



Management’s Discussion and Analysis of the Consolidated Financial Statements

For the Year Ended March 31, 2025

(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.

The following is an overview of the consolidated financial results achieved in the fiscal year ending March 31, 2025. 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 MD&A provides a discussion and analysis of the following:

Summary of Financial Results	2
Operating Environment and Overview	4
Financial Results	5
Revenue.....	5
Expense	9
Consolidated Statement of Financial Position	13
Net Assets.....	14
Significant Financial Risks and Implications	16

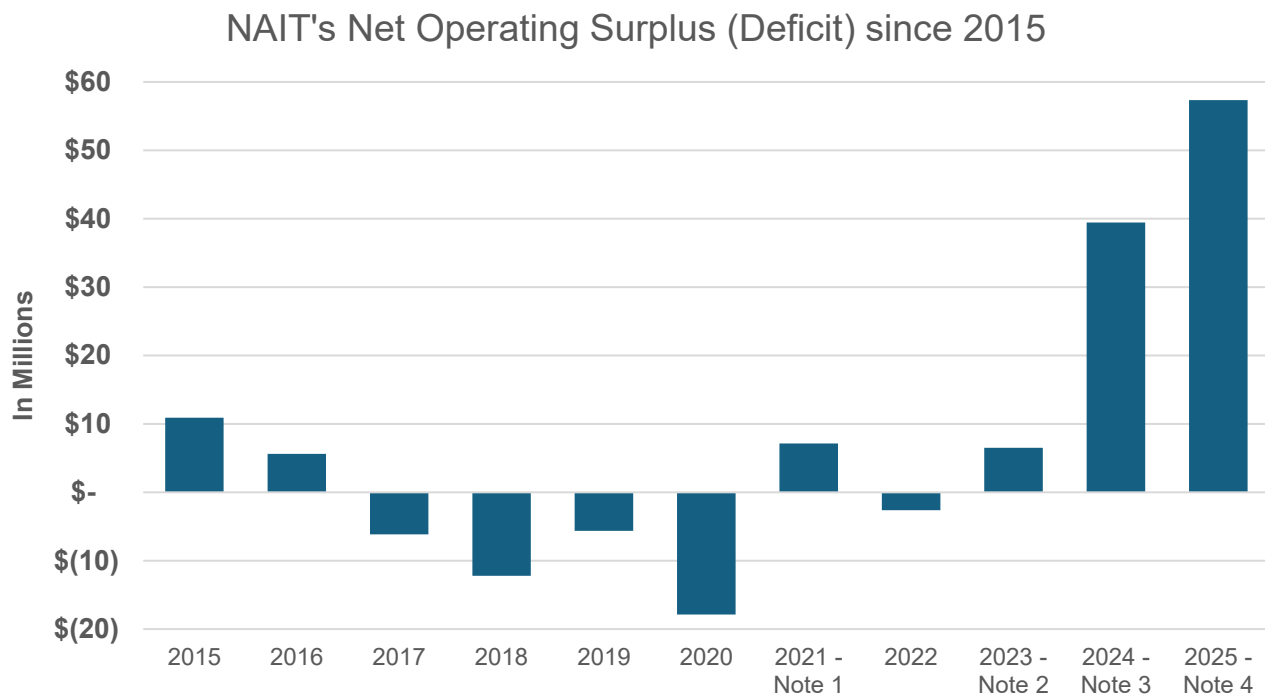


Summary of Financial Results

NAIT concluded the fiscal year with an operating surplus of \$25.6 million before investment income, representing 5.7% of total revenues. Investment income significantly outperformed expectations, contributing an additional \$31.8 million and resulting in a total net operating surplus of \$57.4 million. This positive financial outcome is attributed to three key factors:

- Stronger-than-expected tuition revenue at the beginning of the fiscal year (particularly from international enrollments) combined with higher domestic tuition, creating a significant positive variance in student tuition and related fees;
- Investment performance that substantially exceeded expectations, more than doubling both budgeted projections and prior year results; and
- Strategic deferral of planned investments in facilities operations, academic and student support, and institutional services in response to uncertainty surrounding future international enrollments due to changes in post-graduate work permit eligibility, resulting in positive expense variances, especially in salaries and employee benefits.

This surplus represents a significant milestone for NAIT, demonstrating financial sustainability after several years of successive deficits and showcasing the positive impact of recent strategic investments. The improved financial position helps rebuild the institution's financial health that had been affected by prior year deficits, as illustrated in the chart below:



Note 1 – 2021 represent a 9-month fiscal period, as NAIT changed its year end from June 30 to March 31

Note 2 – 2023 included a \$7.3M one-time land grant from the Government of Alberta

Note 3 – 2024 included a \$22.7M one-time land grant from the Government of Alberta

Note 4 – 2025 included \$31.8M in investment income



Strong growth in domestic and international student enrollment, coupled with the Government of Alberta's investment in skilled trades training, were instrumental in addressing the structural deficit from prior years. Recent changes to Canada's Post-Graduation Work Permit program created a surge in international enrollment before the changes took effect, significantly benefiting the current year's financial position. However, these same changes present a substantial challenge for NAIT's future as international applications have since decreased dramatically.

The surplus positions NAIT to strategically reinvest in initiatives that strengthen the institution's long-term sustainability and impact. In 2025/26, these funds will be directed toward key priorities that enhance our academic mission, operational effectiveness, and community value. These include investments in major capital projects such as the Advanced Skills Centre, modernization of core systems and technologies, and initiatives that create positive outcomes for our staff and students. Through these investments, NAIT is advancing innovation, supporting workforce development, and enabling a stronger, more agile institution.



Operating Environment and Overview

NAIT's mandate as a polytechnic is to prepare learners for meaningful and successful careers, driving economic prosperity by equipping emerging and established industries with the talent and innovation they need to compete—locally and globally. Through education, applied research, and industry partnerships, NAIT advances the value of polytechnic education while supporting communities that depend on a strong economy and access to high-quality learning.

Focused on business and entrepreneurship, skilled trades, health and life sciences, and applied sciences and technology, NAIT offers more than 200 programs leading to degrees, diplomas, and certificates. We are one of Canada's largest apprenticeship educators and continually refine our programming in close collaboration with industry. Employer satisfaction remains high, and the vast majority of graduates build their careers here in Alberta.

As Alberta's needs and economic conditions evolve, NAIT's strategic plan—The NAIT Effect—guides how we respond. It sets out six strategic imperatives that shape our direction and multi-year goals: enhancing the NAIT experience; integrating work and learning; applying innovation; being industry's most trusted partner; building connectedness; and ensuring adaptability and sustainability. These priorities position NAIT to remain responsive, future-focused, and aligned with Alberta's prosperity.

NAIT continues to diversify its revenue base through strategic growth in enrolments, expansion of continuing education and corporate training, and stronger engagement in applied research. While government grants and domestic tuition remain core funding sources, tuition increases are capped and base operating and program support grants remain fixed, limiting flexibility. International tuition has become a growing and essential source of revenue, supporting NAIT's financial sustainability. Future growth in this area is dependent on eligibility of programs for post-graduate work permits. The Government of Alberta remains a key partner in supporting apprenticeship education, providing targeted funding to help NAIT deliver high-quality, industry-relevant training that meets the province's skilled labour demands. Ancillary services, philanthropy, and investment income also contribute to NAIT's funding model.

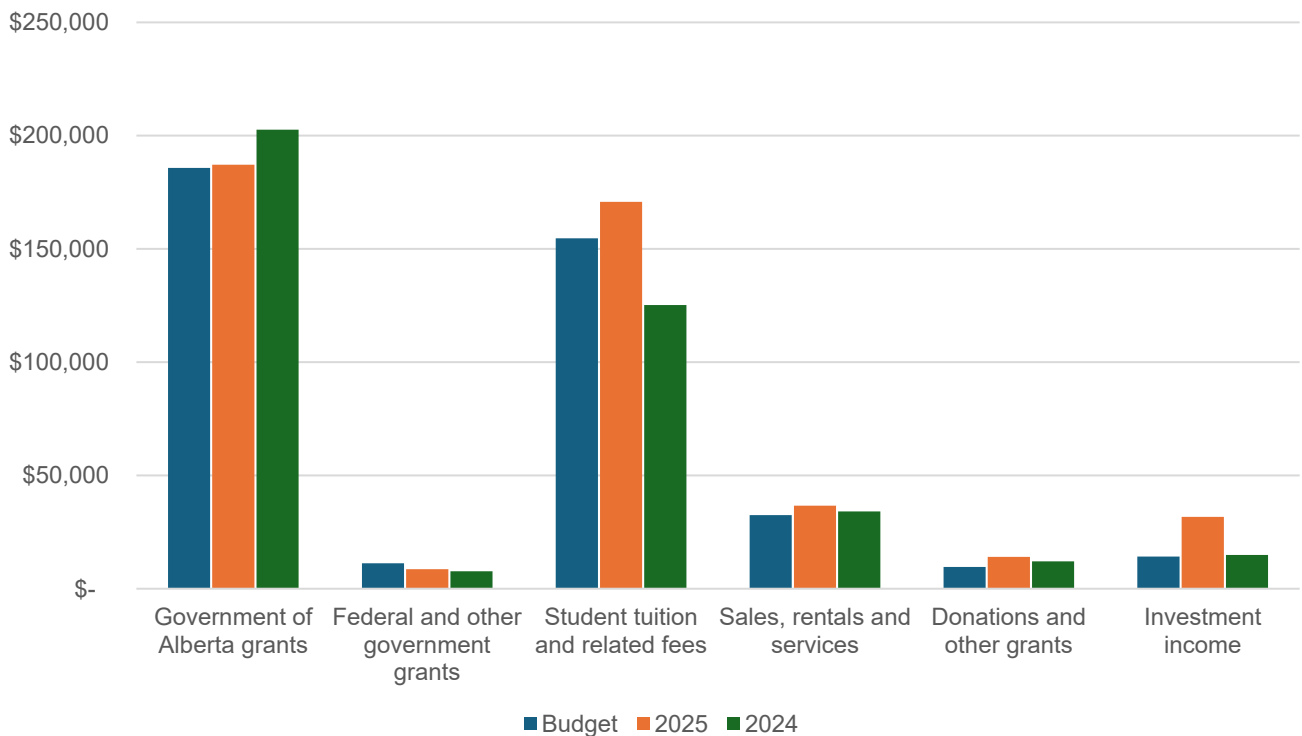
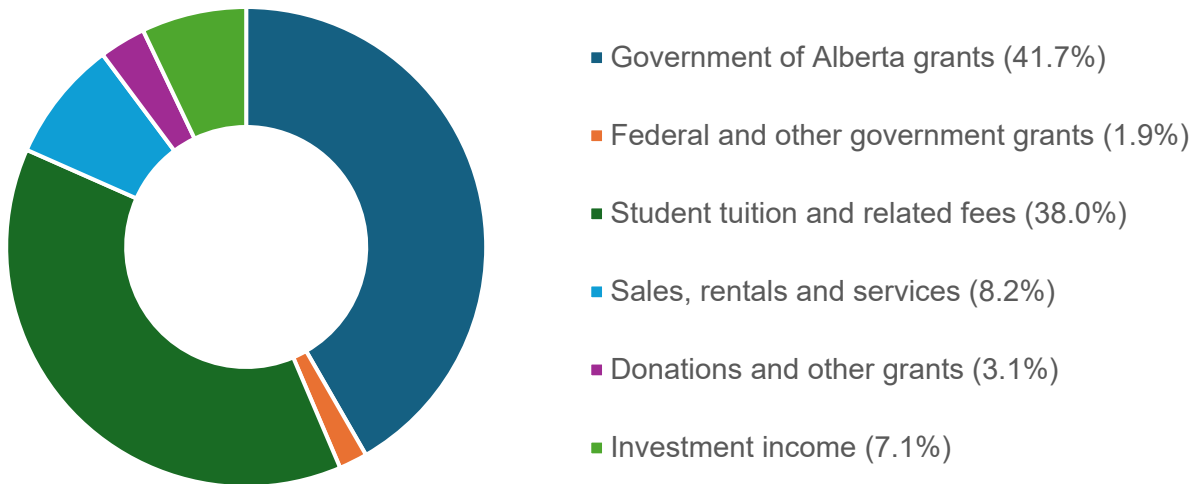
On the expense side, instructional delivery represents the largest investment, supporting both credit and non-credit programming. Salaries and benefits are the most significant cost driver, reflecting NAIT's commitment to high-quality education, small class sizes, and student support. Additional expenditures relate to facilities operations, academic services, and institutional infrastructure. NAIT continues to manage expenses prudently, seeking operational efficiencies while balancing short-term fiscal realities with long-term strategic investments in technology, capital, and talent.



Financial Results

Revenue

NAIT's total revenue increased by \$52,373 (13.2%) compared to the prior year and exceeded budget by \$41,073 (10.4%). This growth was primarily driven by significant increases in student tuition revenue and investment income, which offset a reduction in Government of Alberta grants following one-time revenue recognition for the Blatchford land purchase in the previous year. The charts below provide a breakdown of NAIT's total revenue.





Government of Alberta grants

Government of Alberta grants were \$4,565 higher than planned, driven by increased apprenticeship funding, targeted enrolment expansion grants, and support for applied research. However, total operating grants – which include NAIT’s base operating grant as well as conditional and one-time grants – decreased by \$15,432 (-8.0%) compared to the prior year. Key changes in grant sources include:

- In 2023/24, NAIT recognized \$22,723 in grant revenue related to a portion of the Blatchford Land purchase. This is the main cause of the decrease in grant revenue in 2024/25.
- NAIT’s base operating grant, which provides core funding from the Ministry of Advanced Education, remained unchanged with no increase in 2024/25.
- Apprenticeship grant funding has increased by \$12,332 (74.6%) due to the provincial support for additional apprenticeship training seats.
- Revenue from the Capital Maintenance Renewal Grant decreased by \$3,348 (-48.3%) due to the timing of capital project work and related revenue recognition.
- NAIT has also seen a \$1,693 decrease in grants from various other Government of Alberta ministries and agencies.

Federal and other government grants

Federal and other government grants were \$2,512 below budget due to lower-than-expected federally funded applied research activity. However, these grants increased by \$947 (14.2%) compared to the prior year, reflecting growth in applied research at NAIT supported by new federal research agreements. Additional applied research revenues are also reflected 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 \$45,593 (36.4%) from the prior year and exceeded budget by \$16,119 (12.9%). This growth was driven by higher enrolment across domestic, international, and apprenticeship programs, along with inflationary adjustments to tuition rates. As a result, student tuition and fees accounted for a larger share of NAIT’s overall revenue in 2024/25.

- Domestic degree, diploma, and certificate full-load equivalents (FLEs) increased by 549, representing a 5.7% growth. Corresponding tuition and related fees rose by \$6,301 (12.1%), driven by enrolment growth and a 2.0% inflationary increase in domestic tuition rates, in line with Government of Alberta regulations. Revenues from these programs were \$3,968 above plan, as enrolments exceeded targets.
- Tuition and related fees from international students increased by \$35,568 (72.3%) over the prior year, driven by strong enrolment growth aligned with NAIT’s strategy to expand its international student population. However, this growth is at risk due to new federal regulations affecting international student admissions. Total international FLEs rose by 1,149 (43.5%), with international students representing 23.1% of NAIT’s total FLEs as of March 31, 2025, up from 18.3% the previous year. International student revenues exceeded budget by \$15,097, largely due to higher-than-expected enrolments, particularly in the spring term in advance of the federal restrictions.



- Tuition and related fees from apprenticeship training increased by \$1,643 (17.2%) compared to the prior year, reflecting growth in FLEs from 2,119 in 2023/24 to 2,382 in 2024/25, along with allowable tuition fee increases. Despite this growth, apprenticeship training revenues were \$1,523 below budget.
- Non-credit training was lower than budget by \$1,423 as the student enrolments were lower than expected.

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			
	2021/22	2022/23*	2023/24	2024/25
Degree, Diploma, Certificate Programs				
Domestic FLE	9,220	9,244	9,674	10,223
International FLE	1,582	2,085	2,642	3,791
Total Degree, Diploma, Certificate Programs	10,802	11,329	12,316	14,014
Apprenticeship FLE	1,934	2,059	2,119	2,382
Total FLE	12,736	13,388	14,435	16,396

*After 2022/23, FLE numbers are reflective of redenominating courses to a standard 30-credit load

Sales, rentals and services

Sales, rentals, and services revenue, detailed in Note 21 of the consolidated financial statements, increased by \$2,541 (7.4%) from the prior year, driven by increased on-campus activity from staff and students. Revenue also exceeded budget by \$4,147 (12.2%), primarily due to stronger-than-expected performances by the bookstore and parking services. Key highlights include:

- shop AT NAIT (Bookstore) revenue increased by \$902 (9.7%) due to higher student enrolment.
- Parking revenue rose by \$745 (15.5%) as campus activity grew.
- Training contract revenue declined by \$514 (-9.0%) due to broader economic impacts.

Donations and other grants

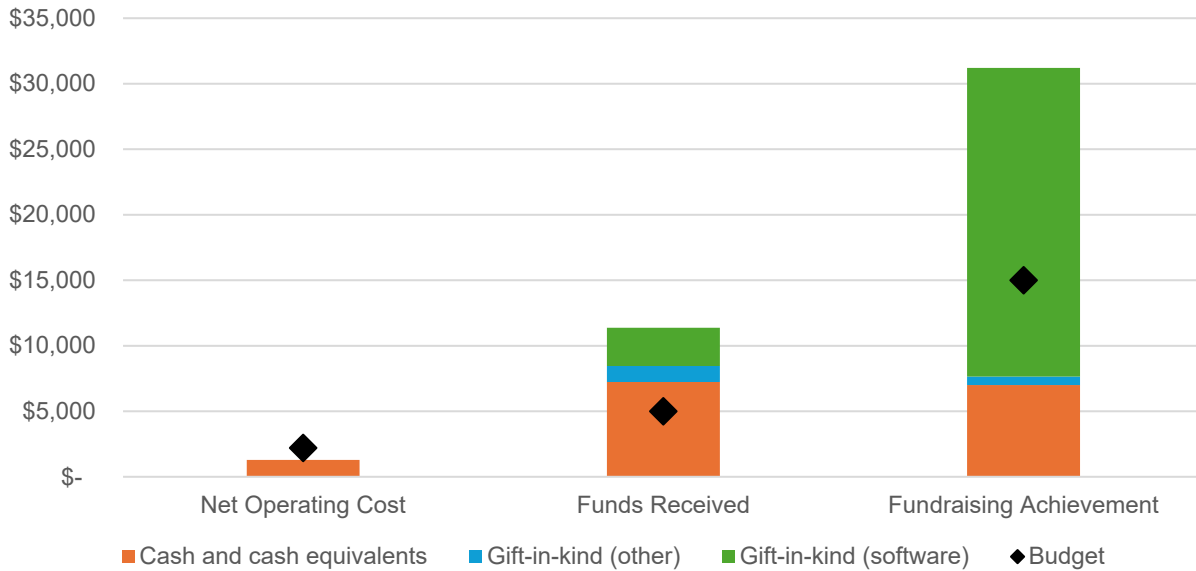
Revenue from donations and other contributions reflects only the portion of funds spent during the year, rather than the total amount raised. This includes donations used to cover fundraising expenses, gifts-in-kind that have been expensed, and funding directed toward scholarships, bursaries, and other donor-supported initiatives. Recognized revenue increased by \$1,945 (16.1%) compared to the prior year, primarily due to an increase in in-kind donations of equipment and software. For the year ended March 31, 2025, recognized revenue exceeded budget by \$4,431 (36.6%), reflecting stronger-than-anticipated fundraising activity.



Total funds received were \$11,376, significantly exceeding the target of \$5,000. When including all fundraising activity (of cash, in-kind contributions, and multi-year pledges), the total commitments reached \$31,210, more than double the \$15,000 target. This variance was largely driven by the receipt of substantial software gifts-in-kind.

The chart below presents NAIT’s fundraising performance for the year, including operating costs, funds received, and total fundraising achievement.

2024-25 Fundraising Activities



Investment income

Investment income exceeded budget by \$17,556 (123.7%) as NAIT’s investment portfolio grew beyond expectations, and rates of return significantly outperformed projections. Compared to the prior year, investment revenue increased by \$16,832 (112.8%) due to this portfolio growth and the stronger-than-expected returns. Portfolio balances rose by \$81,969 (33.4%), from \$245,362 as of March 31, 2024, to \$327,331 as of March 31, 2025, driven by reinvestment and cash transfers into the investment pool. Additional details are provided in Notes 3 and 4 of the consolidated financial statements.

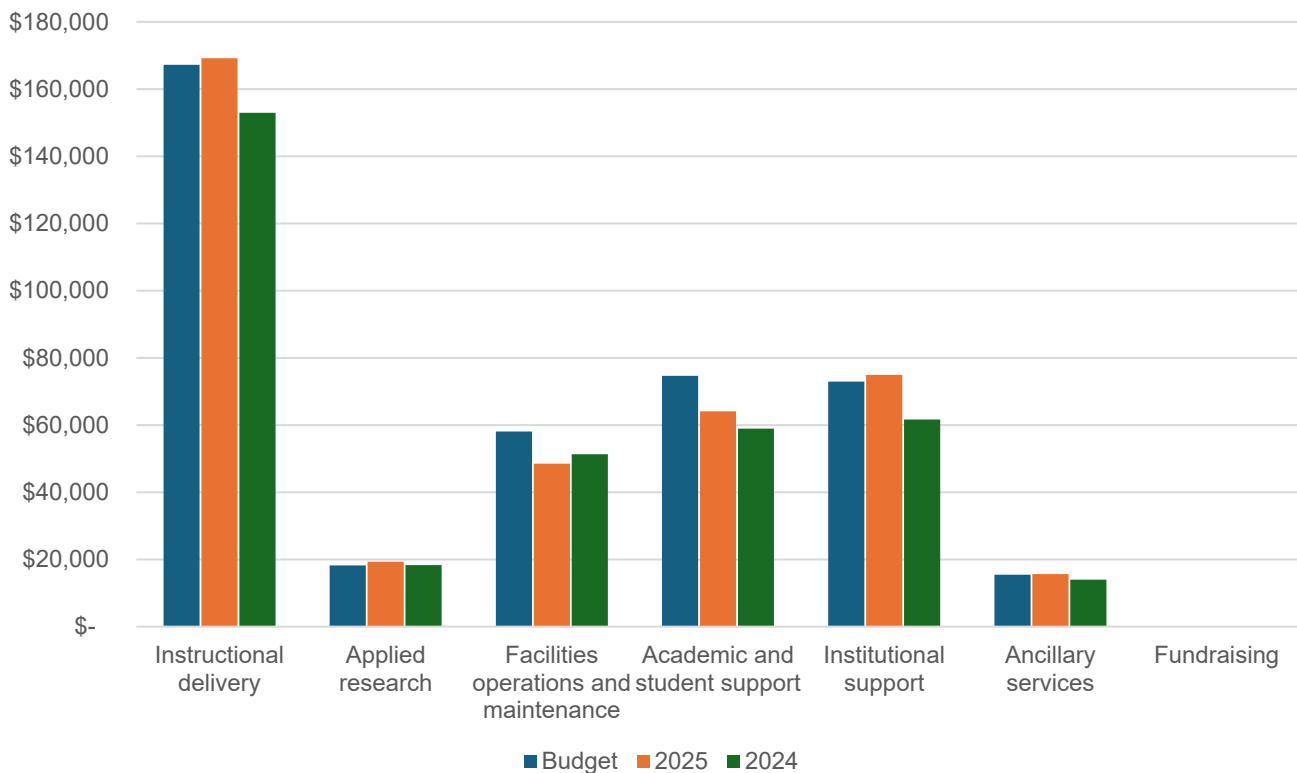
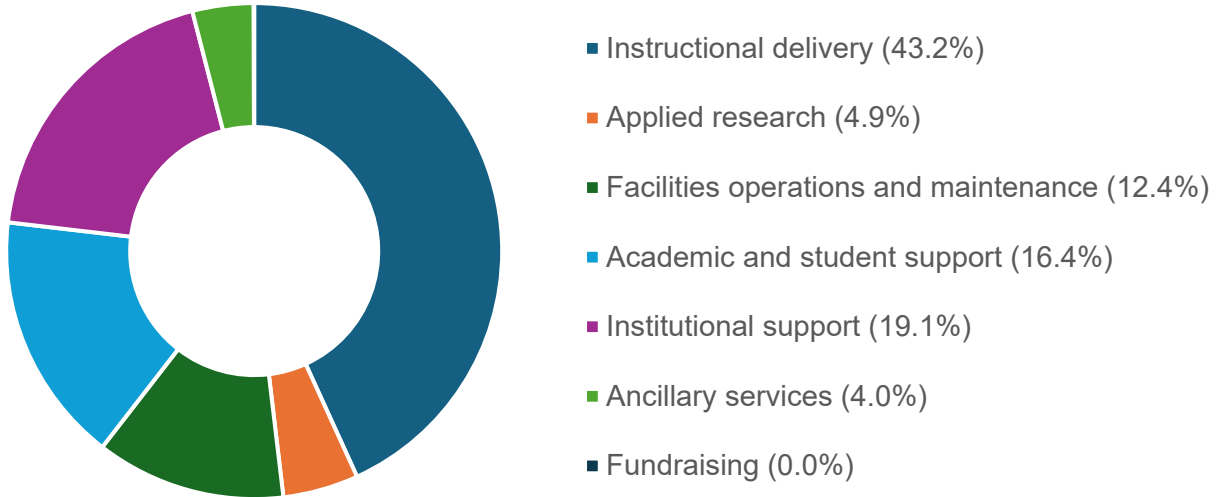


Expense

Total expenses increased by \$34,476 (9.7%), from \$357,232 in 2023/24 to \$391,708 in 2024/25, primarily due to higher salary and benefit costs, as well as increased spending on materials, supplies, and services. Despite this growth, actual expenses were \$14,920 (4.2%) below budget, as departments began adjusting in response to anticipated declines in international enrolment in future years.

Expense by Function

The charts below provide a breakdown of NAIT's total expense by function:





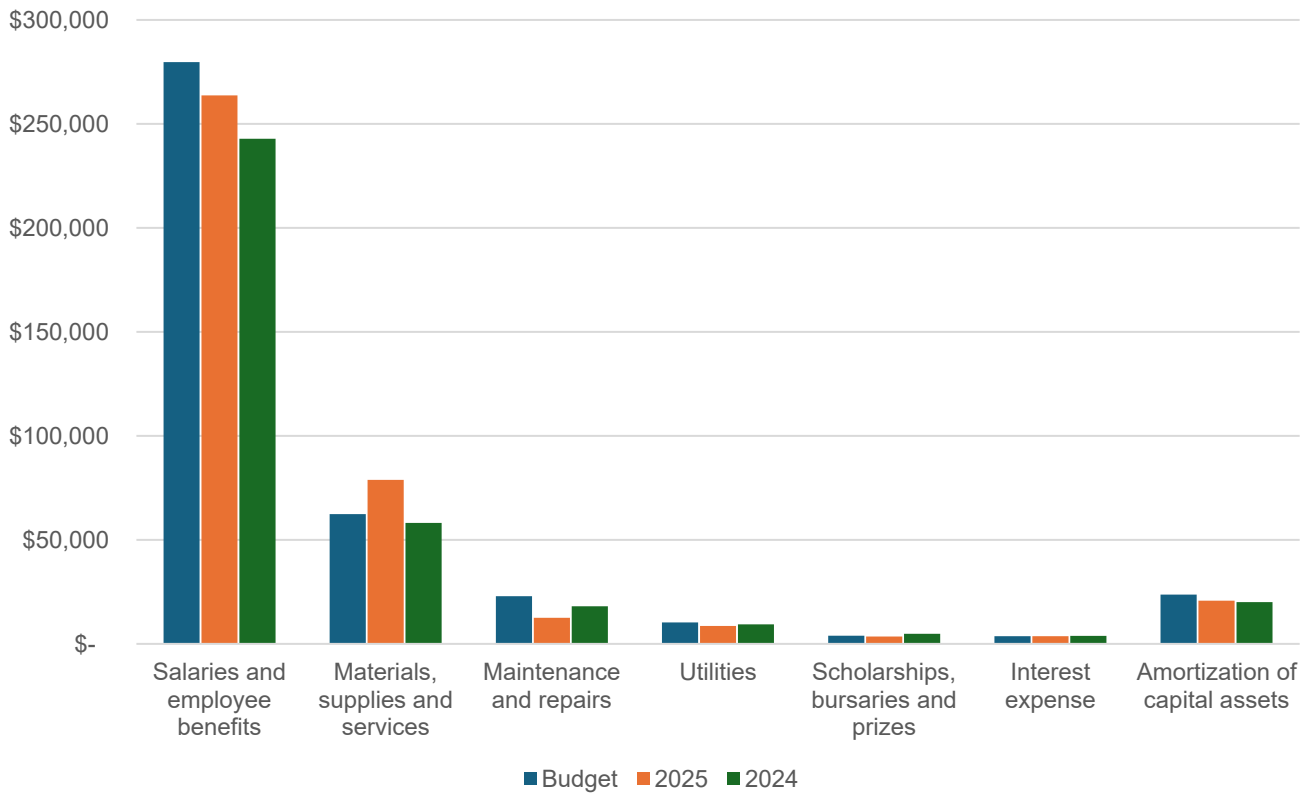
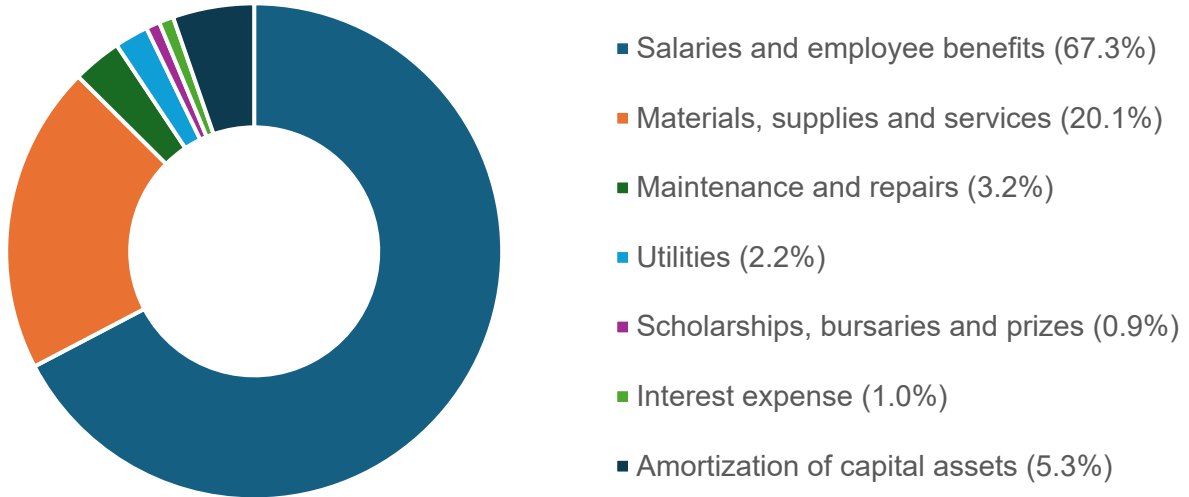
The key expense by function highlights are as follows:

- **Instructional Delivery:** Instructional delivery expenses increased by \$16,228 (10.6%) due to additional costs related to FLE growth and broader workforce-related pressures, including those tied to instructional capacity and operational requirements. Costs were \$1,981 (1.3%) over budget, primarily due to higher-than-expected equipment purchases and commissions to international recruiters.
- **Applied Research:** Applied research expenses increased by \$974 (5.3%) due to expanded activity across several research centres and portfolios. Costs were \$1,082 (5.9%) above budget, driven by new project-related hiring and contract services.
- **Facilities Operations and Maintenance:** Expenses decreased by \$2,821 (5.5%) due to lower costs for third-party maintenance contracts and reduced utility expenses, which offset increases in low-value furniture purchases and salary and benefit costs. Total expenses were \$9,577 (18.7%) below budget, primarily due to lower amortization and utility costs, as well as a greater portion of maintenance and repair expenses being capitalized.
- **Academic and Student Support:** Expenses increased by \$5,140 (8.7%), primarily due to additional support staff hired to accommodate enrolment growth and broader staffing cost pressures. However, expenses were \$10,565 (17.9%) below budget, largely due to delays in filling vacant positions, some of which were related to the restructuring of the academic portfolio. In addition, lower-than-expected discretionary spending and proactive cost management in anticipation of reduced international enrolments in future years contributed to the savings.
- **Institutional Support:** Institutional support expenses increased by \$13,291 (21.6%) from the prior period, primarily due to a one-time investment in technology resources aimed at modernizing the staff and student experience. There was also an increase in salaries and benefits, along with higher contracted services as NAIT addressed short-term needs through external parties. Institutional support was above budget by \$1,978 (3.2%), mainly due to the one-time technology investment, which was partially offset by lower-than-expected staffing costs, which were in response to anticipated declines in international student enrolments in future years.
- **Ancillary Services:** Ancillary operations, which include parking, eat AT NAIT (food services), Conferences and Events, and shop AT NAIT (bookstore), saw expenses increase by \$1,658 (11.9%) from the prior year. This rise was driven by higher cost of goods sold due to increased sales, along with greater maintenance and repair costs. Ancillary services expenses were also \$165 (1.2%) above budget, primarily due to higher cost of goods sold from increased sales, which offset savings from lower amortization.



Expense by Object

The charts below provide a breakdown of NAIT’s total expense by object:





The key expense by object highlights are as follows:

- **Salaries and employee benefits:** Salaries and employee benefits increased by \$20,817 (8.6%) over the prior year, largely due to staffing growth required to support higher enrolments across programs and services. This included the addition of instructional and support staff to meet operational and academic demands. However, expenses were \$15,984 (6.6%) below budget as NAIT proactively began aligning its workforce planning with anticipated declines in international enrolments. This included managing vacancies, delaying some hires, and identifying efficiencies to support long-term sustainability while maintaining service levels.
- **Materials, supplies and services:** Materials, supplies, and services expenses increased by \$20,695 (35.6%) over the prior year, reflecting institutional growth and corresponding increases across all major categories, including classroom and lab-related costs. These expenses also exceeded budget by \$16,393 (28.2%), primarily due to one-time investments in classroom technologies and campus-wide upgrades to computers and related infrastructure to enhance the learning and working environment.
- **Maintenance and repairs:** Maintenance and repairs expenses decreased by \$5,545 (30.7%) compared to the prior year and were \$10,376 (57.4%) below budget. This reduction reflects lower-than-anticipated spending on repairs and renovations during the year, in part due to the timing of project execution and a strategic shift toward planned capital renewal. In addition, a larger portion of maintenance activities met the criteria for capitalization, particularly those tied to infrastructure upgrades and facility improvements, further reducing the amount expensed.
- **Utilities:** Utilities expenses were \$735 (7.8%) lower than the prior year and \$1,661 (17.7%) below budget. The decrease reflects NAIT's proactive approach to managing utility consumption and costs, including the implementation of a new metering strategy to better monitor usage and identify efficiency opportunities.
- **Scholarships, bursaries and prizes:** Expenses decreased by \$1,349 (27.7%) from the prior year and were \$395 (8.1%) below budget, primarily due to timing of disbursements and fewer eligible applicants in some programs.
- **Interest expense:** Interest expense was \$126 (3.3%) lower than the prior year due to loan repayments and was in line with budget expectations.
- **Amortization of capital assets:** Amortization of capital assets increased by \$719 (3.6%) compared to the previous year, reflecting the continued growth and development of NAIT's infrastructure. However, it was \$2,891 (14.4%) lower than budget due to the timing of capital projects, with a larger portion of assets still in work-in-progress states, delaying the full recognition of amortization.



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, 2025, 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.

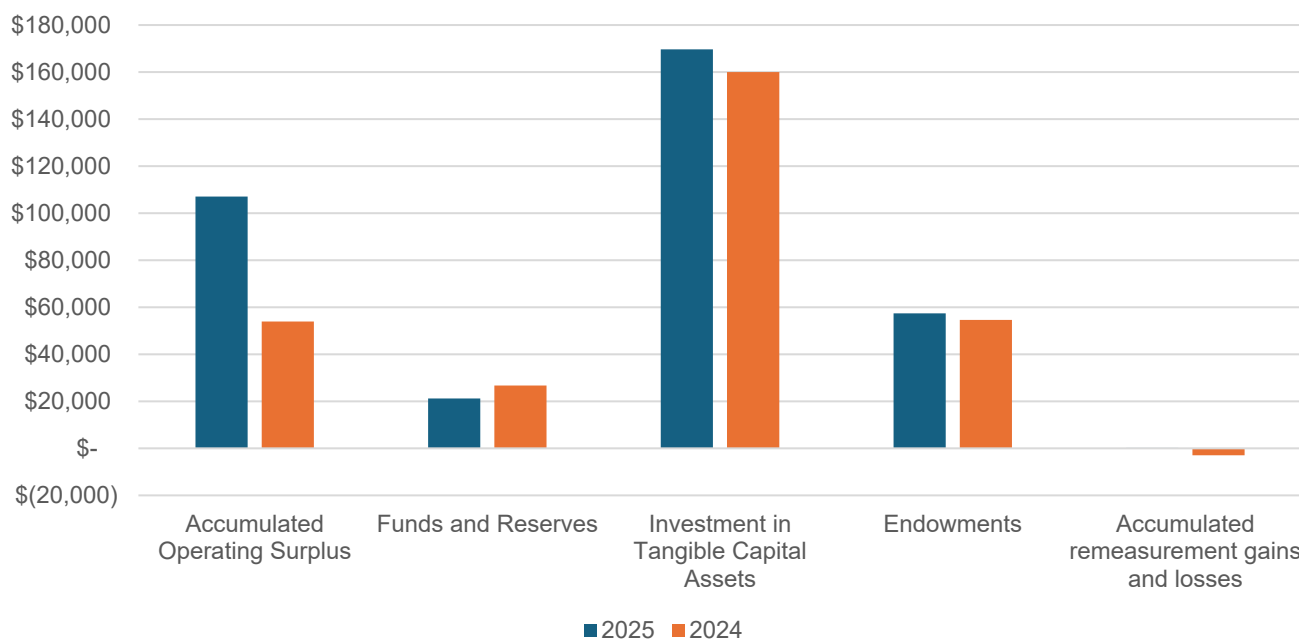
Highlights in changes include:

- **Cash and Cash Equivalents:** Cash and cash equivalents decreased by \$21,259 compared to the prior year, as NAIT strategically reinvested excess cash.
- **Portfolio Investments:** Investments not related to endowments increased by \$79,014 as NAIT proactively and strategically reinvested excess cash and surpluses into its portfolio to optimize returns and support long-term financial stability. Investments restricted for endowments grew by \$2,955 compared to the prior period. Further details on portfolio investments can be found in Note 4 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 \$8,556 in accounts receivable from the prior fiscal year, which was due to increases in student deposits and government contributions.
- **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 \$10,846 in accounts payable and accrued liabilities from the prior period. The increase is largely payroll payable and interest for debt payments, both occurred due to timing differences.
- **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 \$4,910 from the prior year, due to a decrease in 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 increased by \$10,156 from the prior fiscal year due to increases in unspent capital contributions and increased endowment interest.
- **Tangible Capital Assets and Purchased Intangibles:** The overall increase in the value of the capital assets of \$4,716 is primarily due to investment in furnishings, equipment and systems. Further information on tangible capital assets is disclosed in Note 11 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. As of March 31, 2025, NAIT had total net assets of \$355,560 as illustrated below.



Net Assets	2025	2024	Increase (decrease)	% change
Accumulated Operating Surplus	\$ 107,059	\$ 53,902	\$ 53,157	98.6%
Funds and Reserves	21,238	26,700	(5,462)	(20.5%)
Investment in Tangible Capital Assets	169,639	159,981	9,658	6.0%
Endowments	57,435	54,595	2,840	5.2%
Accumulated remeasurement gains and losses	189	(2,951)	3,140	(106.4%)
	\$ 355,560	\$ 292,227	\$ 63,333	21.7%

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, 2025, this amount was \$107,248 or approximately 27.4% of NAIT's operating expenses. This represents an increase from the prior period of \$56,297. Note 13 to the consolidated financial statements contains a more complete picture of NAIT's accumulated surplus.



A breakdown of NAIT’s net assets is as follows:

- **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:** These funds and reserves have \$14,560 reserved for capital activities, which include Main Campus renovations and capital renewal. NAIT has also reserved \$6,678 for priority operational activities such as technology transformation, course redevelopment, Industry Solutions, and advancement of strategic initiatives.

Total funds and reserves decreased by \$5,462, mainly made up from decreases of \$2,310 in the Technology Transformation Fund, the Main Campus Renovation Fund of \$1,720 and the Strategic Investment Fund of \$279. The details of the changes in funds and reserves can be found in Note 13 of the consolidated financial statements.

- **Investment in Tangible Capital Assets:** The tangible capital assets of \$541,593 are funded by the following sources:

	2025	2024
Internally funded (invested in tangible capital assets)	\$ 169,639	\$ 159,981
Externally financed (debt)	85,133	88,393
Externally funded (expended capital contributions)	278,510	280,975
Asset retirement obligations	8,311	7,528
Net book value of tangible capital assets	\$ 541,593	\$ 536,877

The internally funded portion of \$169,639 as of March 31, 2025, represents NAIT’s internally funded portion of its assets. This increased by \$9,658 from March 31, 2024, due to investments in furnishings and equipment. See note 11 of the consolidated financial statements for additional information on tangible capital assets.

- **Endowments:** Endowments have increased by \$2,840 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 13 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, 2025, the investment portfolio had a net remeasurement loss of \$36, compared to a loss of \$2,688 as of March 31, 2024. Of this remeasurement loss, a \$225 loss was allocated to endowments and recorded in deferred contributions. The remaining \$189 gain was recorded as an accumulated remeasurement gain on the statement of financial position. The effect of the remeasurement gains is disclosed in the last table in Note 4 of the consolidated financial statements.



Significant Financial Risks and Implications

NAIT has identified the following as the most significant financial risks currently facing the institution and requiring proactive management to support long-term financial sustainability.

1. International Enrolments and Post-Graduate Work Permit Restrictions

Federal policy changes tightening post-graduation work permit eligibility pose a direct risk to NAIT's international enrolment growth strategy and, by extension, to a key tuition revenue stream. If prospective students perceive diminished post-study work opportunities, application and registration rates may decline, reducing net tuition contributions and potentially impacting program viability. To mitigate this risk, NAIT is diversifying recruitment markets, optimizing our program mix, pursuing growth in domestic enrolment and enhancing non-tuition revenue channels to withstand enrolment fluctuations.

2. Government Funding

Government funding remains a critical component of NAIT's revenue model. As the Government of Alberta advances its *Alberta 2030: Building Skills for Jobs* initiative, a growing portion of NAIT's funding is tied to performance metrics under the Investment Management Agreements, increasing exposure to funding variability. At the federal level, evolving priorities in applied research funding may also impact institutional revenues. NAIT continues to engage proactively with government stakeholders to advocate for stable, predictable funding while pursuing conditional and strategic grant opportunities and reviewing program portfolios for cost recovery and strategic alignment.

3. Investment Income Volatility

NAIT's non-endowment investment portfolio has become an important supplementary revenue source, but market volatility – exacerbated by global tariff announcements, interest-rate cycles, and geopolitical tensions – introduces unpredictability into expected returns. A significant downturn could leave gaps in anticipated investment income, affecting financial results and capital renewal plans. To manage this exposure, NAIT employs a diversified asset allocation strategy, adheres to a conservative spending policy, and regularly reviews risk parameters with its investment advisors.

4. Escalating Operating Costs

Inflation, rising labour costs, and new tariffs are driving up expenses across materials, utilities, and services. With capped domestic tuition and flat provincial funding, NAIT has limited ability to offset these increases through additional revenue. Prolonged cost escalation may narrow operating margins and necessitate program or capital reprioritization. In response, NAIT is pursuing operational efficiencies and investing in technologies to streamline and optimize processes.