses**  
**2024: \$357.2 million**  
(2023: (\$351.9 million))



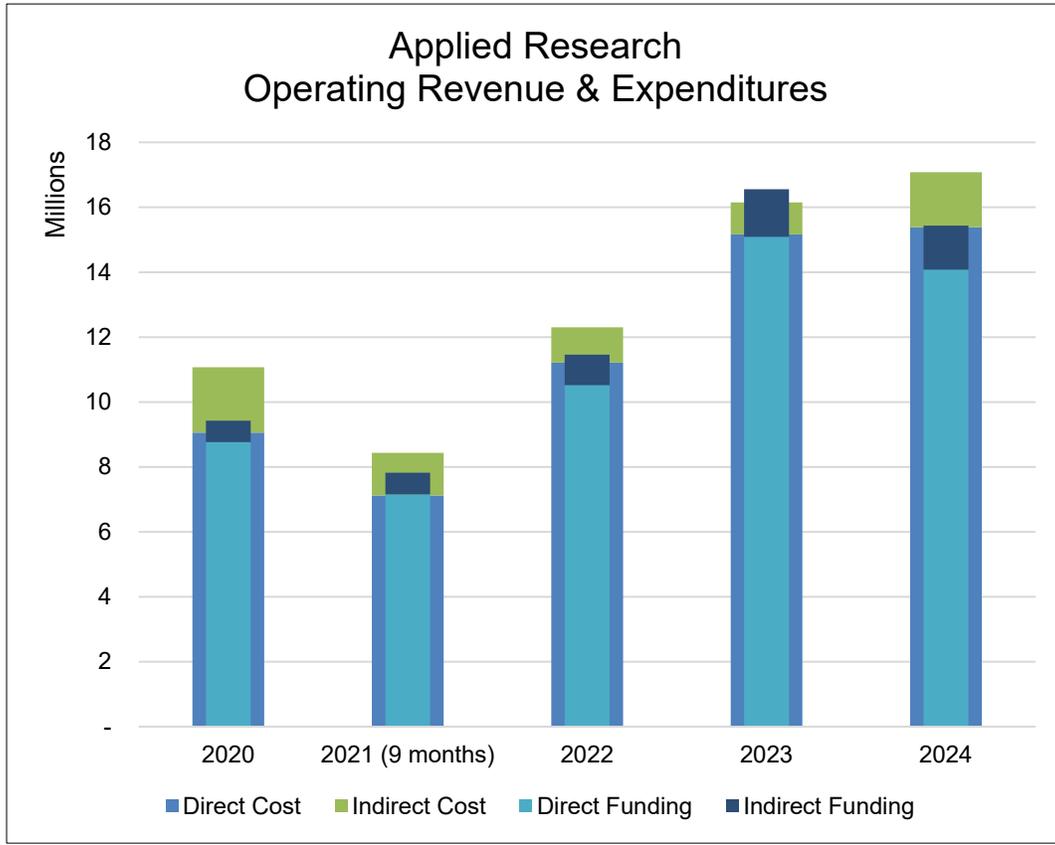
The key expense highlights are as follows:

### Instructional Delivery

Instructional delivery increased by \$5,603 (3.8%), due to increases to support FLE growth and increases in the salaries due to the NASA collective agreement.

### Applied Research

Applied research expenses increased by \$2,922 (19.0%), as NAIT has seen growth in activities in many research centres and portfolios. As illustrated by the table below, NAIT's direct contribution to research has increased in 2023/24, from a surplus of \$405 (2.4% of applied research expenses) to a deficit of \$1,646 (10.6% of applied research expenditures). This is largely due to an internal reorganization within Industry Solutions to support their overall department, which is reflected as higher indirect expenses in the applied research category.



	2020	2021 (9 months)	2022	2023	2024
Direct Cost	9,059	7,119	11,214	15,165	15,386
Indirect Cost	2,014	1,315	1,086	985	1,693
<b>Total Cost</b>	<b>11,073</b>	<b>8,434</b>	<b>12,300</b>	<b>16,150</b>	<b>17,079</b>
Direct Funding	8,766	7,157	10,522	15,092	14,081
Indirect Funding	658	665	937	1,463	1,352
<b>Total Funding</b>	<b>9,425</b>	<b>7,822</b>	<b>11,459</b>	<b>16,555</b>	<b>15,433</b>
<b>Funded by NAIT</b>	<b>1,649</b>	<b>612</b>	<b>841</b>	<b>-405</b>	<b>1,646</b>

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

#### Facilities Operations and Maintenance

Facilities operations and maintenance expense decreased by \$15,333 (-23.0%), and is made up of a combination of the following factors:

- NAIT has begun allocating amortization costs to individual departments, rather than recognizing it centrally. This allocation associates the amortization of equipment with the function that it relates to.
- Lower utility costs
- Decreased costs in maintenance labour contracts with third-party providers

### Academic and Student Support

Academic and student support expenses increased by \$6,324 (12.0%), mainly due to an increase in salaries and benefits as additional support staff were brought in to support the increased enrolments.

### Institutional Support

Institutional support increased by \$6,345 (11.5%) from the prior period, which is mainly due to an increase in salaries and benefits as campus activities increased from the prior year, as well as increased contracted services as NAIT addressed short-term needs through external parties.

### 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 decreased by \$543 (-3.7%) from the prior year as maintenance and repairs expenses were much lower, offset by higher cost of goods sold due to higher sales.

### Operating Results Compared to Budget

---

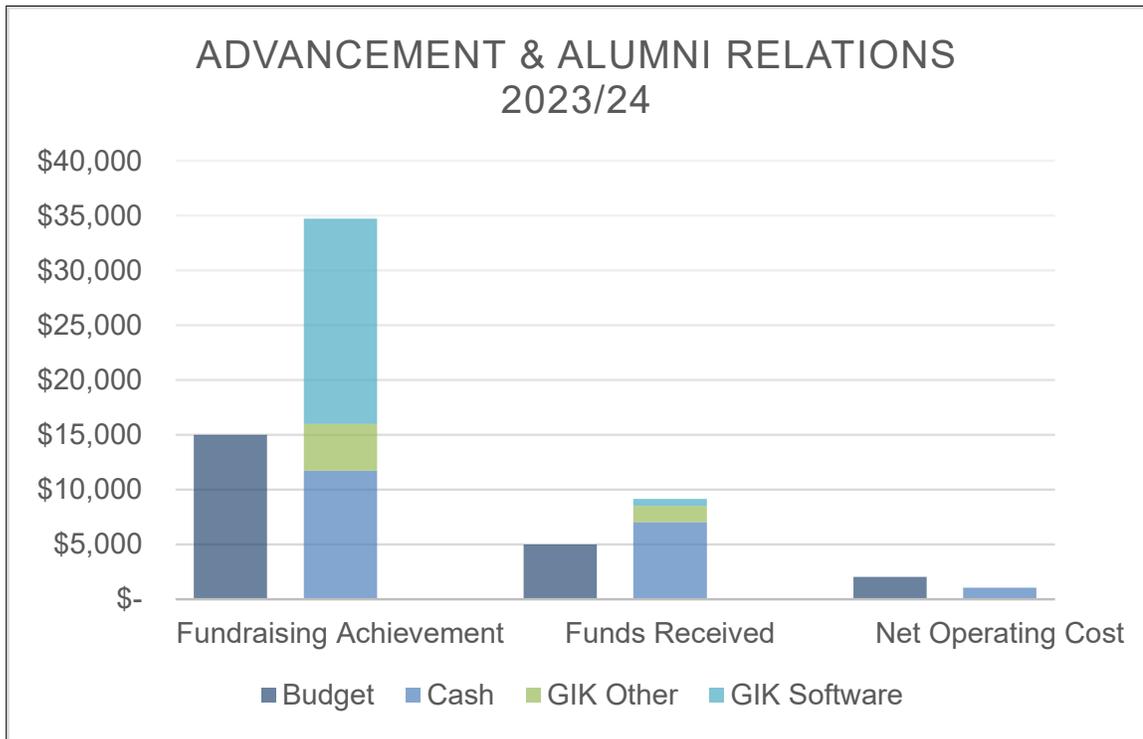
The Consolidated Statement of Operations reports an operating surplus of \$39,456. The actual revenue was over budget by \$8,247 (2.1%), and actual expenses were under budget \$21,249 (-5.6%), as follows:

	<b>2023/24 Budget</b>	<b>2023/24 Actual</b>	<b>Amount Variance</b>	<b>Percentage Variance</b>
Total revenues	\$ 388,441	\$ 396,688	\$ 8,247	2.1%
Total expenses	\$ 378,481	\$ 357,232	\$ (21,249)	-5.6%
<b>Operating surplus (deficit)</b>	<b>\$ 9,960</b>	<b>\$ 39,456</b>	<b>\$ 29,496</b>	

The overall actual **revenues** were over budget by \$8,247 for the following reasons:

- Government of Alberta grants were higher than planned by \$7,274 due to increased apprenticeship funding and targeted enrolment expansion grants.
- Student tuition and related fees were below plan by \$6,599 for the following reasons:
  - Domestic Degree, Diploma and Certificate revenues were \$2,297 above plan as enrolments exceeded targets.
  - International student revenues were less than planned by \$7,893 due to slightly lower-than-expected FLEs and a budgeting error.
  - Apprenticeship training revenues were \$679 lower than planned.
  - Non-credit training was lower than budget by \$324 as the student enrolments were lower than expected.
- Investment income was above budget by \$4,079 due to a high interest rate environment, allowing NAIT to achieve better returns than expected.
- Expended capital recognized as revenue was \$3,339 lower than budgeted for Government of Alberta grants, federal and other government grants and donations and other grants. This revenue is recognized to match the associated costs. This was due to lower amortization than expected from reduced capital spending.
- Ancillary revenues were higher than budget by \$1,564 due to increases in the bookstore, parking and food services from increased on-campus activities.

- Federal and other government grants were higher than budget by \$1,230 due to increased Applied Research activities.
- Fundraising and donation revenues were higher than planned by \$1,250 for the year ended March 31, 2024. All fundraising activities (including cash, in-kind, and amounts not recognized yet) totalled \$34,726, well above the target of \$15,000. While all activities exceeded expectations, this large variance can be mainly attributed to large software gifts-in-kind received.



The overall actual **expenses** were below budget by \$21,249 for the following reasons:

- NAIT leadership continued being careful and prudent around spending during the year which resulted in many vacant positions remaining unfilled and other planned spending being held.
- Instructional Delivery costs were \$2,870 under budget, mainly due to vacant instructor positions and in year savings for positions that weren't filled for the full twelve months as schools waited for enrolment confirmation before hiring.
- Applied Research costs were \$4,086 above plan due to hiring positions and contract services for new projects. This expense growth is offset by similar growth in revenues.
- Facilities Maintenance & Operations total costs were \$15,493 below plan due to vacancies, lower amortization costs and contracted services.
- Academic and Student support was less than planned by \$929, primarily due to vacant positions and lower than planned discretionary spending.
- Institutional Support was below plan by \$5,504, primarily due to vacant positions and variances in work in progress for ongoing capital projects.
- Ancillary services expenses were lower than plan by \$549 due to lower amortization than anticipated.

## **Consolidated Statement of Financial Position**

NAIT's consolidated statement of financial position provides a snapshot of the financial health of the organization as of March 31, 2024, and demonstrates NAIT's ability to finance activities and to meet its liabilities and contractual obligations, as well as illustrating 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 \$949 from the prior year. Investments restricted for endowments increased by \$3,200 from the prior period. Further information on cash and portfolio investments is found in Notes 4 and 5 of the consolidated financial statements.

### **Accounts Receivable**

The accounts receivable balance is made up of amounts owing from students, commitments from government, government agencies and from industry partners. There was an increase of \$1,155 in accounts receivable from the prior fiscal year, which was due to increases in receivables for training contracts and applied research.

### **Inventories for sale**

The inventory of goods held for sale is for *shop AT NAIT* (NAIT's bookstore). The overall inventory decreased by \$119, which is a normal fluctuation for this inventory.

### **Accounts Payable and Accrued Liabilities**

NAIT's accounts payable and accrued liabilities include outstanding vendor invoices, construction holdbacks, payroll remittances and amounts set aside to pay employees who are currently on self-funded leaves. There was an increase of \$2,033 in accounts payable and accrued liabilities from the prior period. The increase is largely attributable to a holdback for Blatchford land servicing.

### **Employee Future Benefit Liabilities**

Employee future benefit liabilities include supplemental retirement plans, long-term disability, vacation entitlements and employee self-funded future leaves. The employee future benefit liabilities decreased by \$693 from the prior year, primarily due to a targeted initiative to reduce vacation liability.

### **Debt**

NAIT has two outstanding sources of debt: \$17,343 for the construction of the parkade, which matures in 2042, and \$100,267 for the construction of the Productivity and Innovation Centre and the purchase of the Blatchford land, which matures in 2049. The decline in balance from the prior year is a result of ongoing repayments on these loans to the Department of Treasury Board and Finance.

### **Unearned Revenue**

Unearned revenue includes amounts collected in advance from students for future terms or courses. Tuition is reported as unearned revenue until revenue is recognized in the period in which the classes are offered. Unearned revenue increased by \$22,997 from the prior year, this is due to a large amount of international students pre-paying their tuition.

### **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 \$8,386 from the prior fiscal year due to the recognition of the grant associated with the Blatchford land purchase. Further details about deferred contributions can be found in Note 10 of the consolidated financial statements.

### Tangible Capital Assets and Purchased Intangibles

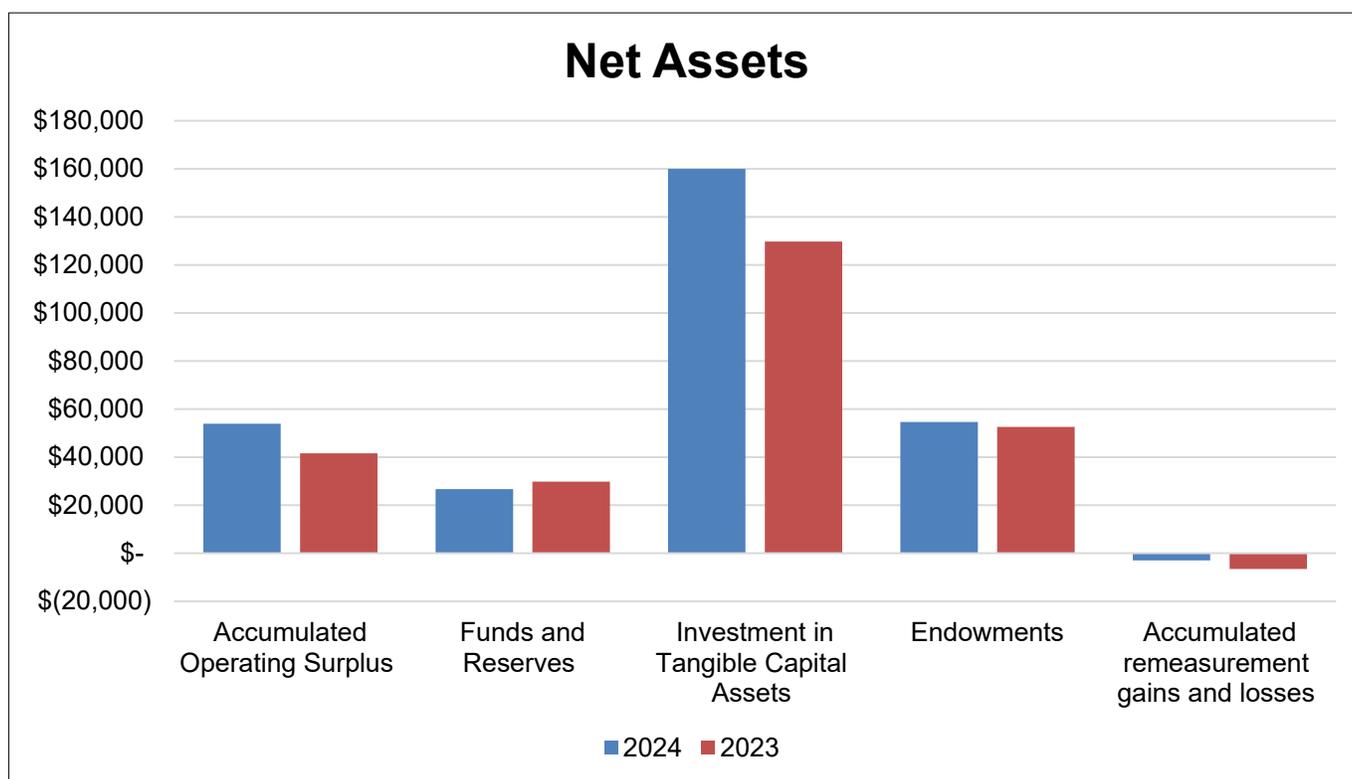
The overall increase in the value of the capital assets of \$46,286 is primarily due to the acquisition of the Blatchford land. Further information on tangible capital assets is disclosed in Note 12 of the consolidated financial statements.

### Spent Deferred Capital Contributions

This category represents contributions from donors and government spent on capital assets that have not yet been recognized as revenue. This revenue is recognized as those assets are amortized. Much of the balance of \$280,975 as of March 31, 2024, relates to donations and grants that have been used for the construction of the Feltham Centre and the Productivity and Innovation Centre buildings, which will be recognized over the life of the buildings as they are amortized. Details are disclosed in Notes 10 and 13 of the consolidated financial statements.

### Net Assets

Net assets are comprised of accumulated operating surplus, funds and reserves, investments in tangible capital assets, endowments, and remeasurement gains or losses, and is described in Note 14 of the consolidated financial statements. Net assets increased by \$45,126 from the prior year and is broken down as follows:



NET ASSETS	2024	2023	Increase (decrease)	% change
Accumulated Operating Surplus	53,902	41,601	12,301	29.6%
Funds and Reserves	26,700	29,784	(3,084)	(10.4%)
Investment in Tangible Capital Assets	159,981	129,742	30,239	23.3%
Endowments	54,595	52,550	2,045	3.9%
Accumulated remeasurement gains and losses	(2,951)	(6,576)	3,625	(55.1%)
	<b>292,227</b>	<b>247,101</b>	<b>45,126</b>	<b>18.3%</b>

### *Accumulated Operating Surplus*

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

### *Funds and Reserves*

Total funds and reserves decreased by \$3,084, mainly made up from decreases in the Campus Renovation Fund of \$1,081, the Technology Transformation Fund of \$1,018, and the Strategic Investment Fund of \$487. The 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 \$536,877 are funded by the following sources:

	<u>2023/24</u>	<u>2022/23</u>
Internally funded (invested in tangible capital assets)	\$ 159,981	\$ 129,742
Externally financed (debt)	88,393	64,275
Externally funded (expended capital contributions)	280,975	297,734
Prepaid deposit on Blachford lands	-	(8,186)
Asset retirement obligations	7,528	7,026
<b>Net book value of tangible capital assets</b>	<b><u>\$ 536,877</u></b>	<b><u>\$ 490,591</u></b>

The internally funded portion of \$159,981 as of March 31, 2024, represents NAIT's internally funded portion of its assets. This increased by \$30,239 from March 31, 2023, due the Blachford land purchase. See note 12 of the consolidated financial statements for additional information on tangible capital assets.

### *Endowments*

Endowments have increased by \$2,045 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 are an instrument to adjust the investment portfolio to fair market value. As of March 31, 2024, the investment portfolio had a net remeasurement loss of \$2,688, compared to an \$7,381 loss as of March 31, 2023. Of this remeasurement loss, a \$263 gain was allocated to endowments and recorded in deferred contributions. The remaining \$2,951 loss was recorded as an accumulated remeasurement loss on the statement of financial position. The effect of the remeasurement gains is disclosed in the last table in Note 5 of the consolidated financial statements.