



ANNUAL REPORT 2019/2020



WE ARE **ESSENTIAL**

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ACCOUNTABILITY STATEMENT

The Northern Alberta Institute of Technology's (NAIT) Annual Report for the year ended June 30, 2020, was prepared under the Board's direction in accordance with the *Fiscal Planning and Transparency Act*. All material economic, environmental or fiscal implications of which we are aware have been considered in the preparation of this Report.

On behalf of the NAIT Board of Governors,



Ray Pisani
Chair, NAIT Board of Governors
December 9, 2020

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

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

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

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

On behalf of management,



Laura Jo Gunter, MBA
President and CEO



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

MESSAGE FROM THE PRESIDENT AND CEO

NAIT is essential to Alberta and its economic prosperity. We are a partner with industry and proudly serve our province by delivering outstanding polytechnic education and solutions-focused applied research and by paving lifelong pathways to rewarding and transformative careers.

Our achievements throughout 2019/20 illustrate this focus and we are pleased to share many of them in this year's annual report. As evidence of our value, we proudly share that 97% of our graduates would recommend NAIT and 98% of employers are satisfied with the quality of the NAIT graduates they hire.

We cannot look back on the past year at NAIT without acknowledging the impacts of the COVID-19 pandemic to our operations and to our people. While it has proven to be a difficult time, NAIT has shown strength and resilience. We prioritized the health and safety of our staff, students and community. And we demonstrated significant adaptability as we continued to deliver exceptional education and meet the needs of industry clients in the midst of the pandemic. I want to commend NAIT's leaders, staff, students, Board of Governors and other stakeholders for supporting our efforts to respond to COVID-19 and for living NAIT's values through adversity.

While we have a strong balance sheet, we finished the year operating with a deficit. Thanks to a strategically aggressive plan to balance our budget, NAIT would have met that goal if not for COVID-19. This year our leaders began implementing long-term plans that will ensure NAIT's financial sustainability and transform our operations to be more agile and innovative in meeting Alberta's emerging polytechnic needs. While the pandemic has delayed our efforts to eliminate our deficit, our substantial work towards becoming more efficient and effective puts NAIT in a strong position.

Creating a new strategic direction for NAIT will be a priority in the coming year. We look forward to developing a strategic plan that reflects the essential role NAIT plays in Alberta's post-secondary system and in meeting industry's emerging needs for skilled talent and applied research. At the heart of our planning, we will look to how we can help our students and industry partners succeed in a rapidly changing world. Lessons learned from the pandemic will help shape NAIT's future and we are well positioned to drive economic recovery and growth in the province.

I am so proud to be joining NAIT and firmly believe in the value of polytechnic education and strong connections to industry. I look forward to building on NAIT's long history of success and, together, we will continue to make an incredible impact to Alberta's future.

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 in good faith. During the 2019/20 year, NAIT's Designated Officer:

- (a) Received one disclosure of wrongdoing and had no disclosures referred to it by the Public Interest Commissioner;
- (b) Acted on the one disclosure, and there were no disclosures not acted upon;
- (c) Conducted an investigation into the one disclosure;
- (d) Made no finding of wrongdoing resulting from the disclosure however two recommendations related to clarifying policies and procedures were provided.

OPERATIONAL OVERVIEW

As a polytechnic, NAIT drives economic prosperity in Alberta. Our polytechnic works at the intersection of industrial innovation, applied research and workforce development which enables us to be agile and to quickly adapt to meet shifting market demands. NAIT's strong partnerships with industry are critical to ensuring our education is relevant and that we meet industry's needs for innovation and commercialization, and for highly skilled employees.

NAIT is well-positioned to serve as a leader in Alberta's economic recovery. As we evolve to meet the emerging needs of the province, the success of our students remains our focus. Through our unique polytechnic education model, students learn what they need to be successful on day one in the workplace. Close industry partnerships ensure the curriculum and applied learning opportunities stay at the leading edge of innovation and that the skills taught are valued and sought by employers. As we prepare students for meaningful careers, we are committed to providing robust student supports and an inclusive, welcoming environment to ensure they have an exceptional student experience.

Through Industry Solutions, NAIT is focused on delivering practical solutions that help industry partners adapt to be more competitive in a new economic environment. NAIT is positioned to work alongside businesses on their highest priorities, helping them retool, scale-up and accelerate late-stage commercialization or product development. The applied research solutions NAIT delivers to industry return both economic and societal value to Albertans.

NAIT's education, services and operations were significantly disrupted by the pandemic in 2019-20. In order to reduce the risk of transmission of COVID-19 on our campuses, we quickly shifted the majority of our education to blended and virtual delivery. Apprenticeship and Industry Training made the decision to cancel the last two apprenticeship intakes of the year, which decreased the number of completers we saw. Non-credit programming was also impacted as courses that required in-person delivery were cancelled or postponed until on-campus delivery resumed. NAIT was impacted by decreased revenues and extraordinary costs as we responded to the pandemic and prioritized keeping our community healthy and safe.

Despite the challenging end to the academic year, this annual report highlights that student satisfaction in NAIT's services and with the skills and knowledge they gained remains exceptionally high. We are focused on continuing to deliver the unique high-quality polytechnic education and strong student supports NAIT is known for throughout the pandemic — we are proud our students have validated our efforts.

The history of our polytechnic is marked by our ability to remain relevant and responsive to meet the needs of students, industry and Alberta. We are evolving to continue meeting strong outcomes and pursue innovation, while responding to current financial challenges — including decreased provincial funding to the post-secondary sector, declining apprenticeship seats due to the economic downturn and the impacts of COVID-19. NAIT's has responded to these changes with a strategic approach that focuses on long-term sustainability. We were on the path to a balanced operating position prior to the pandemic and our significant transformation efforts from the last quarter of 2019-20 ensure NAIT is well-positioned to reduce and eliminate the current deficit.

The current economic conditions have challenged us to be strategic about strengthening student progression at NAIT. We are working hard to develop data-improved strategies to enhance our recruitment of domestic and international students, admissions practices and retention efforts. These strategies are proving to be successful. While we saw an overall decrease in applicants this year to our credit programs, our efforts to strengthen admission practices led to an increase in enrolment of continuing students from the previous academic year.

As we look to the post-pandemic era, we remain focused on enhancing NAIT's capacity to meet the current and emerging needs of the province. The pandemic has accelerated the need for industry partners to adapt and they will increasingly rely on NAIT's skilled graduates and applied research solutions. Through NAIT's long-term transformation planning, we will be nimble and more effective at serving industry and learners long into the future. We are ready to meet this demand and are prepared to play a critical role in accelerating Alberta's economic recovery.

GOALS, PRIORITY INITIATIVES, EXPECTED OUTCOMES AND PERFORMANCE MEASURES

The following section provides a summary of goals, priority initiatives, expected outcomes and performance measures as outlined in our 2019/20 - 2021/22 Comprehensive Institutional Plan. They are aligned with 4 of Advanced Education's (AE) principles: accessibility, affordability, quality and coordination. Accountability is also a core principle that guides government's vision for post-secondary education. However, as the CIP is an accountability document (among other functions), institutions are not required by government to include goals related to accountability.

Of note, some performance measures address more than one of AE's principles and are therefore included in more than one place.

The measures that follow are collected and reported from NAIT's internal financial and administration systems and through surveys conducted by its Department of Institutional Research.

ACCESSIBILITY: Every Albertan should have the same opportunity to get a post-secondary education.

GOAL: Create a student-centred experience beyond the classroom that supports and inspires lifelong success.

PERFORMANCE MEASURES

SATISFACTION WITH QUALITY OF STUDENT SUPPORT SERVICES

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

Actual: 88%

Analysis: Student satisfaction with the quality of support services remains high, despite necessary changes to address budget challenges. It is extraordinarily difficult to increase satisfaction rates when they are already very high. NAIT's achievement of 88% is within an acceptable range and we consider this target met.

Target: 90%

PRIORITY INITIATIVE 1	EXPECTED COMPLETION DATE	STATUS
Create more robust supports for students identified as at-risk of program withdrawal or probation.	2019/2020	Complete

EXPECTED OUTCOMES

- Increased student resiliency and retention.
- Increased collaboration among academic advising, learning services and programs to support students at risk.

2019/20 UPDATE

- Reorganized to create a work unit called "Transition Services," which includes NAIT's learning, academic and international advisors to deliver enhanced services to students regardless of their particular need.
- Reorganized to create a work unit called "Student Learning Success," which focuses on removing barriers to education and improving retention through student supports.
- Developed a suite of online academic supports that are available to any student at any time.
- Streamlined the way in which students communicate accommodation needs to their various instructors to make accommodations more accessible, timely and effective.

PRIORITY INITIATIVE 2	EXPECTED COMPLETION DATE	STATUS
Implement strategies to enhance education and awareness on sexual violence prevention and response.	2021/2022	In progress

EXPECTED OUTCOMES

- Students and staff are supported and aware of available resources and services.
- Improved data gathering to support informed decisions, identify gaps in services, improve access to support and develop survivor-driven attitudes, practices and structures for the NAIT community.

2019/20 UPDATE

- Started the review of current sexual violence prevention and response practices, policies, procedures and programs.
- Delivered Association of Alberta Sexual Assault Services (ASSAS) sexual violence first response training to members of the NAIT community.
- Hosted large-scale speaking event called “Can I Kiss You,” a highly impactful session tailored to PSI students about consent education, bystander intervention and healthy relationships.

PRIORITY INITIATIVE 3	EXPECTED COMPLETION DATE	STATUS
Create a Diversity and Inclusion Strategy.	2020/2021	Complete

EXPECTED OUTCOMES

- Development of institutional practices that support increased appreciation for diversity and increased inclusivity on campus.
- Alignment of current diversity and inclusion programs and services with a broader strategy.

2019/20 UPDATE

- Drafted strategy framework consisting of principles, institutional commitments and strategic actions.
- Conducted NAIT-wide engagement sessions to collect input and feedback from the community on the strategy framework.
- Wrote and approved the Equity, Diversity and Inclusion Strategy.

PRIORITY INITIATIVE 4	EXPECTED COMPLETION DATE	STATUS
Develop a student success strategy.	2021/2022	In progress

EXPECTED OUTCOMES

- Define “student success” within a polytechnic context.
- Increased retention of students.
- Increased student satisfaction with quality of educational experience.
- Decreased barriers to student success.

2019/20 UPDATE

- Analyzed literature and research to inform the strategy.

PRIORITY INITIATIVE 5	EXPECTED COMPLETION DATE	STATUS
Identify and analyze barriers to student learning to create mitigation strategies that support student success.	Revised completion date 2020/2021	In progress

EXPECTED OUTCOMES

- Increased instructor capacity to develop accessible curriculum and instructional practices using Universal Design for Learning principles
- Develop mitigation strategies to address identified barriers
- Increased student retention

2019/20 UPDATE

- Identified and addressed barriers to access due to the massive shift to blended and virtual learning as a result of COVID-19.
- Addressed and refined barriers around internal accommodation processes to ensure accommodations are accessible and easy to implement for staff and students.
- Launched the Agile Retention Group, which focuses on piloting, incubating and rolling out retention initiatives at NAIT.

GOAL: Enhance lifelong learning pathways and connections.

PERFORMANCE MEASURES

TOTAL NUMBER OF DEGREE, DIPLOMA AND CERTIFICATE PROGRAM GRADUATES

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

Actual: 4,063

Analysis: Historically at polytechnic institutions, the number of FLE students tends to decrease in certain programs during economic downturns, such as the current downturn in the energy sector in Alberta. This is because fewer students seek out or complete a polytechnic credential when job prospects are low. As a result, the number of students graduating decreases. NAIT's current target represents a point in time when economic conditions were more favourable, and growth in student numbers more easily achievable. Despite the economic downturn, NAIT came within 9% of the target. Any future targets must take economic conditions into account.

Target: 4,481

TOTAL NUMBER OF APPRENTICE COMPLETERS

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

Actual: 1,423

Analysis: NAIT experienced disruption in the apprenticeship training it was able to offer due to the pandemic. Intakes were cancelled for March-April and May-June, following the directive from Apprenticeship and Industry Training (AIT). AIT controls the number of apprenticeship seats NAIT can offer and the current target was developed using their seat allocations.

Target: 2,487 (The 2019/20 target was printed in error as 3,487 in the CIP)

TOTAL NON-CREDIT REGISTRATIONS

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

Actual: 27,390

Analysis: Non-credit programming was impacted by COVID-19 as many courses that required in-person delivery were cancelled or postponed until on-campus delivery resumed. Due to economic conditions, NAIT has also seen a decline in demand for non-credit programming as individuals and employers spend less on professional development. NAIT’s current target represents a point in time when economic conditions were more favourable. Any future targets must take economic conditions into account.

Target: 34,100

PRIORITY INITIATIVE 6	EXPECTED COMPLETION DATE	STATUS
Review and strengthen admissions practices to support purposeful growth and operational excellence.	2019/2020	Complete

EXPECTED OUTCOMES

- An analysis of NAIT’s admissions funnel and identification of opportunities and existing barriers to supporting applicants from application to enrolment.
- A needs analysis to better understand the opportunities and challenges in supporting new growth across NAIT.
- Identification of new and emerging practice to support growth and alternative admissions strategies.

2019/20 UPDATE

- Improved processes for making admissions decisions for upgrading and high school students.
- Expanded options for applicants to meet English Language Proficiency requirements.
- Analyzed growth opportunities in credit programming informed by internal and external data, scheduling strategies to optimize growth and cost.
- Improved access to our Business Administration program through a provisional admission pilot.
- Expanded alternate admission pathways.

AFFORDABILITY: Every Albertan should have the same opportunity to get a post-secondary education, regardless of financial circumstances.

GOAL: Enhance lifelong learning pathways and connections.

PERFORMANCE MEASURES

TOTAL NUMBER OF DEGREE, DIPLOMA AND CERTIFICATE PROGRAM GRADUATES

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

Actual: 4,063

Analysis: Historically at polytechnics, the number of FLE students decreases in certain programs during economic downturns, such as the current downturn in the energy sector in Alberta. This is because fewer students seek out or complete a polytechnic credential when job prospects are low. As a result, the number of students graduating decreases. NAIT's current target represents a point in time when economic conditions were more favourable and growth in student numbers more easily achievable. Despite the economic downturn, NAIT came within 9% of the target. Any future targets must take economic conditions into account.

Target: 4,481

TOTAL NUMBER OF APPRENTICE COMPLETERS

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

Actual: 1,423

Analysis: NAIT experienced disruption in the apprenticeship training due to the pandemic. Intakes for March-April and May-June were cancelled, following the directive from Apprenticeship and Industry Training (AIT). AIT controls the number of apprenticeship seats NAIT can offer and the current target was developed using their seat allocations.

Target: 2,487 (The 2019/20 target was printed in error as 3,487 in the CIP)

TOTAL NON-CREDIT REGISTRATIONS

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

Actual: 27,390

Analysis: Non-credit programming was impacted by the COVID-19 pandemic as many courses that required in-person delivery were cancelled or postponed until on-campus delivery resumed. Due to economic conditions, NAIT has also seen the demand for non-credit programming decline as individuals and employers are spending less on professional development. Future target considerations: Our current target was representative of a point in time when economic conditions were more favourable. Any future targets must take economic conditions into account.

Target: 34,100

PRIORITY INITIATIVE 7	EXPECTED COMPLETION DATE	STATUS
Develop a student affordability/ financial support strategy.	2020/2021	In progress

EXPECTED OUTCOMES

- Identification of gaps, opportunities and barriers to maximizing financial support for NAIT students, particularly underrepresented learners.
- Identification of strategies to address the financial needs of students, particularly underrepresented learners.
- Increased access to funding and education.
- Increased retention of students.

2019/20 UPDATE

- Completed a review of the Student Awards portfolio with an external consultant which identified improvement opportunities.
- Started a gap analysis around the dollar value, purpose and type of institutional aid offered.
- Began development of a strategic framework for a student affordability/financial support strategy.

QUALITY: Albertans should get the best education possible here at home.

GOAL: Offer polytechnic education that enables transformative careers.

PERFORMANCE MEASURES

SATISFACTION WITH RELEVANCE OF SKILLS ACQUIRED

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

Actual:

- Degree, diploma and certificate program (DDCP): 97%
- Apprentice: 96%

Analysis: Satisfaction with the skills taught remains high among graduates and apprentice completers. It is worth noting these numbers remained high, and increased for DDCP graduates, despite the major disruption learners experienced due to the impacts of the COVID-19 pandemic. We are working hard to maintain the quality of our education through our shift to blended and virtual delivery. We are proud of NAIT's consistently high achievements related to student satisfaction.

Target:

- DDCP: 97%
- Apprentice: 96%

SATISFACTION WITH RELEVANCE OF KNOWLEDGE ACQUIRED

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

Actual:

- Degree, diploma and certificate program (DDCP): 97%
- Apprentice: 98%

Analysis: Satisfaction with the knowledge acquired remains high among graduates and apprentice completers. Again, it is worth noting these numbers remained high despite the disruption to their education caused by the COVID-19 pandemic. We are working hard to maintain the quality of our education through our shift to blended and virtual delivery. We are proud of NAIT's consistently high achievements related to student satisfaction.

Target:

- DDCP: 98%;
- Apprentice: 98%

PRIORITY INITIATIVE 8	EXPECTED COMPLETION DATE	STATUS
Develop a certificate program that recognizes polytechnic teaching excellence.	2021/2022	In progress

EXPECTED OUTCOMES

- Formal recognition for instructors who develop teaching as a form of expertise.

2019/20 UPDATE

- Started an inventory of development opportunities for NAIT instructors to help inform gaps and to leverage current offerings into potential certificate curriculum.

PRIORITY INITIATIVE 9	EXPECTED COMPLETION DATE	STATUS
Develop and implement the inclusion of polytechnic enabling skills into NAIT curricula.	2021/2022	In progress

EXPECTED OUTCOMES

- Identify a critical set of broad, polytechnic skills (beyond job-specific technical skills) that will enable people throughout their career.
- Integrate these polytechnic enabling skills into NAIT curriculum in accordance with NAIT's existing curricula review and renewal process.

2019/20 UPDATE

- Continued to develop the essential skills curriculum using a process that included engagement with industry through program advisory committees and surveys.
- Developed a plan to include the essential skills curriculum in the curriculum review and renewal process beginning in 2020/21.
- Developed a process to share the modules with students in programs that will not have essential skills in the curriculum.

GOAL: Support growth that meets and anticipates the emergent polytechnic needs of Alberta.

PERFORMANCE MEASURES

TOTAL CREDIT FLE

Measure: The total number of full-load equivalent (FLE) students in non-apprenticeship programming and apprenticeship training attending NAIT during the academic year, validated by Advanced Education.

Actual:

- Non-apprentice: 11,195
- Apprentice: 1,406

Analysis: Polytechnics see declines in non-apprentice applicants as the economy declines. Despite the decrease in applicants, NAIT has developed data-improved admissions strategies that allowed us to increase enrolment. Our current non-apprentice target represents a point in time when economic conditions were more favourable and growth in student numbers more easily achievable. NAIT was able to come within 0.6% of target in non-apprenticeship FLEs.

NAIT experienced disruption in the apprenticeship training we were able to offer due to the pandemic. We followed the directive from Apprenticeship and Industry Training (AIT) and cancelled the last intakes for March-April and May-June. AIT controls the number of apprenticeship seats NAIT can offer and the current target was developed using their seat allocations.

Target:

- Non-apprentice: 11,260
- Apprentice: 2,426

SATISFACTION WITH IMPROVED EMPLOYMENT OPPORTUNITIES

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

Actual:

- Degree, diploma and certificate program (DDCP): 88%
- Apprentice: 87%

Analysis: Degree, diploma and certificate program (DDCP) numbers improved and both satisfaction rates remain high despite the economic turnaround in Alberta and the impacts of the COVID-19 pandemic. Our current target represents a point in time when economic conditions were more favourable and there were more job prospects. Any future targets must take economic conditions into account. NAIT's achievement of 87- 88% is within an acceptable range and we consider this target met.

Target:

- DDCP: 92%
- Apprentice: 92%

PRIORITY INITIATIVE 10	EXPECTED COMPLETION DATE	STATUS
Develop new programs to respond to Alberta's emerging needs.	2019/2020 – 2021/2022	Complete

EXPECTED OUTCOMES

- Develop new programs in the following areas:
 - Cybersecurity
 - Data Analytics and Business Intelligence

2019/20 UPDATE

- Received approval from Advanced Education to offer post-diploma certificates in Cybersecurity (launching courses in May 2021) and Data Analytics (launching in September 2021).

GOAL: Partner with industry to help increase its productivity and competitiveness and be a leader in polytechnic applied research and its bridge to innovation, commercialization and new ventures.

PERFORMANCE MEASURES

PROPORTION OF ACTIVE APPLIED RESEARCH PROJECTS THAT ENGAGE EXTERNAL PARTNERS

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

Actual: 98%

Analysis: This number remains exceptionally high as NAIT continues to deepen relationships with industry partners. The target was met and we look forward to continuing our relationships and work with industry.

Target: 90%

PRIORITY INITIATIVE 11	EXPECTED COMPLETION DATE	STATUS
Enhance NAIT's ability to serve the needs of industry and contribute to a vibrant Alberta economy	2019/2020 – 2021/2022	Ongoing

EXPECTED OUTCOMES

- Implementation of a renewed industry solutions model in alignment with NAIT's polytechnic mandate
- Launch of two new applied research centres in partnership with industry, to be located in NAIT's Productivity and Innovation Centre, which will allow NAIT to better serve the needs of industry through applied research, productivity and innovation
 - *Centre for Grid Innovation* (formerly referred to as "Centre for Distributed Power Generation and Transmission")
 - *Centre for Construction Innovation* (formerly referred to as "Centre for Smart Building Technologies")
- Collaborative proposal development and preparation for launch of a number of new applied research centres in partnership with industry

2019/20 UPDATE

- Launched one new applied research centre and one new industry training centre
 - Centre for Grid Innovation has been funded and Phase 1 completed. Phase 2 will begin in the Fall of 2020
 - Centre for Applied Disaster and Emergency Management was launched
- Expanded and enhanced NAIT's ability to serve industry through two NSERC funded Technology Access Centres
 - Technology Access Centre for Plant and Seed Technologies
 - Technology Access Center for Oil Sands Sustainability
- Supported plastics research efforts in partnership with Alberta's largest manufacturing sector and government stakeholders
 - Partnership with Inter Pipeline Ltd. (Plastics Research In Action – PRIA)
 - Plastics Alliance initiative

GOAL: There is demonstrable pride in the unique polytechnic advantage.

PERFORMANCE MEASURES

RECOMMENDING PROGRAM TO OTHERS

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

Actual:

- Degree, diploma and certificate program (DDCP): 90%
- Apprentice: 90%

Analysis: These numbers continue to be very high and demonstrate our commitment to exceptional polytechnic education. It is worth noting these numbers remained high despite the major disruption learners experienced due to the impacts of the COVID-19 pandemic. We are working hard to maintain the quality of our education through our shift to blended and virtual delivery. We are proud of NAIT's consistently high achievements related to student satisfaction.

Target:

- DDCP: 88%
- Apprentice: 88%

PRIORITY INITIATIVE 12	EXPECTED COMPLETION DATE	STATUS
Champion a polytechnic education model	2019/2020	Complete

EXPECTED OUTCOMES

- Identify and communicate the key components of polytechnic teaching
- Increased external and internal understanding of the difference and value of polytechnic teaching

2019/20 UPDATE

- Completed the development of NAIT's polytechnic teaching model
- Shared the model widely with internal NAIT staff and has become a foundational document for our curriculum and instruction practices
- Shared the model externally at events, conferences, and networking opportunities

COORDINATION: Albertans should get full advantage from a diverse post-secondary system.

GOAL: Enhance lifelong learning pathways and connections.

PERFORMANCE MEASURES

TOTAL NUMBER OF DEGREE, DIPLOMA AND CERTIFICATE PROGRAM GRADUATES

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

Actual: 4,063

Analysis: Historically at polytechnics, FLE decreases in certain programs during economic downturns, such as the current downturn in the energy sector in Alberta. This is because fewer students seek out or complete a polytechnic credential when job prospects are low. As a result, the number of students graduating decreases. NAIT's current target represents a point in time when economic conditions were more favourable and growth in student numbers more easily achievable. Despite the economic downturn, NAIT came within 9% of the target. Any future targets must take economic conditions into account.

Target: 4,481

TOTAL NUMBER OF APPRENTICE COMPLETERS

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

Actual: 1,423

Analysis: NAIT experienced disruption in the apprenticeship training due to the pandemic. Intakes for March-April and May-June were cancelled, following the directive from Apprenticeship and Industry Training (AIT). AIT controls the number of apprenticeship seats NAIT can offer and the current target was developed using their seat allocations.

Target: 2,487 (The 2019/20 target was printed in error as 3,487 in the CIP)

TOTAL NON-CREDIT REGISTRATIONS

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

Actual: 27,390

Analysis: Non-credit programming was impacted by the COVID-19 pandemic as many courses that required in-person delivery were cancelled or postponed until on-campus delivery resumed. Due to economic conditions, NAIT has also seen the demand for non-credit programming decline as individuals and employers spend less on professional development. NAIT's current target represents a point in time when economic conditions were more favourable. Any future targets must take economic conditions into account.

Target: 34,100

PRIORITY INITIATIVE 13	EXPECTED COMPLETION DATE	STATUS
Develop partnerships to increase access to NAIT programs.	2019/2020	Complete

EXPECTED OUTCOMES

- Exploration of additional partnership opportunities for the delivery of Bachelor of Business Administration (BBA) and Trades to Degrees pathways with additional Campus Alberta institutions, building on the Keyano College partnership.
- Establish transfer agreements with First Nations Colleges.

2019/20 UPDATE

- Established a transfer agreement with Yukon College between their Culinary Arts Certificate and NAIT's Culinary Arts Diploma.
- Establishing a transfer agreement with Blue Quills University between their Leadership and Management diploma and NAIT's Bachelor of Business Administration. This is in development.

FINANCIAL AND BUDGET INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(financial data expressed in thousands unless otherwise noted)

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

NAIT ended the year with an annual operating deficit of \$17.9 million. As described in greater detail below, many factors contributed to this deficit, the most significant being a slow degradation of our financial drivers, decreases in Government of Alberta funding, significant restructuring costs to return to financial sustainability and the COVID-19 pandemic. In the last quarter, NAIT implemented strategies to adapt to these new realities and position itself for new growth as Alberta and the global economy recovers and pandemic restrictions are relieved. NAIT is balancing meeting its vision and continuing to pursue growth and other priorities of a world-class polytechnic with financial sustainability strategies that will bring NAIT back to operating surpluses. NAIT was on the path to a balanced operating position prior to the pandemic and would not have had a deficit except for the impact of the pandemic and costs related to restructuring the organization.

The following is an overview of the consolidated financial results achieved in the fiscal year ended June 30, 2020 by NAIT, the NAIT Foundation (the Foundation) and GO Productivity. The consolidated financial statements include the accounts of NAIT, the Foundation and GO Productivity. The Foundation is a registered charity for the purpose of fundraising, 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
4. Detailed Financial Results

OPERATING ENVIRONMENT AND OVERVIEW

NAIT's vision is to be the most relevant and responsive post-secondary institution in Canada and one of the world's leading polytechnics. This has led NAIT to continue to invest in expanding learning opportunities, enhancing our physical and technological capacity and building strong ties to our industry partners. Underlying this vision are economic trends that point to careers that will be needed to fuel Alberta's future growth. As new technology transforms the workforce, NAIT is focused on offering new programs in emerging careers, as well as evolving existing programming to adjust to rapid changes within industry. NAIT's vision of growth was tied to the Government of Alberta's projections for graduates in all four of NAIT's pillars of technology-based education: Energy, Environment and Bio Economy; Health; Construction and Trades; and Business and Entrepreneurship. NAIT will revisit those projections for graduates as the Government of Alberta reviews its priorities.

NAIT ended the year with its fourth consecutive operating deficit, of \$17.9 million. This deficit arose from three successive financial challenges over the last several years, with the two largest challenges happening within the last fiscal year.

The first challenge relates to the slow degradation of NAIT's key financial drivers since 2013/14. Grants provided by the Government of Alberta did not keep pace with inflation and tuition was frozen for five successive years. As well, the economic downturn dramatically impacted the number of apprenticeship seats that were required, leading to reduced funding and significant severance costs over multiple years as staffing was reduced. The grant funding revenue for apprenticeship expansion seats was \$11.4 million in 2019/20, down from \$24.7 million in 2016/17.

In addition, the loss of several key grants from the Government of Alberta, including the expected “lights-on” funding associated with the ongoing operations of the Feltham Centre (previously the Centre for Applied Technology) contributed to NAIT’s deficit position. NAIT’s response to these challenges was strategic. The institution continued growing sources of revenue that were not dependent on government funding and invested in transformation initiatives to increase revenues and decrease expenditures. NAIT was well positioned to return to a balanced budget within three years.

The second challenge NAIT faced was a significant decrease in grant funding implemented within the 2019/20 year by the Government of Alberta. Driven by the MacKinnon report, these decreases will reduce NAIT’s Government of Alberta funding by up to 20% over the next four years. NAIT’s response to this challenge was both strategic and significant. NAIT developed a transformation plan by working with NAIT leaders and vetted this plan through a panel of third-party business leaders. This plan investigated new processes with a greater view to the future, defined NAIT’s core functions and scrutinized ways to increase productivity with limited resources. This transformation plan led to major changes in 2019/20, which included a significant reduction to staffing levels, with the goal to get back to a balanced budget and address the full effects of the Government of Alberta grant reductions in the 2020/21 fiscal year. This resulted in significant one-time costs in the 2019/20 fiscal year for severances and investments into initiatives meant to increase NAIT’s financial sustainability. It was these one-time costs that were the main reason for the 2019/20 deficit.

The third financial challenge NAIT faced related to the COVID-19 pandemic. NAIT staff and leaders have done a tremendous job in transitioning to a blended learning and working environment and maintaining instructional delivery and services, but certain activities are no longer possible with the restrictions created by the pandemic. The pandemic had a significant impact to this year’s operations, hollowing out many revenue streams, including retail and ancillary services, apprenticeship revenue and Industry Solutions. NAIT’s approach to the pandemic remains strategic and determined as it adapts to this challenge.

NAIT’s budget for the last fiscal year included a \$40-million grant from the Government of Alberta for the purchase of the Blatchford lands from the City of Edmonton. This grant was budgeted to be received as a result of the proceeds from the sale of land in south Edmonton that had initially been promised to NAIT. The sale of these lands did not occur in the 2019/20 fiscal year as expected, rather NAIT received a \$30-million grant agreement from the Government of Alberta in June 2020, which has been included in the consolidated financial statements as a receivable. The funds were advanced to NAIT in July 2020 and are tied to the Blatchford purchase agreement with the City of Edmonton. As a result, NAIT will recognize the revenue associated with this grant agreement as it meets the conditions established in the Blatchford land purchase.

REVENUE STREAMS

NAIT continues to focus on developing new revenue streams to reduce its reliance on government grants and tuitions. NAIT is strengthening its service model for Industry Solutions offerings to provide a wider range of services to our industry partners and to help Alberta’s industry to become more competitive. NAIT also continues to focus on sustainability through ensuring the right mix of domestic and international students, as well as credit and noncredit programming.

However, the COVID-19 pandemic has caused some major setbacks to NAIT’s goal to increase these new revenue streams. In 2019/20, corporate and international training contract revenues declined by 36% and revenues from continuing education declined by 15%, with both falling short of targets by 30% and 35%, respectively. New international full-load equivalents (FLE) in spring term 2019 degree, diploma and certificate programs fell by 64% from the prior year, with the majority of new international students requesting deferral to fall or winter 2020 as a result of the pandemic. Revenues related to NAIT’s retail and ancillary operations fell 21% from the prior year and 23% short of budget targets due to the closure of campus and retail outlets. Despite these challenges presented by COVID-19, NAIT remains committed to continuing to develop and evolve our Industry Solutions and Retail and Ancillary models. As Alberta’s economy begins to rebuild from the COVID-19 pandemic, innovation and solutions are needed more than ever for Alberta’s industry and NAIT will play a key role in developing the province’s future.

Even with efforts to grow other revenue streams, NAIT continues to be highly dependent on various Government of Alberta capital and operating grants, which accounted for approximately 53% of total revenues for 2019/20, and regulated tuition revenues, which were approximately 17% of total revenues in 2019/20. Grant funding from Advanced Education is expected to decrease annually for the next three years. The Campus Alberta Grant, Apprenticeship Grant and Targeted Enrolment Grant accounted for approximately 49% of 2019/20 revenues, which was a reduction of \$7,188 from 2018/19 levels, and is planned to decrease to 42% by 2022/23 under the new Operating and Program Support Grant agreement. As noted above, the apprenticeship expansion grant decreased by \$13.3 million over a four year period. The new funding model for post-secondary institutions will be tied to certain performance metrics. Although this change to the model has been delayed for the current fiscal year, this will create risk around future grant funding and will become a significant factor in NAIT’s future decisions.

Through sound fiscal management, NAIT has accumulated a sizeable investment portfolio, the earnings of which help provide funding for annual operations. At June 30, 2020, NAIT had cash and investments totalling \$265 million (\$291 million – 2019). Of this, net investments totaled \$83 million (\$102 million – 2019) excluding investments offset by debt or reserved for endowments. This amount has decreased over the last several years as NAIT has strategically invested in several major projects to position NAIT for the future, such as the Productivity and Innovation Centre, refurbishments to the L and T buildings and payment of severances relating to transformative initiatives. The reduction in balances, along with the continued volatility in investment markets from the COVID-19 pandemic, has resulted in lower than expected investment income.

EXPENSES

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

STAFFING

The transformation plan implemented by NAIT was critical in achieving long-term financial sustainability. As a part of this plan, there were significant staffing reductions identified in order to reduce ongoing expenditures and to meet the overall provincial funding reductions. NAIT chose to pursue voluntary departures first as an opportunity to reduce the number of involuntary redundancies associated with this transformation. As a result, severance costs incurred in 2019/20 were \$16,845, versus \$3,699 in 2018/19. These one-time costs were the main cause of NAIT's deficit in 2019/20 and will position NAIT to meet the future funding challenges.

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

CAPITAL

NAIT has completed many of the capital projects needed to reach the *NAIT 2021+* vision. This includes the completion of several significant projects and renovations that make the institution more efficient, effective and better positioned to support students and industry needs.

In light of the COVID-19 pandemic and the remote working environment it created for many staff, NAIT is reviewing its future campus needs. The increased use of technology across all programs and services also has NAIT examining its needs for physical spaces going forward. NAIT continues to work with government to develop a Collegiate, a Skills Centre and to support students by establishing student housing. The Collegiate is envisioned as a world-class high school and is an innovative approach to technology-based education, including within the skilled trades. The Skills Centre will be instrumental in consolidating NAIT's skilled trades education, currently located across three campuses, and modernizing this training to better meet the long-term needs of Alberta's industry and to help elevate industry to more competitive practices that increase competitiveness.

TECHNOLOGY

Well before the COVID-19 pandemic, NAIT's transformation strategy heavily depended on technology. COVID-19 advanced elements of existing technology transformation while exposing new requirements for technology investment. NAIT is committed to delivering world-leading polytechnic education and recognizes it will require considerable investments to maintain high quality as the institute expands technology-enabled virtual and blended programming. In May 2020, NAIT established a new internal reserve for technology transformation totalling \$5 million. This fund supported the effort to equip NAIT staff with the technology they needed to work and teach effectively from home.

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

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

FINANCIAL HEALTH INDICATORS

(financial data expressed in thousands unless otherwise noted)

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

HEALTH OF NET ASSET POSITION – ACCUMULATED SURPLUS

NAIT ended the 2019/20 fiscal year with a total accumulated surplus of \$239,364 (2018/19: \$270,042), including the accumulated remeasurement losses of \$3,372 (2018/19 gains \$10,911). It includes \$141,156 (2018/19: \$142,614) related to amounts invested in capital assets and \$47,244 (2018/19: \$45,779) held for endowments which continue to grow. Of the remaining \$50,964 of accumulated surplus, \$18,901 is reserved for Main Campus renovations, \$4,754 for technology transformation and \$1,426 for other capital priorities. NAIT has also targeted \$6,131 to priority operational activities such as course redevelopment, Industry Solutions and advancement of strategic initiatives.

The best indicator of NAIT's financial strength is its accumulated operating surplus that has not already been spent on capital or committed to future expenditures. At the end of 2019/20, this amount was \$19,752 (2018/19: \$43,991), or approximately 5.2% of NAIT's annual operating expenses. The COVID-19 pandemic caused significant market volatility of NAIT's investments and was a major contributor to the decline of NAIT's accumulated operating surplus. The drop in accumulated remeasurement gains and losses of \$14,283 had a significant impact. Note 11 to the financial statements contains a more complete picture of NAIT's accumulated surplus.

HEALTH OF YEARLY OPERATING DEFICIT/SURPLUS

NAIT ended 2019/20 with an operating deficit of \$17,860 (2018/19 deficit: \$5,638). Much of the deficit related to severance costs of \$16,845 and a \$15,763 decline in NAIT's revenues attributable to the COVID-19 pandemic that were partially offset by reduced spending on utilities, supplies and labour of \$14,748.

FINANCIAL SUSTAINABILITY – LOOKING FORWARD

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

- Grow earned revenues through developing a robust Industry Solutions model and grow our continuing education revenue.
- Maximize the use of existing resources (instructors and classrooms) within credit programming and ensure net new growth allows an effective balance between tuition revenue and cost of program delivery.
- Increase international enrolment to diversify NAIT's campus and grow revenue.
- Advocate for sustainable funding and tuition models that consider outcomes and support growth.
- Negotiate labour agreements with the appropriate balance of affordability and ability to recruit the necessary staff to achieve NAIT's vision.
- Continue to pursue and refresh the capital plan based on affordability and efficiency (efficient use of space, consolidation to one Main Campus), and provide space to meet NAIT's long-term vision.
- Optimize the use of resources to ensure they are being used as efficiently as possible.
- Continually assess services offered and ensure they align with NAIT 2021+.
- Improve the productivity of our information technology and other systems and processes. Currently, NAIT has greater than 20 information technology projects alone, many of which include elements resulting in significant efficiency in their business cases which will automate and innovate our processes.

FINANCIAL RISKS AND IMPLICATIONS

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

- 1. COVID-19** – The COVID-19 pandemic has significantly impacted NAIT's operations. As part of NAIT's continuing efforts to minimize the spread of COVID-19, most buildings on campus have been temporarily closed until further notice. Effective March 16, 2020, NAIT moved to a remote delivery model for classes. NAIT shifted to a blended delivery model for the 2020 fall and winter terms. This will limit activity on campus to prioritize the health and safety of staff and students. Due to temporary closures and reduced campus activity, future ancillary revenues will be negatively impacted.

At the same time, the Government of Canada announced closure of Canada's borders to non-essential international travel, which took effect on March 18, 2020. Although courses continue to be delivered remotely, restrictions on international travel are impacting international student enrolment and related tuition revenues. Immigration, Refugees and Citizenship Canada has made changes to restrictions for international student travel, however, the unpredictability of the pandemic means that changes to travel restrictions can happen at any time and affect international student enrolment and related tuition revenue.

Most NAIT employees have successfully transitioned to working remotely during the COVID-19 pandemic. Temporary layoffs and reductions in hours of work has been, and will continue to be, considered as staffing requirements change in response to reduced on-campus activities.

COVID-19 has created a significant amount of volatility with NAIT's investments. The market value of investments declined sharply during March 2020 but have rebounded in subsequent months. Any decline in value of these investments as of June 30, 2020 is assessed as temporary in nature, and any unrealized losses resulting from the temporary decline in value have not been recorded in the statement of operations. Continued volatility in the market is expected in the subsequent periods and NAIT will continue to assess whether there is a permanent impairment of value.

Before the emergence of the COVID-19 pandemic, NAIT was operating under a general guideline of announced funding decreases to its operating grant over this and the next three fiscal years. The emergence of this pandemic along with the historic drop in oil prices has resulted in uncertainty about future provincial funding.

During the temporary closure of campus last spring, several applied research projects that required specific equipment and machinery were delayed. NAIT has worked with funders to re-assess the dates of deliverables associated with these projects and continues to provide applied research to industry and government partners. It is unclear what the long-term impact will be on future research funding as the provincial and federal governments assess the economic damage caused by the crisis, and as industry partners begin to rebuild after the impact caused by the pandemic.

The economic impacts of COVID-19 present uncertainty for fundraising in the years ahead as the economy recovers. However, it is too early in the year to forecast specific implications to fundraising targets and results.

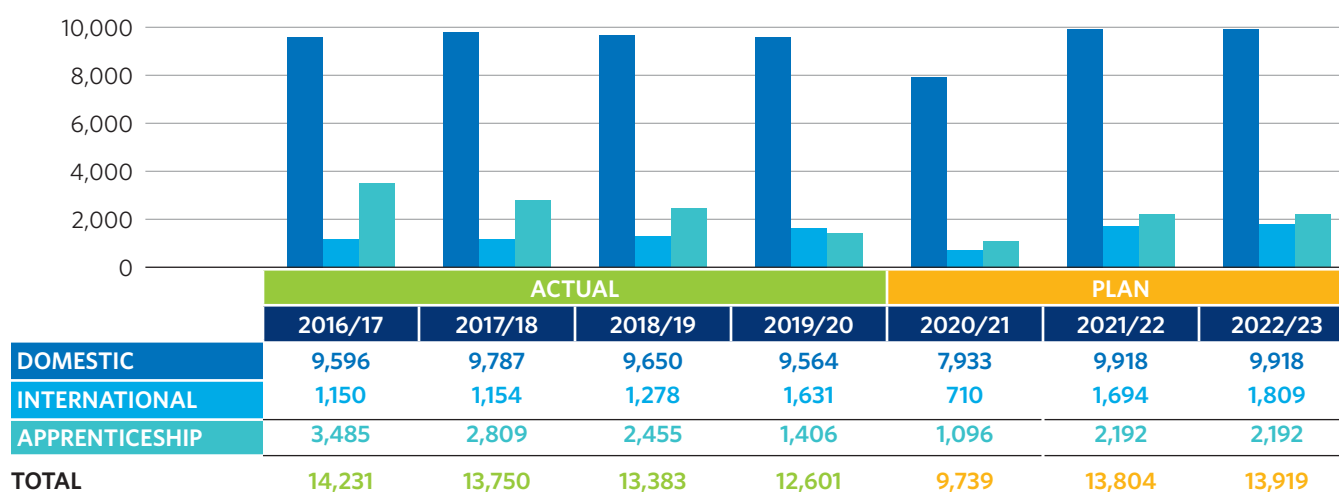
- 2. Government Funding** – The Government of Alberta introduced a new funding model in 2019/20. This new model is performance-based, requiring NAIT to achieve certain metrics in order to qualify for the full amount of funding. If NAIT does not achieve these metrics, government funding will be reduced proportionately related to the amount that NAIT did not achieve these targets. Funding tied to the performance-based metrics represents a risk for NAIT if its targets are not achieved. NAIT's focus will be to understand the targets and to continue to take steps to ensure it meets expectations for delivery of services in an efficient and effective way. Though the implementation of the performance metrics of this funding model was delayed as a result of COVID-19, NAIT has taken steps to take aggressively reduce expenditures in future years to balance our budget in the new funding model.

The provincial government has also commissioned a comprehensive review of post-secondary education called "Alberta 2030: Building Skills for Jobs." The results of this review are expected by late 2020. It is expected that this review will help develop an implementation roadmap that will be used by the government by early 2021. At this point, it is too early to predict the impact of this review, but future funding models could be affected as a result.

Government funding is always tied to the health of the economy and emerging fiscal pressures. The COVID-19 pandemic has created significant challenges for the economy and the fiscal pressures on the government have intensified. As a result, the Government of Alberta's pressures to reduce the rising deficit means that future government funding remains at significant risk. NAIT continues to mitigate this risk by pursuing opportunities to increase effectiveness and efficiency, as well as reducing reliance on government funding.

- 3. Competition for Staff** – Like most organizations, NAIT’s largest expense is its employee salaries and benefits, most of which are governed by the terms and conditions of collective agreements. NAIT competes for highly talented and skilled employees, both for instruction and for the administration and operation of the organization. While NAIT always strives to negotiate fiscally prudent collective agreements, there is a constant tension between financial pressures and the ability to attract and retain talent.
- 4. Enrolment Growth Funding** – NAIT’s plan, as outlined in the *NAIT 2021+ vision*, forecasts continued growth in enrolment, including international students. NAIT continues to see growth in full-load equivalents (FLE) in degree, diploma and certificate programs, increasing from 10,928 FLE in 2018/19 to 11,195 in 2019/20. The COVID-19 pandemic is anticipated to negatively affect NAIT’s growth plans next year, with FLEs for these programs forecast to decrease to 8,643 in 2020/21. Contrasting this, funding for apprenticeship programs has declined as fewer seats are required by government and funding has been reduced for many of the programs where seats have decreased. Apprenticeship FLE were 1,406 in 2019/20, down from 2,455 in 2018/19 and are expected to drop further to 1,096 in 2020/21 before levelling off and starting to recover.

NAIT FULL-LOAD EQUIVALENT (FLE) GROWTH



FLEs planned for 20/21 were based on estimates made at the early stages of the pandemic and are conservative. Actual enrolments are tracking closer to the 2019/20 levels.

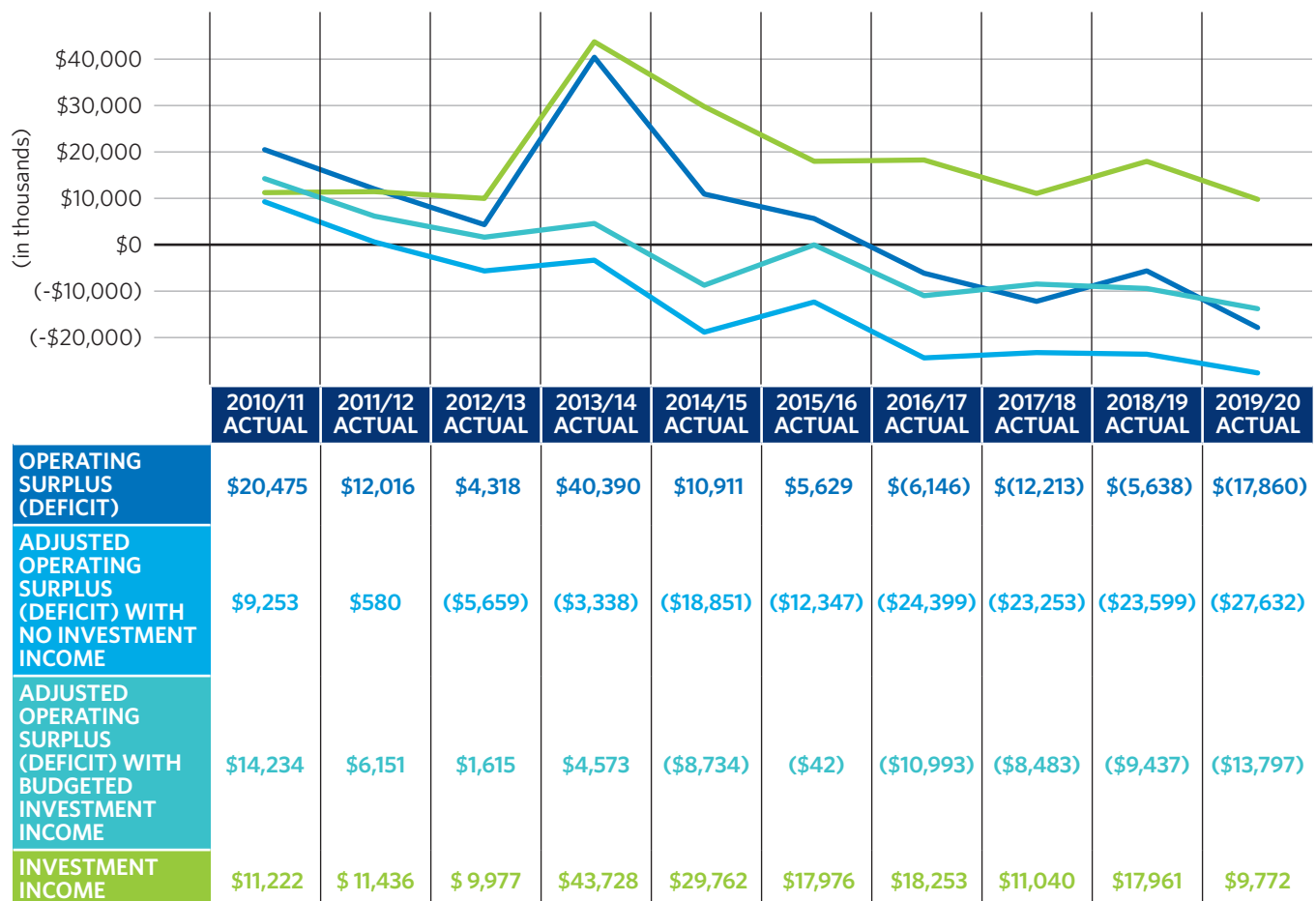
Currently, there is no mechanism to increase NAIT’s government funding for the general growth that NAIT is planning for over the next several years, after the end of the COVID-19 pandemic. This is a substantial risk and will limit NAIT’s ability to grow. This risk is especially prevalent for high-cost programs, even if these programs are the ones that the Alberta economy needs most. Though the tuition freeze has been lifted and helps to support some of the costs associated with growing programs, NAIT continues to advocate for a government funding model that recognizes student growth and parity of tuitions across the sector.

- 5. Increasing Student Supports and Services** – As a polytechnic, NAIT has placed a strong emphasis on developing students’ academic understanding and technical skills in targeted program areas. A more holistic student focus that emphasizes student health (both physical and mental), safety and additional wrap-around supports, such as student housing, continues to be developed in line with NAIT becoming a world-class polytechnic institution. These additional student supports and services come at a cost that NAIT needs to fund. In some cases, such as with mental health initiatives, there is targeted funding from Advanced Education, but in other cases, such as academic preparation for international students who are new to the Canadian post-secondary landscape, no new sources of funding exist. NAIT will continue to develop and analyze its data on the nature and needs of NAIT’s students in order to fully understand the specific types of supports and services they require most.

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 produced operating surpluses in past years. Investment revenues, by their nature, are subject to unstable returns. The investment market has produced very good returns, exceeding budget expectations for many of the past several years.

As NAIT uses some of its existing investments to fund institutional capital priorities and repay debt, NAIT will have lower investment revenues to support operations. Many of these investments now have been made, and NAIT intends to keep a sizeable investment balance in its long-term investment fund to support endowments and other institutional priorities. However, COVID-19 has created a significant amount of volatility in anticipated investment revenues. Notes 4 and 5 to the financial statements contain more complete information on NAIT’s investments and risk mitigation actions. The following chart shows the flow of NAIT’s deficit/surplus over time. It shows the overall deficit/surplus and what the results would be if adjusted for normal (budgeted) investment revenues, or no investment revenues. It is meant to show NAIT’s reliance on a volatile revenue source. See chart below:

NAIT ANNUAL SURPLUS (DEFICIT) ADJUSTED FOR INVESTMENT INCOME



DETAILED FINANCIAL RESULTS

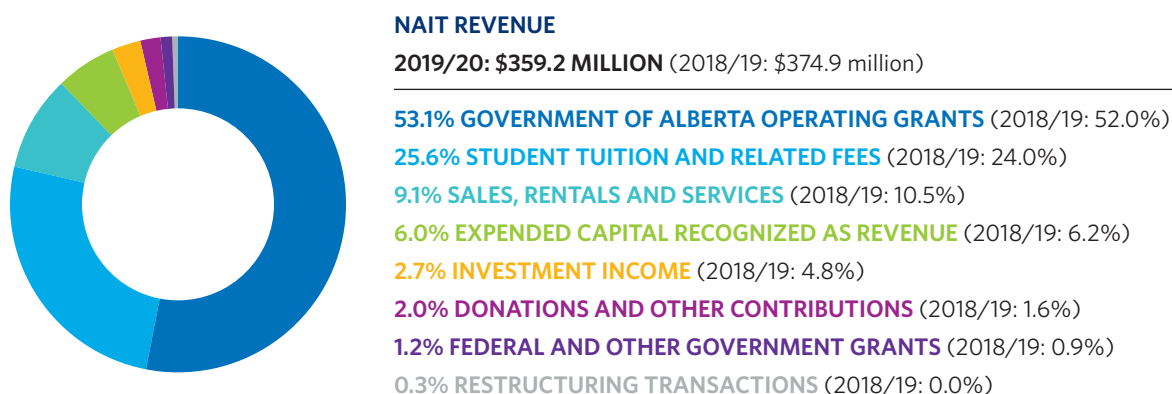
CONSOLIDATED STATEMENT OF OPERATIONS

(financial data expressed in thousands unless otherwise noted)

REVENUE

NAIT's total revenue decreased by \$15,763 (4.2%) this year, from \$374,917 in 2018/19 to \$359,154 in 2019/20.

The distribution of total revenue between revenue sources for 2019/20 is presented in the chart below. The comparative percentage for the previous year is shown in brackets.



Highlights of the revenue decreases are noted below:

GOVERNMENT OF ALBERTA GRANTS

Government of Alberta operating grants, which include the Campus Alberta Grant and several conditional and one-time grants, decreased from the prior year by \$4,143 (-2.1%). A brief summary is as follows:

- Campus Alberta Grant and Targeted Enrolment Grant, NAIT's base funding, decreased by \$6,417 (-3.8%) from \$168,848 in 2018/19 to \$162,431 in 2019/20 due to provincial funding reductions.
- Apprenticeship grant funding decreased by \$771 (-5.2%) from \$14,955 in 2018/19 to \$14,184 in 2019/20. While NAIT received funding for eight additional apprenticeship seats, from 10,434 in 2018/19 to 10,442 in 2019/20, the grant per seat was decreased 5% from \$3,830 in 2018/19 to \$3,640 in 2019/20.
- NAIT has also seen a \$3,485 (-74.9%) decrease in grants from Government of Alberta ministries and agencies other than Advanced Education. This includes a \$2,529 decrease from Economic Development, Trade and Tourism for various Applied Research projects, a decrease of \$731 from Energy Efficiency Alberta for two projects were funded in prior year but not in the current year, and a \$200 decrease from Agriculture and Forestry for the Centre for Effective Resource Management.

INVESTMENT REVENUE

Investment revenue decreased by \$8,189 (-45.6%) mainly due to a reduction in portfolio size for debt repayment and severance, in addition to lower returns and gains on sales.

The portfolio investment balances dropped by \$51,570 (-18.5%), from \$279,526 in 2018/19 to \$227,956 in 2019/20. This decrease is due to the liquidation of some investments to fund operations and the large severance payments that occurred in 2019/20.

Further information on cash and portfolio investments are in Notes 3 and 4 to the consolidated financial statements.

FEDERAL AND OTHER GOVERNMENT GRANTS

Federal and other government grants increased by \$842 (24.8%), from \$3,389 in 2018/19 to \$4,231. This increase is a direct result of increased government funded applied research activity that aligns with the NAIT 2021+ vision. An example of a recently funded project is the Centre for Grid Innovation. Additional increases in applied research revenues are captured in Government of Alberta grants and sales, rentals and services revenue categories.

STUDENT TUITION AND RELATED FEES

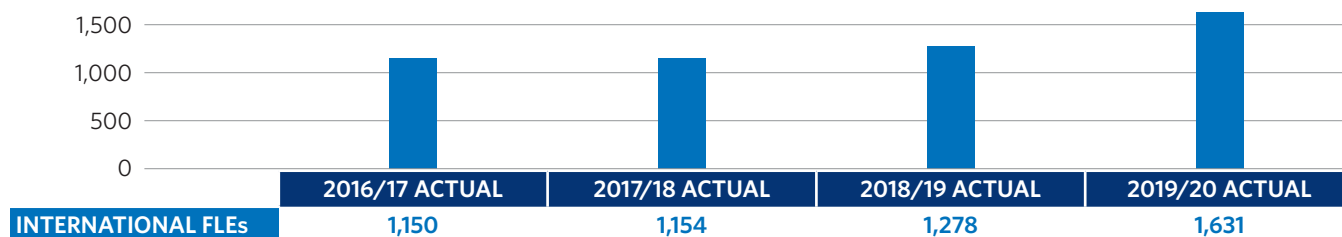
Student tuition and related fees revenue increased by \$1,910 (2.1%), from \$90,147 in 2018/19 to \$92,057 in 2019/20. Student tuition and related fees represent 25.6% of NAIT's overall revenue, increasing from 24.0% in 2018/19.

- There are several factors that influence the average tuition per FLE, such as 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.

	ACTUAL				CHANGE	PLAN	VARIANCE
FLE TREND	2016/17	2017/18	2018/19	2019/20	2018/19	2019/20	2019/20
DOMESTIC	9,596	9,787	9,650	9,564	(86)	9,723	(159)
INTERNATIONAL	1,150	1,154	1,278	1,631	353	1,537	94
APPRENTICESHIP	3,485	2,809	2,455	1,406	(1,049)	2,426	(1,020)
TOTAL	14,231	13,750	13,383	12,601	(782)	13,686	(1,085)

- Degree, diploma and certificate program revenues increased by \$2,674 (5.1%), from \$52,303 in 2018/19 to \$54,977 in 2019/20. Tuition fee rates remained frozen at 2014/15 levels as directed by Advanced Education. NAIT had an increase in enrolments (FLEs) of 267 (2.4%) from 10,928 in 2018/19 to 11,195 in 2019/20.
- Student tuition and related fees from apprenticeship training decreased by \$3,405 (-42.7%), from \$7,972 in 2018/19 to \$4,567 in 2019/20. This change was directly related to the cessation of apprenticeship classes in March, due to the COVID-19 pandemic. While NAIT was approved for eight additional apprenticeship seats from 10,434 in 2018/19 to 10,442 in 2019/20, the overall fill-rate dropped from 86% in 2018/19 to only 50% in 2019/20.
- Revenue from the international student surcharge increased from the prior year by \$4,629 (28.0%), from \$16,516 in 2018/19 to \$21,145 in 2019/20. Additionally, the percentage of international FLE overall increased from 9.5% in 2018/19 to 12.9% in 2019/20 of total FLE (excluding apprenticeship). International FLE increased from 11.7 % in 2018/19 to 14.6% in 2019/20. The international surcharge is the portion of tuition charged to international students above the domestic rate, which is meant to cover the full cost of the program.
- General growth of international student FLEs continues, increasing from 1,278 in 2018/19 to 1,631 in 2019/20 (27.6%).

INTERNATIONAL FLEs

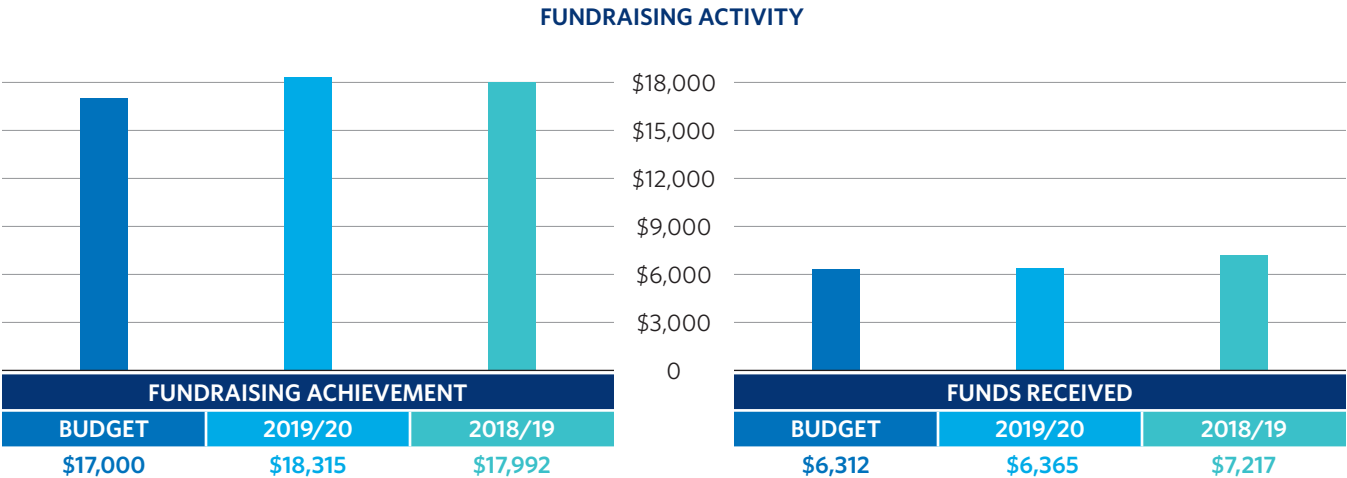


SALES, RENTALS AND SERVICES REVENUE

- Ancillary operations revenues decreased \$5,065 (-21.2%), from \$23,866 in 2018/19 to \$18,801 in 2019/20, resulting from the closure of the majority of operations due to COVID-19. Ancillary operations consist of:
 - shop AT NAIT (Bookstore) operations, which is 45% of the total ancillary revenue of \$8,493, decreased \$1,131 (-11.8%) from the prior year.
 - eat AT NAIT, which is 30% of the total ancillary revenue of \$5,662, decreased \$3,446 (-37.8%) from the prior year.
 - Parking, which is 20% of the total ancillary revenue of \$3,758, decreased \$1,311 (-25.9%) from the prior year.
 - Conferences and Events, which is 4% of the total ancillary revenue of \$833, decreased \$284 (-25.4%) from the prior year.
 - one AT NAIT (One Card) and Athletics make up the balance of ancillary revenue.
- Training contracts decreased \$3,540 (-35.9%), down from \$9,871 in 2018/19 to \$6,331 in 2019/20. This decrease is attributed to a combination of lower than planned contracts throughout the year and COVID-19 negatively affecting international and domestic training revenues.
- Other sales, rentals and services revenue includes NAIT’s share of PanGlobal management fees, Individual Learning Module (ILM) maintenance fees that NAIT collects as a result of producing and selling ILM’s 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 \$2,082 (37.8%), from \$5,510 in 2018/19 to \$7,592 in 2019/20 due to the new collection of ILM maintenance fees in collaboration with SAIT.

DONATION AND OTHER CONTRIBUTION REVENUE

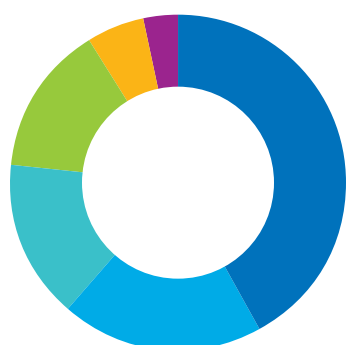
Donation and other contribution revenue includes the amount of revenue that is necessary to cover the fundraising costs of projects of NAIT’s Department of Advancement, gifts in kind that are expensed, and scholarships, bursaries and other expenses funded by donations. Donation revenues raised in a given year are not recognized as revenue until they are spent, so the financial statements only reflect donations spent this year and not all fundraising activity for the year. The recognized donation and other contributions increased by \$1,163 (19.0%), from \$6,118 in 2018/19 to \$7,281 in 2019/20 due to a large increase in non-government grants. However, revenue was lower than the planned \$8,166 in 2019/20. All fundraising activity (including cash, in-kind, and amounts not recognized yet) totalled \$18,315, well above the target of \$17,000.



EXPENSES

Total actual expenses decreased by \$3,541 (0.9%), from \$380,555 in 2018/19 to \$377,014 in 2019/20.

The distribution of total expenses by function for the 2019/20 fiscal year is presented in the following chart along with the comparative percentage for the previous year, shown in brackets.



NAIT EXPENSES

2019/20: \$377.0 MILLION (2018/19: \$380.6 million)

42.0% INSTRUCTIONAL DELIVERY (2018/19: 41.5%)

19.5% FACILITIES OPERATIONS AND MAINTENANCE (2018/19: 20.0%)

15.3% ACADEMIC AND STUDENT SUPPORT (2018/19: 15.7%)

14.5% INSTITUTIONAL SUPPORT (2018/19: 13.8%)

5.5% ANCILLARY SERVICES (2018/19: 6.2%)

3.2% APPLIED RESEARCH (2018/19: 2.8%)

0% FUNDRAISING (2018/19: 0%)

The key expense highlights compared to prior year are as follows:

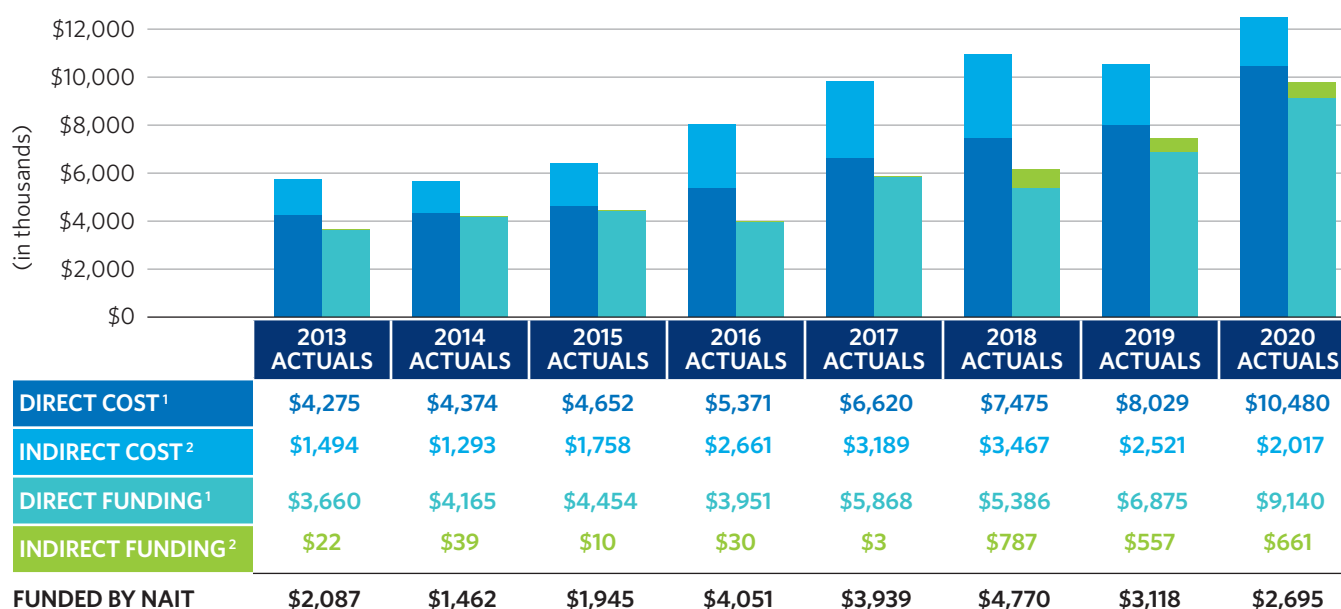
INSTRUCTIONAL DELIVERY

Instructional delivery decreased by \$520 (0.3%), from \$158,469 in 2018/19 to \$157,949 in 2019/20. Severance costs incurred for voluntary and involuntary departures increased by \$8,221, from \$1,664 in 2018/19 to \$9,884 in 2019/20. These one-time severance costs mostly offset operational savings achieved through our transformation plans across all departments.

APPLIED RESEARCH

Applied research expenses increased by \$1,667 (15.9%), from \$10,505 in 2018/19 to \$12,172 in 2019/20 due to increased project activities in existing research centres such as the Centre for Boreal Research and the opening of the Centre for Grid Innovation. As illustrated by the table below, NAIT's contribution to research has steadily declined over the past three years, from \$4,770 in 2017/18 to \$2,695 in 2019/20 (-43.5%).

APPLIED RESEARCH & INNOVATION OPERATING REVENUES & EXPENDITURES



¹ **Direct:** The costs and funding that are directly attributable to the applied research project such as direct labour, supplies and materials used in the project, etc.

² **Indirect:** The costs and funding that are not directly associated with the applied research project but are associated with maintaining an applied research operation such as administration, building costs, overhead, etc.

FACILITIES OPERATIONS AND MAINTENANCE

Facilities operations and maintenance expenses decreased over the prior year by \$2,368 (-3.1%), from \$75,931 in 2018/19 to \$73,563 in 2019/20. This decrease represents a combination of a \$2,721 decrease in amortization combined with an increase in utility costs and approximately \$1,634 in severance payments related to the outsourcing of custodial services and grounds services.

ACADEMIC AND STUDENT SUPPORT

Academic and student support expenses decreased by \$1,413 (-2.4%), from \$59,275 in 2018/19 to \$57,862 in 2019/20. The decrease was due to reduced staffing levels across multiple departments partially offset by higher severance cost this year.

INSTITUTIONAL SUPPORT

Institutional support increased by \$2,015 (3.8%), from \$52,682 in 2018/19 to \$54,697 in 2019/20. This increase mainly due to one-time severance costs, which increased by \$663 (44.3%), from \$1,496 in 2018/19 to \$2,158 in 2019/20. Interest expenses increased by \$1,398 (66%), from \$2,106 in 2018/19 to \$3,504 in 2019/20. This is a result of a refinancing NAIT's \$111,000 loan with the Alberta Capital Financing Authority with a higher interest rate.

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 \$2,823 (-12.0%), from \$23,591 in 2018/19 to \$20,768 in 2019/20. This is a direct result of lower sales volumes and related lower cost of goods sold and labour expenses due to COVID-19.

OPERATING RESULTS COMPARED TO BUDGET

The Consolidated Statement of Operations reports an operating deficit in the amount of (\$17,860), which arises from actual revenue being \$67,762 (-15.87%) less than budgeted and partially offset by actual expenses being \$11,470 (-2.95%) less than budgeted as follows:

	BUDGET 2019/20	ACTUAL 2019/20	DOLLAR VARIANCE	PERCENTAGE VARIANCE
Total Revenue	\$426,916	\$359,154	\$(67,762)	-15.9%
Total Expense	\$388,484	\$377,014	\$(11,470)	-3.0%
OPERATING SURPLUS (DEFICIT)	\$38,432	\$(17,860)	\$(56,292)	

The overall actual **revenue** was below budget by \$67,762 for the following reasons:

- The budgeted revenue included \$40,000 expected for a land transfer grant from the Alberta Government. NAIT received \$30,000 in 2019/20 however this grant is tied to NAIT's purchase of the Blatchford lands and may not be recognized until those lands are fully transferred to NAIT. Therefore, the full \$40,000 budgeted was not recorded in 2019/20.
- Student tuition and related fees were below budget by \$4,492.
 - Non-credit training was lower than budget by \$6,049 due to lower than planned enrolments resulting from a slower economic environment and the impacts of COVID-19.
 - Apprenticeship training was suspended in March, resulting in a 50% fill rate, causing tuition revenues to be \$3,413 below budget.
 - Degree, diploma and certificate revenues were \$4,970 above budget mostly due to increased international enrolment. In response to COVID-19, most classes moved online last spring, while deferring in-person lab work without loss of tuition revenue.
- Training contract revenues were lower than budget by \$2,647 due to COVID-19.
- Investment revenue was below budget by \$4,063 (-29.4%) due to a large liquidation in NAIT's investment portfolio to fund operations and large severance payments coupled with lower returns caused by COVID-19's impact on the markets.
- Retail sales were lower than budget by \$5,485 (-22.6%) due to the shutdown of *eat AT NAIT*, Conferences and Events and parking due to the campus closure during the COVID-19 pandemic.
- Applied research and innovation revenues were above prior year, but below growth plans by \$6,669 (-38.9%). The 2019/20 budget for research and innovation included projects and contracts that did not come to fruition. The shortfall in revenue is offset by lower than planned spending.

The overall actual **expenses** were below budget by \$11,470 for the following reasons:

- Applied research costs were \$5,500 below budget in response to lower than planned revenues.
- Instructional delivery costs were \$2,926 above budget mostly due to one-time severance costs of \$9,884, which were offset by reductions in maintenance and classroom lab supplies.
- Academic and student supports were below budget by \$2,919, primarily due to reduced purchases of supplies (\$1,951) and contract labour (\$2,071), which were partially offset by one-time severance costs of \$2,582.
- Ancillary services expenses were below budget by \$2,129 due to lower cost of goods sold and staffing due to the COVID-19 shut down.
- NAIT leadership continued with the hiring chill this year, which resulted in many vacant positions remaining unfilled.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NAIT's consolidated statement of financial position gives a snapshot of the financial health of the organization in the Net Assets section. A few of the key variances in assets and liabilities show NAIT's preparation for growth over the past few years to meet the NAIT 2021+ vision. Both the key variances and net assets are described below.

CASH AND CASH EQUIVALENTS/PORTFOLIO INVESTMENTS

The total of cash and cash equivalents and portfolio investments (non-endowment) decreased by \$21,602, from \$233,095 in 2018/19 to \$211,493 in 2019/20. This decrease reflects the impacts of COVID-19 on operations and the market value of the investment portfolio, as well as large payouts for staff severances. Endowment funds also decreased by \$3,731 (6.5%) year over year, from \$57,718 in 2018/19 to \$53,987 in 2019/20, which was a direct result of the change in accumulated unrealized gains and losses as a result of COVID-19. Further information on cash and portfolio investments are in Notes 3 and 4 to the consolidated financial statements.

ACCOUNTS RECEIVABLE

The accounts receivable balance is made up of amounts owing from students, government, and government agencies and from industry partners. There was an increase of \$28,689 in accounts receivable, from \$8,123 in 2018/19 to \$36,812 in 2019/20, which was due to a \$30,000 receivable booked for a grant from Advanced Education for the Blatchford land purchase.

INVENTORIES FOR SALE

Much of the inventory of goods held for sale is at *shop AT NAIT* and includes smaller inventory balances for *eat AT NAIT*. The overall inventory decreased by \$155, from \$2,813 in 2018/19 to \$2,658 in 2019/20, due to lower sales requiring lower inventory levels.

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 \$8,585 in accounts payable and accrued liabilities, from \$31,251 in 2018/19 to \$39,836 in 2019/20. The increase is largely attributable to estimated staff severances accrued and not yet paid at June 30.

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 increased by \$1,452, from \$27,829 in 2018/19 to \$29,281 in 2019/20, primarily due to an increase of the number of employees on long-term disability.

DEBT

NAIT has two outstanding sources of debt: \$19,487 for the construction of the parkade, which matures in 2042, and \$108,745 for the construction of the Productivity and Innovation Centre and the purchase of the Blatchford land, which matures in 2049.

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 \$7,937 (46.6%), from \$17,026 in 2018/19 to \$9,089 in 2019/20, due to enrolment for the 2020/21 academic year not being opened until after the fiscal year end as a result of COVID-19.

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 \$25,719, from \$44,661 in 2018/19 to \$70,380 in 2019/20, primarily due to the Advanced Education grant for the Blatchford land purchase. Further details about deferred contributions can be found in Note 8 to the consolidated financial statements.

TANGIBLE CAPITAL ASSETS

The overall decrease in the value of the capital assets of \$24,550 is primarily due to acquisitions of only \$11,234 being lower than amounts amortized of \$35,725. Further information on tangible capital assets is disclosed in Note 9 to the consolidated financial statements.

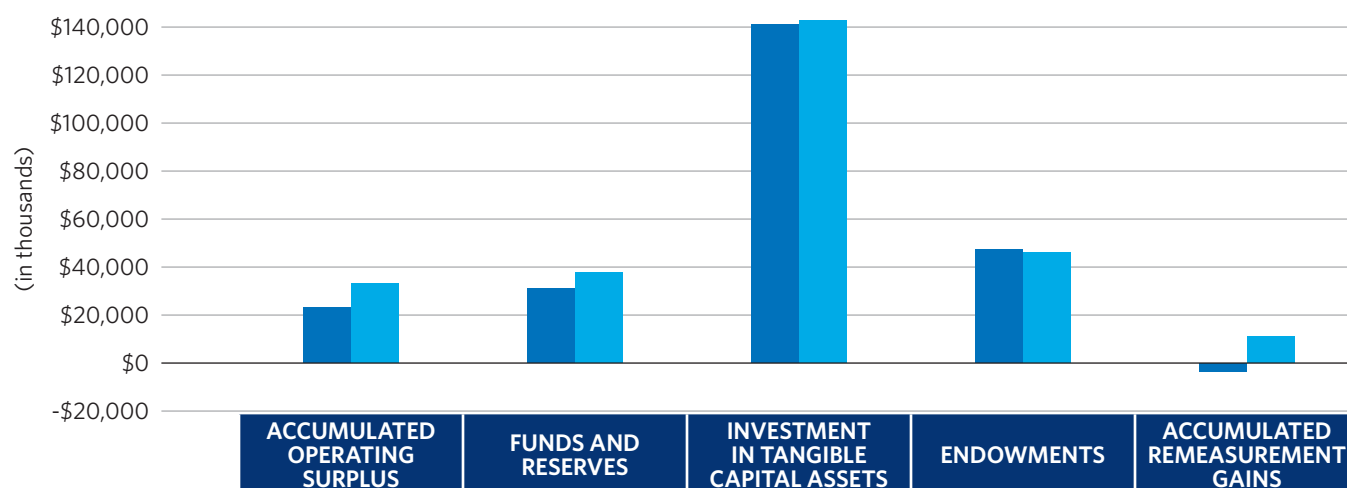
SPENT DEFERRED CAPITAL CONTRIBUTIONS

This category represents amounts spent on capital assets that have not yet been recognized as revenue. Much of the balance of \$316,645 in 2019/20 (\$331,921 in 2018/19) relates to donations and grants that have been spent on the construction of the Feltham Centre and PIC buildings, which will be recognized over the life of the buildings as they are amortized. Details are disclosed in Notes 8 and 10 to 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, and is described in Note 11 to the consolidated financial statements. The Net Assets decreased by \$30,678 (-11.4%), from \$270,042 in 2018/19 to \$239,364 in 2019/20, and is further disclosed as follows:

NET ASSETS



	2019/20	2018/19	INCREASE (DECREASE)	% CHANGE
ACCUMULATED OPERATING SURPLUS	\$23,124	\$33,080	(\$9,956)	-30.1%
FUNDS AND RESERVES	\$31,212	\$37,658	(\$6,446)	-17.1%
INVESTMENT IN TANGIBLE CAPITAL ASSETS	\$141,156	\$142,614	(\$1,458)	-1.0%
ENDOWMENTS	\$47,244	\$45,779	\$1,65	3.2%
ACCUMULATED REMEASUREMENT GAINS	(\$3,372)	\$10,911	(\$14,283)	-130.9%
TOTAL	\$239,364	\$270,042	(\$30,678)	-11.4%

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 \$6,446, made up from a decrease in capital reserves of \$10,058 due to the student housing reserve being returned to Accumulated Operating Surplus used to set up a Technology Transformation Fund of \$5,000. The details of the changes in funds and reserves can be found in Note 11 to the consolidated financial statements.

INVESTMENT IN TANGIBLE CAPITAL ASSETS

The tangible capital assets of \$523,320 are funded by the following sources:

	2019/20	2018/19
Internally funded (invested in tangible capital assets)	\$ 141,156	\$ 142,614
Externally financed (debt)	65,519	73,334
Externally funded (expended capital contributions)	316,645	331,921
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 523,319	\$ 547,869

The internally funded portion of \$141,156 in 2019/20 represents NAIT's internally funded portion of its assets. This decreased by \$1,458 from \$142,614 in 2018/19, as the investment in new capital assets slowed and did not exceed the amortization of existing assets. See note 9 to the consolidated financial statements for additional information on tangible capital assets.

ENDOWMENTS

Endowments have increased by \$1,465, from \$45,779 in 2018/19 to \$47,244 in 2019/20. 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 11 to the consolidated financial statements.

ACCUMULATED REMEASUREMENT GAINS

Remeasurement gains and losses are an instrument to adjust the investment portfolio to fair market value. As of June 30, 2020, the investment portfolio had a net remeasurement loss of \$3,576 (\$15,596 gain in 2018/19), of which \$204 was allocated to endowments (\$4,685 gain in 2018/19) and recorded in deferred contributions. The remaining \$3,372 was recorded as accumulated remeasurement losses (\$10,911 gain in 2018/19). The effect of the remeasurement gains are disclosed in the last table in Note 4 to the consolidated financial statements.

DETAILED FINANCIAL INFORMATION

The following provides information on NAIT's 2019/20 key operating indicators, leading to the calculation of the tuition revenue and net program cost per full load equivalent student for the degree, diploma and certificate programs; apprenticeship training programs; and other programs and services.

	Note	Degree, Diploma and Certificate Programs - full-time and part-time studies	Apprenticeship Training Programs	Other Programs and Services	TOTAL
a) Full-load equivalent students (FLE)	(i)	11,195	1,406	-	12,601
b) Tuition and training revenue	(ii)				
Degree, diploma and certificate programs		\$ 50,645	\$ -	\$ 4,332	\$ 54,977
Apprenticeship training		-	4,220	347	4,567
Continuing education		-	-	11,368	11,368
International student surcharge		-	-	21,145	21,145
Training contracts		361	-	5,970	6,331
		\$ 51,006	\$ 4,220	\$ 43,162	\$ 98,388
c) Net program cost	(iii)				
Expenses per financial statements		\$ 233,318	\$ 84,252	\$ 59,444	\$ 377,014
Less cost recoveries		(742)	(51)	-	(793)
		\$ 232,576	\$ 84,201	\$ 59,444	\$ 376,221
d) Tuition revenue per FLE (in dollars)		\$ 4,556	\$ 3,001		
e) Net program cost per FLE (in dollars)		\$ 20,775	\$ 59,887		
f) Tuition revenue as a percentage of net program cost		21.9%	5.0%		

An analysis of the tuition revenue as a percentage of net program costs highlights the erosion of the amount that tuition supports the cost of delivery of programs. The degree, diploma and certificate programs tuition supported 21.9% of the net program cost of delivery in 2019/20, which was up slightly from 20.9% in 2018/19 versus 22.5% in 2014/15 when the tuition freeze was put in place. For apprenticeship training programs, the tuition is a very low percentage of the cost of providing the training — 5.0% in 2019/20, down from 7.9% in 2018/19 (versus 10.5% in 2014/15). This erosion is directly related to the fact that fixed costs continue to increase with inflation, yet tuition has been frozen at 2014/15 levels. Additionally, the apprenticeship programs were suspended in March due to COVID-19, causing fill rates to drop to 50% of approved seats. This erosion is impacting NAIT's ability to expand to meet the expected forecasted demand, especially in the higher-cost trades due to expensive equipment or supplies. Given the value that skilled tradespeople provide to the Alberta economy and the impact it causes when there are shortages, NAIT believes that tuition and funding for expansion is critical.

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

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

Note (ii) - Tuition and Training Revenue

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

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

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

Note (iii) - Net Program Cost

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

Net program cost for the Other Program and Services segment consists of all expenses not attributed to the Degree, Diploma and Certificate programs and the Apprenticeship Training Program segments. It includes non-credit continuing education courses, international education projects, athletic programs, ancillary operations (shop NAIT, food services and parking) and expenses related to fundraising events of NAIT's Department of Advancement.

SELF-GENERATED REVENUE

(financial data expressed in thousands unless otherwise noted)

NAIT is continuously developing and evolving its operations to diversify revenue sources beyond government funding and regulated tuition. NAIT continues to provide exemplary services to students, staff, industry partners and the Alberta economy. Key to balancing this diversification is making sure that NAIT provides services of the highest quality and that support its overall vision to be a world-class polytechnic. NAIT takes a careful and planned approach to assess its operations and to avoid risks to finances or reputation and will continue to assess those services into the future. NAIT's financial sustainability strategy includes growing earned revenues as one of its eight pillars to improve its financial position and support overall operations.

Below is a description of each self-generated revenue source and the impact to NAIT's operations.

AUXILIARY/ANCILLARY SERVICES

- *shop AT NAIT* (bookstore) is the one-stop-shop for learning resources, supplies, NAIT apparel, technology accessories and more. It serves the NAIT community through three convenient locations plus a vibrant online store. *shop AT NAIT* gross revenues for 2019/20 were \$8,493 and contributed \$381 to NAIT's operations in net margins above direct expenses.
- *eat AT NAIT* (food services) is focused on providing excellent food, great value and superior customer service to everyone in the NAIT community. NAIT owns, operates and manages 13 food services locations on Main, Souch and Patricia campuses. These services have been dramatically impacted by the shut-down of our campuses due to COVID-19 and the limited number of staff and students currently learning and working on campus. Many of the staff have been permanently laid off as only a limited number of outlets have been reopened. The gross revenues for 2019/20 were \$6,496, but due to the significant impact of COVID-19 there was no contribution back to NAIT in 2019/20.
- Print Solutions delivers a full range of digital copying and printing services to support NAIT's academic, operational and promotional requirements. This unit operates primarily as a cost-recovery service but is both revenue generating and a support to NAIT internal operations so there were no net margins for this reason. The gross revenues were \$1,839 in 2019/20.
- Conference and Event Services provides full-service event solutions with a 5-star customer experience for NAIT and external clients. Conference and Events Services supports internal events such as convocation, Professional Development Day and NAIT's long service awards. External events have included CBC's The National, the ASTech Awards and BSides Edmonton 2019 Cyber Security Conference. This unit is both revenue generating and supports the needs of NAIT internal operations so there were no net margins for this reason. The pricing for external events includes recovering the costs of the event and contributing to NAIT's overall operations. With the addition of the Productivity and Innovation Centre in 2018, Conference and Events Services has become a new and growing operation for NAIT. The gross revenues were \$833 in 2019/20.
- NAIT offers parking services to staff, students and visitors and evaluates the fees charged annually against the costs associated with maintaining and servicing its parking spaces. As part of NAIT's response to the COVID-19 pandemic, parking fees have been waived for students, staff and visitors through December 2020. The gross revenues for 2019/20 were \$3,758 and contributed \$134 to NAIT's operations in net margins above direct expenses

ACADEMIC ENTERPRISES

- In addition to offering credit education, NAIT also partners with businesses on their workforce development, product commercialization and innovation needs through Industry Solutions. The revenue streams are integrated in all that NAIT does and are described throughout this self-generated revenue section of the report.
- Industry Solutions offers services and solutions to help industry partners:
 - adopt new technologies
 - test and innovate their products
 - improve business innovation and productivity
 - help find answers for industry-driven research and tangible problems
 - bring businesses together to learn and network through hosting conferences and events
- NAIT offers essential education geared for lifelong learning and professional development that is flexible and accessible. Through Continuing Education, NAIT provides a variety of ways to gain new skills and additional education including through self-directed formats, in virtual classrooms, one-day courses or longer certificate programs. Continuing Education delivers non-credit programs and courses in four categories: career programs, professional development, academic preparation and general interest. NAIT educates more than 14,000 students each year in over 800 course offerings and 200 certificate programs, with the majority of the courses being delivered by contract instructors. Continuing Education maintains portfolios of programs that are aligned to each of the four schools and manages the NAIT Assessment Centre, which provides assessment services to students and external clients, such as administering distance exams and resolving exam conflicts. Continuing Education works with external subject matter experts and NAIT faculty members to identify new non-credit courses and program opportunities and supports NAIT staff in the development of new courses to meet evolving industry needs. Continuing Education had gross revenues of \$11,368 for 2019/20 and contributed \$5,247 to NAIT's operations in net margins above direct expenses.
- Corporate and International Training (CIT) is part of the business and industry solutions provided by NAIT. This department delivers high-quality, industry-recognized workforce training to companies locally, nationally and worldwide by drawing from NAIT's more than 200 programs. CIT customizes and delivers training to meet industry's need to stay competitive and productive. The department engages with educational institutions, government and industry internationally to deliver institution building and capacity development projects. CIT is a revenue-generating, self-sustaining department that provides financial contribution back to NAIT. Corporate and International Training had gross revenues of \$4,972 for 2019/20 and contributed \$1,377 to NAIT's operations in net margins above direct expenses.
- NAIT's applied research is industry-driven and works with partners to solve problems that matter to them. NAIT collaborates with other post-secondary institutes, government and funding agencies to develop solutions to industry's challenges. NAIT currently has eight applied research centres and initiatives that are built on existing institutional expertise and aligned with the needs of our industry partners and our economy. Further, NAIT has six applied research chairs who lead the applied research initiatives and help develop solutions for industry partners. NAIT's applied research expertise focuses on environmental stewardship, climate leadership and effective resource management. There is a combination of NAIT's Campus Alberta Grant supporting part of our applied research mandate within the Post-Secondary Learning Act, industry fee-for-service revenues and federal and provincial research grants that support this work. The gross revenues for applied research were \$10,675 in 2019/20.
- The Retail Meat Store sells products prepared by students in the Professional Meat Cutting and Merchandising program and is open to staff, students and the general public. The store provides students with the real-world education NAIT is known for, giving students retail sales training, including customer service and display and merchandising. Gross revenues were \$339 in 2019/20.
- Ernest's, NAIT's fine dining room, has been an integral part of the Department of Culinary Arts and Professional Food Studies since 1963. It provides hands-on restaurant and service experience for students in the Culinary Arts and Hospitality Management programs. Gross revenues were \$57 in 2019/20.

COMMERCIAL ENTERPRISES

- NAIT currently does not have any commercial enterprises as defined in the annual report requirements. NAIT will be investigating the opportunity to create a land trust in the future. As NAIT revisits its Campus Development Plan and assesses its need for campus expansion, NAIT will consider commercial enterprises.

ENROLMENT PLAN AND PROGRAM CHANGES

NAIT's polytechnic education continues to deliver relevant, hands-on learning opportunities aligned to the needs of Alberta. Programs support the diversification of Alberta's economy by partnering with industry – for curriculum development and through work-integrated learning opportunities – to create a skilled workforce. NAIT is committed to supporting learners through a lifelong learning cycle, from a first career to upskilling and/or reskilling.

NAIT continues to be an institute of choice for students looking to start a career upon graduation. At the same time, application pressures are strongly influenced by Alberta's economy. NAIT continues to trend in an upward direction with student numbers in certificate, diploma and degree FLEs either growing or remaining consistent for the past five years. This past year saw a slight increase in FLEs from the previous year while numbers continue to be affected by an unstable oil and gas sector. NAIT is continuing to respond to economic trends by evaluating its program mix to ensure a strategic approach to growth and contraction, as appropriate within each program. Overall, NAIT continues to expand access to credit programs.

As with credit programs, the Alberta economy is affecting NAIT's apprenticeship FLEs. Seats provided by Apprenticeship and Industry Training – which fully controls these numbers based on Alberta trends – continue to decline.

ENROLMENT

5-YEAR FLE ACTUALS

	2015/16	2016/17	2017/18	2018/19	2019/20
Degree, Diploma, Certificate	9,948	10,746	10,941	10,928	11,195
Apprentice	3,860	3,485	2,809	2,455	1,406

2019/20 FLE ENROLMENT BY CREDENTIAL

	PROJECTED 2019/20	ACTUAL 2019/20		PROJECTED 2019/20	ACTUAL 2019/20
Certificate	813	752	Apprentice	2,426	1,406
Diploma	7,874	7,813	TOTAL	2,426	1,406
Degree	1,709	1,908			
Non-credential	864	722			
TOTAL	11,260	11,195			

2018/19 FLE ENROLMENT BY PROGRAM

	PROJECTED 2019/20	ACTUAL 2019/20	SIGNIFICANT VARIANCE¹	VARIANCE EXPLANATION
CERTIFICATE	813	752		
Advanced Accounting-post diploma	15	-	-15	Program cancelled
Applied Financial Services	20	21	-	
Baking Certificate²	-	-	-	
CNC Machinist Technician	40	36	-	
Computer Network Administrator	40	39	-	Early exit from diploma program continues
Culinary Arts Certificate	100	94	-	
Emergency Management Certificates²	-	-	-	
Graphic Communications	40	41	-	
HVAC refrigeration Technician	40	35	-5	Student attrition
Magnetic Resonance Imaging	12	20	8	Increased admission quota
Medical Laboratory Assisting	47	38	-9	Due to Covid, 15 students did not graduate in 2019/2020
Medical Transcription	20	18	-	
Millwork & Carpentry	90	56	-34	Reduced admission quota
Optical Sciences - Contact Lenses	80	119	39	Increased employer demand
Power Engineering Certificate	20	10	-10	Students transferred to diploma
Pre-Employment - Autobody	18	14	-4	Last minute cancellations
Pre-Employment - Automotive	36	28	-8	Last minute cancellations
Primary Care Paramedic (Edmonton & Lethbridge)	65	55	-11	Competition from other providers
Professional Meat Cutting and Merchandising	25	26	-	
Veterinary Medical Assistant	35	29	-6	Reduced admission quota
Water & Wastewater Technician	70	75	-	
DIPLOMA	7,874	7,813		
Advanced Care Paramedic	42	38	-	
Alternative Energy Technology	80	73	-	
Animal Health Technology	62	59	-	
Architectural Technology	190	181	-	
Baking and Pastry Arts	51	52	-	
Biological Sciences Technology - Environmental Sciences	40	20		
Biological Sciences Technology - General	-	73		
Biological Sciences Technology - Laboratory & Research	40	17	13	
Biological Sciences Technology - Renewable Resources	40	23		
Biomedical Engineering Technology	34	33	-	
Biomedical Engineering Technology Co-op	6	6	-	
Building Environmental Systems Technology	15	11	-4	Lower student demand
Business Administration Diplomas	2,457	2,257	-200	Increased interest in BBA degree

	PROJECTED 2019/20	ACTUAL 2019/20	SIGNIFICANT VARIANCE ¹	VARIANCE EXPLANATION
Captioning and Court Reporting	42	50	8	Retention strategies employed
Chemical Engineering Technology	100	96	-	
Chemical Technology	70	78	8	Increased admission quota
Civil Engineering Technology	212	182	-30	Increased interest in Co-op and part-time
Civil Engineering Technology Co-op	36	58	22	Increased interest in Co-op
Computer Engineering Technology	136	155	19	Funded growth to support demand in 18-19; progressed students through 2019-2020 when funding wasn't continued
Computer Engineering Technology Co-op	2	7	5	Funded growth to support demand in 18-19; progressed students through 2019-2020 when funding wasn't continued
Construction Engineering Technology	165	162	-	
Culinary Arts	55	77	22	Increased admission quota
Dental Assisting Technology	68	66	-	
Dental Technology	32	38	6	Increased admission quota
Denturist Technology	45	49	-	
Diagnostic Medical Sonography	80	99	19	Increased admission and clinical quota
Digital Media and IT	820	978	158	Funded growth to support demand in 18-19; progressed students through 2019-2020 when funding wasn't continued
Digital Media and IT Co-op	10	10	-	
Disaster and Emergency Management	95	121	26	Increased industry demand
Electrical Engineering Technology	142	130	-	
Electronics Engineering Technology	65	75	10	Completed students from previous years
Electronics Engineering Technology Co-op	5	6	-	
Engineering Design Technology	80	87	-	
Forest Technology	90	102	12	Increased admission quota
Geological Technology	40	47	7	Increased admission quota
Geomatics Engineering Technology	50	42	-8	Attrition from year 1 to year 2
Hospitality Management	70	78	8	Increased admission quota
Industrial Heavy Equipment Technology	80	77	-	
Instrumentation Engineering Technology	216	197	-	
Instrumentation Engineering Technology Co-op	2	4	-	
Interior Design Technology	100	105	-	
Laboratory and X-Ray Technology Combined	84	78	-	
Landscape Architectural Technology	50	49	-	
Magnetic Resonance First Discipline	32	35	-	
Materials Engineering Technology	48	38	-10	Student attrition, lower enrolment, softening industry sector
Mechanical Engineering Technology - General	174	144	-30	Student attrition, lower enrolment, softening industry sector

	PROJECTED 2019/20	ACTUAL 2019/20	SIGNIFICANT VARIANCE ¹	VARIANCE EXPLANATION
Mechanical Engineering Technology - Manufacturing ²	-	-	-	
Medical Laboratory Technology	65	65	-	
Medical Radiologic Technology	98	73	-25	Credit load change for clinical placement, student attrition
Nanotechnology Systems	42	47	-5	Completed students from previous years
Network Engineering Technology	38	42	-	
Network Engineering Technology Co-op	3	0	-	
Occupational Health and Safety	62	71	9	Increased retention
Optical Sciences - Eyeglasses	445	387	-58	Response to lower industry need
Personal Fitness Trainer	230	196	-34	Lower student demand
Petroleum Engineering Technology	80	80	-	
Photographic Technology	50	48	-	
Power Engineering Technology	130	154	24	Increased admission quota
Radio and Television - Radio	45	42	-	
Radio and Television - TV	55	62	7	Increased admission quota
Respiratory Therapy	138	142	-	
Wireless Systems Engineering Technology	40	40	-	
DEGREE	1,709	1,908		
Bachelor of Applied Business Administration - Finance	50	43	-7	Decreased enrolments
Bachelor of Applied Information Systems Technology - Information Systems	70	73		
Bachelor of Applied Information Systems Technology - Network Management	50	56	6	Change in admission requirements
Bachelor of Business Administration	1,279	1,357		
Bachelor of Technology in Construction Management	50	45		
Bachelor of Technology	210	334	124	Increased admission quota
NON-CREDENTIAL	864	722		
Academic Upgrading	425	356	-69	Changed program competitive entry requirements and increased admission pathways
Open Studies	439	366	-73	Decrease in number of courses available for Open Studies

¹ Significant Variance is +/- 10% from projected

² Programs that have been suspended

2018/19 INTERNATIONAL FLE ENROLMENT BY PROGRAM

	PROJECTED 2018/19	ACTUAL 2018/19	SIGNIFICANT VARIANCE (+/- 10% FROM PROJECTED)	VARIANCE EXPLANATION
Applied Financial Services Certificate	5	5	-	
Business Administration Diploma	460	702	242	Changes to international recruitment process
Bachelor of Applied Business Administration - Finance	20	19	-	
Bachelor of Technology in Technology Management	50	130	80	Changes to international recruitment process
Digital Media and IT	200	213	-	
Hospitality Management Diploma	20	39	19	Changes to international recruitment process
Instrumentation Engineering Technology	50	47	-	
Wireless Systems Engineering Technology	10	12	-	

2019/20 APPRENTICESHIP SEATS BY PROGRAM

The volume of apprenticeship training offered is based on requests by the Apprenticeship and Industry Training (AIT) branch of Alberta Advanced Education. NAIT has seen a decline in seats offered in apprenticeship in response to the softening of Alberta's economy. The total negotiated apprenticeship seats in 2019/2020 were 10,438, a significant difference from 2015/2016 when negotiated seats peaked at 15,417. COVID-19 affected apprenticeship in March 2020 and apprenticeship classes were cancelled from March through to the end of spring term. This significantly affected the overall fill rates for the year.

The trade commitment level was determined when the initial request was made by AIT to offer that program at NAIT. These seats are funded through the Campus Alberta Grant. Seats offered in programs that are above commitment levels are funded through the Apprenticeship Technical Training Grant (ATTG).

	2019/2020		
	FILLED SEATS	PLANNED/ NEGOTIATED SEATS	TRADE COMMITMENT LEVEL
APPRENTICESHIP	5,224	10,438	8,982
Auto Body Technician	85	142	240
Automotive Service Technician	435	832	630
Baker	14	36	96
Boilermaker	116	192	108
Cabinetmaker	51	99	150
Carpenter	341	720	500
Communication Technician	15	48	96
Cook	51	108	230
Crane & Hoisting - Boom Truck/Mobile Crane	82	176	204
Electrician	1,087	2,028	1,050
Electronics Technician	0	0	84
Floorcovering Installer	0	0	48

	2019/2020		
	FILLED SEATS	PLANNED/ NEGOTIATED SEATS	TRADE COMMITMENT LEVEL
Gasfitter	35	72	72
Glazier	49	80	80
Heavy Equipment Technician	546	1,008	600
Instrument Technician	191	352	450
Insulator	127	288	144
Ironworker	64	234	216
Lather – Interior Systems Mechanic	17	24	60
Machinist	97	180	330
Millwright	316	520	420
Outdoor Power Equipment Technician	21	48	0
Painter & Decorator	0	0	48
Parts Technician	117	221	170
Pipe Trades Common 1st period ¹	149	312	0
Plumber	299	624	600
Power lineman Technician	95	240	70
Power Systems Electrician	10	24	28
Refrigeration and Air Conditioning Mechanic	119	240	140
Rig Technician	0	0	0
Roofer	39	72	60
Sheet Metal Worker	143	360	232
Steamfitter-Pipefitter	137	360	320
Structural Steel & Plate Fitter (Steel Fabricator)	14	48	96
Welder	362	720	1,410

¹ This number is a collective number of seats for 1st period Gasfitter, and 1st period Steamfitter/Pipefitter and 1st period Plumber.

PROGRAM CHANGES

NAIT received approval to launch two new post-diploma certificates.

- Cybersecurity will run some courses in May 2021 with full program launch in September 2021.
- Data Analytics will fully launch in September 2021.

Applications are currently being accepted for both programs.

APPLIED RESEARCH AND SCHOLARLY ACTIVITY

APPLIED RESEARCH WITH INDUSTRY

As a polytechnic, NAIT's mandate is to be relevant and responsive to industry needs. This mandate is achieved through educating the skilled workforce Alberta needs, and by providing services and supports – including applied research – that help organizations become more globally competitive.

NAIT's applied research is industry-driven, working with partners to solve problems that matter to them. NAIT collaborates with other post-secondary institutes, government and funding agencies to develop solutions to industry's challenges. NAIT currently has 8 applied research centres and initiatives that are built on existing institutional expertise and align with the needs of industry partners and Alberta's economy. Further, NAIT has 6 applied research chairs who lead the applied research initiatives and help develop solutions for industry partners. Applied research expertise focuses on environmental stewardship, climate leadership and effective resource management. NAIT supports industry with talent development and capacity building, contributing to Alberta's economic diversification and job creation.

NAIT Industry Solutions uses its expertise in applied research, training, networking and community building to serve industry through 4 core capabilities: knowledge development and dissemination, product development and improvement, talent development and engagement and capacity building and development. The Productivity and Innovation Centre, which opened in fall 2018, is dedicated to supporting industry.

EXISTING APPLIED RESEARCH CENTRES

- NAIT's Centre for Oil Sustainability (COSS) works with industry to develop technologies that improve the economic and environmental performance of the oil sands. In 2019, the centre received funding for an Industrial Research Chair for Colleges in Tailings Management (\$1 million over five years). Through this work the centre supports industry partners to develop improved technologies and processes that contribute to tailings management. In 2020, the centre received \$1.75 million for a new Technology Access Centre that will allow researchers to work closely with industry to develop new technologies that will address oil sands tailings water treatment and analysis. This includes the development of large-scale piloting facilities and will further support talent development efforts.
- NAIT's Centre for Boreal Research develops best practices and technologies that enables industry to address the management and reclamation of disturbed landscapes and promotes environmental stewardship. In 2019, the centre received \$1.75 million for a new Technology Access Centre in Plant and Seed Technologies to develop and disseminate best practices for seed collection, storage and germination of native shrub and forb seed species, which are essential for reclamation. Through this work, the centre engages remote and rural communities, particularly Aboriginal communities, and focuses on capacity building, economic diversification and job creation that supports the reforestation work of disturbed lands in the boreal forest.
- A vital hub supporting NAIT's applied research activity is NAIT's Centre for Sensors and System Integration. The centre helps industry develop prototype devices and improve existing technologies addressing sensor-based challenges in resource extraction, construction, energy efficiency, environmental monitoring and other sectors.
- The primary areas of focus of the Applied Bio/Nanotechnology Industrial Research team are the development of methods and technologies to characterize and add value to industrial residual wastes and by-products, and the scale up and field validation of technologies for the remediation of sites impacted by hydrocarbons and industrial brines. Technologies developed through this initiative support Alberta's environmental stewardship.

NEWER INITIATIVES

- NAIT's Centre for Culinary Innovation was created to help companies transform Alberta-grown ingredients into new, improved or value-added food products that can be commercialized. The vision is to help increase sustainability and food security within Alberta and Canada. Funding of \$2 million facilitated construction of a state-of-the-art research kitchen, which was completed in late 2019.
- The Centre for Applied Disaster and Emergency Management provides combined professional development and an immersive training environment to disaster and emergency management professionals in Alberta and beyond. The centre aspires to develop innovative solutions that lead global best practices in this field and purposefully support efforts in the development of resilient communities and organizations. The custom-built, state-of-the-art simulation laboratory enables users to model scenarios, refine processes and enhance their ability to mitigate, prevent, prepare for, respond to and recover from emergency and disaster events. The lab enabled the development of an interactive COVID-19 dashboard showing current and historic COVID-19 data.
- In collaboration with the University of Alberta's Future Energy Systems, ATCO and Siemens, NAIT's Centre for Grid Innovation helps industry develop solutions in the distributed energy marketplace through laboratory-based innovation and product validation services. With a focus on environmental stewardship and climate leadership, the centre received \$4.6 million in 2018 and in 2019. Phase one of the specialized laboratory was completed in late 2019 and phase two is expected to be completed by early 2021.
- NAIT's Centre for Innovative Media works with companies in multiple industries to help optimize operations through the development of innovative software and content, data visualization tools and user interfaces, including virtual and augmented reality and machine learning. The centre anticipates significant expansion of its specialized equipment and client-support facilities.

As one of two polytechnics in the province, NAIT holds a key place in Alberta's post-secondary landscape, providing applied research expertise to help industry grow productivity, enhance its technological capabilities and diversify Alberta's economy.

STUDENT APPLIED RESEARCH AND INNOVATION

APPLIED RESEARCH, CAPSTONE AND TECHNICAL PROJECTS

NAIT students participate in applied research and innovation in several ways. Through senior-level applied research, capstone and technical projects, students work to solve a real-world challenge, often provided by an industry sponsor. As part of this process, student teams meet regularly with industry sponsors as they work to apply the skills and knowledge gained from their programs to solve an industry problem.

Industry-focused projects not only help NAIT students develop critical skills in applied research and innovation, they often result in important outcomes for industry. For example, a team of NAIT students won the Association of Science and Engineering Technology Professionals of Alberta (ASET) 2020 Capstone Project of the Year Award for building a technology enhanced white cane for people with visual impairments. The VISAIDE Smart Cane features remote smartphone accessibility and advanced obstacle and surface water detection.

In 2019/20, NAIT offered applied research, capstone and technical projects in more than 25 programs, including Data Analytics, Bachelor of Technology, Alternative Energy Technology, Biological Sciences – Environmental Monitoring and Assessment, and Digital Media and IT.

NAIT'S MAWJI CENTRE FOR NEW VENTURE AND STUDENT ENTREPRENEURSHIP

NAIT's Mawji Centre for New Venture and Student Entrepreneurship also provides students with opportunities for learning in applied research and innovation. Through NAIT's *Innovation Challenge* program, students work in interdisciplinary teams to take an everyday product or process and turn it into something of greater value – whether economic, environmental or social. *Innovation Challenge* submissions are presented to and judged by a panel of industry experts.

The Mawji Centre hosts an annual pitch competition wherein students outline a problem, describe a solution, articulate the market need and business model and share their progress to date – judged by a panel of industry experts. NAIT alumnus Jonathan Mui started Agriolabs after winning second place in NAIT's 2019 pitch competition. Agriolabs makes self-sufficient in-home garden systems for fresh and sustainable produce. The company continues to make strides and in only 20 hours raised more than \$45,000 in startup funds through a crowdfunding platform.

APPLIED RESEARCH STUDENT APPOINTMENTS

Finally, NAIT students also work within NAIT's applied research centres in paid positions supporting grant and industry funded applied research projects. During the 2019/20 academic year, 47 NAIT students worked on 66 funded applied research projects for industry ranging from boreal reforestation projects to automating manual processes

SCHOLARLY ACTIVITY

NAIT defines scholarly activity as any activity that involves the intentional investigation, integration and dissemination of knowledge. Scholarly activity intends to inform professional practice, contribute to the state of practice within a field and/or impact the broader external environment. NAIT has framed scholarly activity within the context of polytechnic education. This means that scholarly activity at NAIT is subject to polytechnic peer review involving peers from industry, teaching and/or research.

The Scholarly Activity Policy and Procedure has been implemented and NAIT continues to raise awareness of what scholarly activity is in the context of a polytechnic – including clarifying the expectations for conducting and reporting scholarly activity. Some of the actions taken during the 2019/20 academic year include:

- The formation of a professional learning community amongst faculty in the JR Shaw School of Business to share best practice and provide guidance, support and opportunities for scholarly activity.
- The development of scholarly activity handbooks and associated resources to guide and support staff to foster integration of scholarly activity into instructional practice at NAIT.
- The development of a resource to guide chairs through discussions about scholarly activity with instructors during the Performance Enhancement Process (PEP).
- Offering a virtual Scholarly Activity Day that provides an opportunity for instructors to get peer feedback and/or disseminate findings of their scholarly activity
- Providing support for instructors on planning scholarly activity, choosing a research question and navigating the Research Ethics Board process.

REGIONAL STEWARDSHIP, FOUNDATIONAL LEARNING, UNDERREPRESENTED LEARNERS

OVERVIEW

As part of NAIT's promise to students, we strive to create a learning experience that encompasses a student's mental, emotional, spiritual and physical well-being. To ensure that NAIT achieves this promise, we use collaborative and multifaceted strategies that support underrepresented learners in a polytechnic environment. These initiatives focus on identifying and removing barriers to learning and educational pathways, acknowledging cultural relevancy and creating wrap-around services for learners, with the ultimate goal of fostering a positive learning experience for students while supporting their academic success.

EQUITY, DIVERSITY AND INCLUSION STRATEGY

During the 2019/20 year, NAIT completed a three-year project to develop an *Equity, Diversity, and Inclusion Strategy*, with a goal to create safe and inclusive learning and working environments where all people are welcomed, valued and treated equitably and with fairness at every level of the institution. The strategy reflects consultations with the NAIT community, current literature and best practices based on benchmarking with other institutions. This extensive work resulted in three institutional commitments: to advance equity, to build a diverse community and to cultivate inclusion.

CULTURAL RELEVANCY

In 2019/20, NAIT continued to partner with Aboriginal communities to provide workforce development training to students within them. These programs help communities build capacity by providing employability skills and in-demand industry training. NAIT partnered with 10 communities across Alberta, training 222 students across 17 different projects. This included the successful delivery of the Medical First Responder program to 12 students in the Lubicon Lake Band and two tiny home construction projects.

NAIT continues to engage with organizations focused on underrepresented populations. During 2019/20, NAIT worked with the Edmonton Mennonite Centre for Newcomers (EMCN) to deliver training in Accounting, Instrumentation and Civil Engineering to 57 immigrant students to help them bridge the gap between the credentials they received in their home country and Canadian credentials to help them become employable in their chosen career.

In partnership with Advanced Education, NAIT provided 4 unique programs to the inmates at the Fort Saskatchewan Correctional Centre. NAIT trained 134 inmates in the areas of Flagger, Standard First Aid, Transportation of Dangerous Goods and Small Engine Repair.

Post-secondary pathways between NAIT and First Nations colleges are important options for Aboriginal learners. An articulation agreement has been developed between NAIT and Yukon College. Currently, collaboration efforts are underway to develop transfer agreements between NAIT's JR Shaw School of Business and First Nations colleges. As an outcome of our partnership with First Nations colleges, we anticipate transfer agreements to be articulated into NAIT's Bachelor of Business Administration and Business programs.

Supporting underrepresented learners also means supporting instructors so they have cultural competencies to teach in a diverse classroom. In 2019/2020 NAIT, in partnership with NorQuest College's Colbourne Institute for Inclusive Leadership, delivered a two-part intercultural training session to 154 instructors aimed at navigating cultural diversity in the classroom. In order to reach a larger audience and to build sustainability into the training, NAIT purchased an intercultural program developed by Simon Fraser University (SFU). Blending intercultural and Aboriginal awareness, this program will provide participants information and tools for developing intercultural understanding with multiple cultural groups

WRAP-AROUND SERVICES

In order to support students with academic preparedness, a suite of online modules in writing and math fundamentals and trades math foundations were developed. In response to COVID-19, an online module called Learning How to Learn on Online, was created along with a digital toolkit for students. The digital toolkit included instructional videos for educational platforms such as Moodle, Microsoft Teams, WebEx, and TextHelp. Accessibility was supported through captioning the videos.

Since hiring an Aboriginal recruiter in 2018/19, this staff member has travelled to some remote Aboriginal communities and also focused efforts on the Aboriginal prospective student audience in Edmonton-area high schools. NAIT has been developing a new student recruitment strategy, which includes a focus on Aboriginal student recruitment with the intention of achieving a welcoming and comprehensive transition to polytechnic education for Aboriginal students.

Financial resources and supports are key considerations for underrepresented learners seeking to access post-secondary education. NAIT's Student Awards and Financial Aid Office is developing a suite of resources to support prospective students. NAIT has implemented payment plans to provide greater flexibility for students to meet tuition payment obligations. A new emergency bursary fund was created for students affected by COVID-19 recognizing the disproportionate impact the pandemic may have on underrepresented learners. The scope of student awards and financial aid presentations and workshops were broadened to include elements of financial literacy.

COMMUNITY INITIATIVES AND REGIONAL STEWARDSHIP

ADDRESS AND IDENTIFY LOCAL LEARNING NEEDS

NAIT Assessment Centre (NAC) continues to offer a full range of assessment services to internal and external stakeholders while applying process improvements. For example, the NAC team implemented computer-based International English Language Testing System (IELTS) testing. This testing has typically been offered as a paper-only test, but NAC's computer-based approach improved accessibility and allowed for increased registration revenues within the centre. Currently, NAC is developing a centralized model for assessment administration that will include service for students requiring accommodations (previously with Learning Services).

NAC also remains responsive to emergent needs, maintaining close to 100% operations during the COVID-19 pandemic. As part of the response to early public health restrictions, NAC successfully offered virtual services to students requiring assessments for admission requirements, remotely proctoring exams using Microsoft Teams. Initial exams included equivalency, placement and typing tests, and then expanded to a variety of Continuing Education assessments in Culinary, Water and Wastewater and Non-Destructive Testing programming.

ACCESS TO FOUNDATIONAL LEARNING

After careful consideration, NAIT decided not to submit an application to offer the Language Instruction for Newcomers to Canada (LINC) program in the 2019/20 academic year. However, this program is still under consideration for future years. In the meantime, NAIT continues to offer a robust English as a Second Language (ESL) program.

SUPPORTING TRANSITIONING LEARNERS

The 4 Directions Post-Secondary Council was created to encourage collaboration between the Aboriginal/Indigenous student support centres at Edmonton's post-secondary institutions. The council includes NAIT, MacEwan University, NorQuest College, Concordia University and University of Alberta.

NAIT hosted a career fair focused on Aboriginal students. The fair is aligned with NAIT's Employer Initiative program which assists Aboriginal students through their student life cycle at NAIT. Approximately 200 students attended and the following agencies were present at the fair: Crown-Indigenous Relations and Northern Development Canada, Indigenous Services Canada, Corrections Services Canada, Royal Canadian Mounted Police, Service Canada, Canada Revenue Agency, Natural Resources Canada, Western Economic Diversification Canada, Department of National Defense and Canada Border Services Agency.

COLLEGIATE

The concept of a collegiate at NAIT has been contemplated since 2013. The initial idea was to design a high school that would deliver science, technology and skilled trades intensive curricula. The project was renewed as a priority by the current government and aligns with important initiatives such as Alberta's Recovery Plan, as well as Alberta's K-12 Curriculum Review, and the Skills for Jobs Task Force.

NAIT has been actively working on plans to advance the concept of a collegiate to strengthen technology-based careers, including the skilled trades. Phase 1 of the multi-phased planning approach is underway and includes market research to determine demand and membership on an advisory committee.

The capital requirements for the collegiate will be shaped by market research data, feedback from advisors, potential delivery and student support models, extra-curricular activities, strategic partnerships and staffing plans. Preliminary capital investment projections contemplated over the past 7 years will be reexamined.

INTERNATIONALIZATION

INTERNATIONAL ADMISSIONS AND ENROLMENT

International enrolment at NAIT currently sits around 13%, with variability by program (12 programs have more than 15% international enrolment). We are working to increase our overall international enrolments to support both campus diversity and financial sustainability.

NAIT continues to refine its methodology to project strategic international enrolment targets for future years based on historical admission, environmental scans and enrolment data. Opportunities are reviewed regularly to support increased international admissions early in the applicant cycle to support international enrolment growth without displacing domestic enrolment. NAIT also expanded options for international applicants to meet English Language Proficiency requirements through increased testing options and Grade 12 English Language Arts courses. NAIT began piloting an approach to bring full international cohorts to campus in select programs but had to delay implementation due to the COVID-19 pandemic. NAIT will explore the creation of more robust pathways for international students as part of its recruitment strategy, including diploma to trades, pathways from ESL to business education and non-credit education.

INTERCULTURALIZING NAIT'S CAMPUS

After a successful pilot of intercultural training for NAIT instructors, NAIT determined a need for a sustainable model to educate instructors on teaching in diverse classrooms. NAIT is developing a blended training program to reach more instructors and provide supports that are available anytime or from anywhere. This program will be launched in 2020/2021.

TRANSNATIONAL EDUCATION AND OFFSHORE ACTIVITIES

NAIT continues to implement two institution building projects in Uganda with the Ministry of Education and Sport in the areas of road construction and residential construction. Key milestones for both projects include completing the adaptation and development of industry-driven curriculum and validating this curriculum by key Ugandan industry stakeholders. These projects are funded by the World Bank.

NAIT continued to send instructors to the Heilongjiang University of Science and Technology (HUST) in Harbin, China for the NAIT Digital Media and IT program being delivered at HUST. In fall 2019, NAIT instructors travelled to China and delivered training in person; however, due to the pandemic, the spring 2020 semester was taught by NAIT instructors remotely to ensure the program continued without delay.

NAIT continued to provide online training to Weyerhaeuser students in the United States for the Millwright and Electrical Apprenticeship programs; however, as a result of the pandemic, in-person training planned for the summer at NAIT was delayed. This training will be rescheduled once travel restrictions have been lifted and travel can occur safely.

In 2019/20, NAIT welcomed 5 Ghanaian students for a period of 9 months in which they completed a customized Advanced Welding training program.

NAME OF PROGRAM	TYPE OF CREDENTIAL	PRINCIPAL MODE OF DELIVERY (E.G. IN-PERSON; INTERNATIONAL CAMPUS)	NAME OF PARTNER INSTITUTION	COUNTRY	NUMBER OF STUDENTS PARTICIPANTS (2018/19)	NUMBER OF GRADUATES/ COMPLETERS
Digital Media & IT	Diploma, Non-Credit Certificate of Achievement	In person in China, Advance Credit, On-line, NAIT Course taught by both HUST and NAIT instructors in China	Heilongjiang University of Science & Technology (HUST)	China	Group 16: 75 Group 17: 79 Group 18: 78 Group 19: 80	19 Certificates of Achievement

CAPITAL PLAN

The table below provides an update of NAIT's priority projects as indicated in the 2019/20 – 2021/22 Comprehensive Institutional Plan.

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 3 CAPITAL PRIORITIES)					
New	Main Campus Expansion Land Acquisition	\$109.01 million	56.8% GoA (including sale of south lands) 13.8% NAIT 29.4% Financing	\$11.1 million received from NAIT	No change
New	NAIT Skills Centre	\$567 million	67.4% GoA 7.8% NAIT 24.8% Donations, consolidation and efficiencies, & industry sources	No funds received to date	No change
New	Purchase of the Crane and Hoisting Facility	\$18 million	100% GoA	No funds received to date	No change
OTHER					
Preservation	O Building Mechanical Upgrade	\$8.1 million	100% GoA	Full funding received	No change
Preservation	Main Campus Space Optimization	\$47.5 million	100% GoA	No funds received to date	No change
New	Student Housing	\$111.9 million	8.9% NAIT 91.1% Financing (other opportunities are being considered)	\$321,700 was spent by NAIT for initial design services up to schematic design	No change
Preservation	Various capital maintenance and rehabilitation projects	\$150.6 million	100% GoA	No funds received to date	No change

PROJECT TIMELINES AND STATUS

PROJECT DESCRIPTION	EXPECTED PROJECT START	EXPECTED PROJECT COMPLETION	PROJECT STATUS	PROGRESS MADE IN LAST 12 MONTHS
Main Campus Expansion Land Acquisition	Apr 2014	Land agreements in place Oct 2018. Expected closing date Jan 2024.	In progress	Satisfying purchase conditions in progress with expected closing date by January 2024.
NAIT Skills Centre	Sep 2021	Sep 2026	Pending funding approval	Pending funding approval
Purchase of the Crane and Hoisting Facility	Jan 2021	Dec 2021	Pending funding approval	Pending funding approval
O Building mechanical upgrade	Nov 2020	May 2022	In progress	Approval received in July 2020.
Student Housing	Apr 2022	Sep 2025	Pending funding approval	Pending funding approval
Various Capital Maintenance and Rehabilitation Projects	Apr 2021	Sep 2024	Delayed	While construction of student residences on Blatchford remains a key part of NAIT's Campus Development Plan, NAIT is also investigating other opportunities to advance the development of student housing.
Productivity and Innovation Centre	Apr 2022	Sep 2026	Pending funding approval	Pending funding approval

INFORMATION TECHNOLOGY

Throughout 2019/20, NAIT enhanced its information and technology services to meet the needs of students, staff and Advanced Education. Foundational elements enabling financial sustainability and future growth remained a priority ranging from work on ERP platforms to cybersecurity to contract management. Of equal importance were strategic investments in digital technologies promoting innovation ranging from work on chatbots to customer relationship management to the digitization of credentials.

COVID and the resulting shift to remote working, teaching, and learning also had a significant impact on NAIT's digital transformation. The shift proved that many previously unexamined technologies and processes were not core to our delivery model and strengthened our ability to deliver blended content through investment and at-scale utilization of mobile and collaborative platforms.

2019/20 highlights include:

INITIATIVE	HIGHLIGHT
Cybersecurity	<ul style="list-style-type: none"> Implemented a vulnerability management platform. Formed a significantly upgraded IT security team. Participated in provincial and federal benchmarking and data sharing initiatives aimed at increasing the effectiveness of the response to cyber threats across post-secondary.
Modernize Workforce	<ul style="list-style-type: none"> Continued migrating staff devices to be fully integrated and immersed in the Microsoft 365 platform enabling improved mobility, security and collaboration. The pandemic greatly accelerated the migration.
Architecture for Cloud and Software as a Service	<ul style="list-style-type: none"> Implemented a container and platform-as-a-service architecture for the PeopleSoft systems clearing the way to move those systems to public cloud infrastructure later in 2020.
Post-Modern ERP	<ul style="list-style-type: none"> Developed a road map for a post-modern ERP at NAIT, which includes components of a digital strategy and outlined the gap in market readiness, current business process, data management and culture that needs to be bridged before the adoption of a new ERP is considered.
Enterprise Contract Management	<ul style="list-style-type: none"> Selected Service Now as the contract management platform. The project is on track to be completed in the fall of 2020.
Credential Digitization	<ul style="list-style-type: none"> Completed foundational work to enable the digitization and storage of NAIT credentials in a digital wallet. Completed foundational work to enable NAIT's participation a self-sovereign identity system.
Customer Relationship Management	<ul style="list-style-type: none"> Pivoted from an enterprise CRM implementation, focusing on a plan for CRM in the Department of Continuing Education Completed significant foundational work, clearing the way for work in CED to begin in the fall of 2020.
Customer Service Automation	<ul style="list-style-type: none"> Gained understanding of the quality of the data in our knowledge bases and the quantity of data required to adopt AI in the automation of service. Connected our service management platform with IBM Watson and began to leverage Natural Language Processing to process incoming chat messages in a pilot program.
Enterprise Information Management Framework	<ul style="list-style-type: none"> Implemented an automated data lineage tool granting a complete metadata repository and full documentation for the source of all data used by reports that use the Enterprise Data Warehouse as a source.
Environmental Health & Safety Compliance	<ul style="list-style-type: none"> Completed the project with the exception of the "MyCority" mobile application. This requires finalizing configuration and deployment.

INITIATIVE	HIGHLIGHT
MyNAIT Portal Redevelopment	<ul style="list-style-type: none"> Completed redesign and redevelopment of the MyNAIT portal.
Time and Labour	<ul style="list-style-type: none"> Shifted project toward the larger-scale digitization of HR records due to change in human resources priorities due to COVID-19.
Identity Management	<ul style="list-style-type: none"> Established a golden record for NAIT identities, including prospects, applicants, students, staff, alumni and members of the public Completed a near-to-final draft of a governance structure for identity.



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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 June 30, 2020, and the consolidated statements of operations, change in net financial assets, remeasurement gains and losses, 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 June 30, 2020, 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

October 16, 2020

Edmonton, Alberta

STATEMENT OF MANAGEMENT RESPONSIBILITY

FOR THE YEAR ENDED JUNE 30, 2019

The consolidated financial statements of the Northern Alberta Institute of Technology (NAIT) have been prepared by management in accordance with Canadian public sector accounting standards. The consolidated financial statements present fairly the financial position of the NAIT as at June 30, 2020 and the results of its operations, remeasurement gains and losses, changes 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 assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

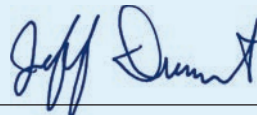
The Board of Governors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities.

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.



President and CEO



Vice-President Administration and CFO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020 (IN THOUSANDS OF DOLLARS)

	2020	2019
Financial assets excluding portfolio investments restricted for endowments		
Cash and cash equivalents (note 3)	\$ 37,524	\$ 11,287
Portfolio investments - non-endowment (note 4)	173,969	221,808
Accounts receivable	36,812	8,123
Inventories held for sale	2,658	2,813
	250,963	244,031
Liabilities		
Accounts payable and accrued liabilities	39,836	31,251
Employee future benefit liabilities (note 6)	29,281	27,829
Debt (note 7)	128,232	131,054
Deferred revenue		
Unearned revenue	9,089	17,026
Deferred contributions (note 8)	70,380	44,661
	276,818	251,821
Net debt excluding portfolio investments restricted for endowments	(25,855)	(7,790)
Portfolio investments - restricted for endowments (note 4)	53,987	57,718
Net financial assets	28,132	49,928
Non-financial assets		
Tangible capital assets (note 9)	523,319	547,869
Prepaid expenses	4,558	4,166
	527,877	552,035
Net assets before spent deferred capital contributions	556,009	601,963
Spent deferred capital contributions (note 10)	316,645	331,921
Net assets	\$ 239,364	\$ 270,042
Net assets is comprised of:		
Accumulated surplus (note 11)	\$ 242,736	\$ 259,131
Accumulated remeasurement (losses) gains (note 4)	(3,372)	10,911
	\$ 239,364	\$ 270,042

Contingent assets and contractual rights (notes 12 and 14)

Contingent liabilities and contractual obligations (notes 13 and 15)

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2020 (IN THOUSANDS OF DOLLARS)

	Budget (Note 24)	2020	2019
Revenues:			
Government of Alberta grants			
Operating grants (note 21)	\$ 241,838	\$ 190,483	\$ 194,626
Expended capital recognized as revenue	17,617	17,663	18,669
Federal and other government grants			
Operating grants (note 21)	5,960	4,231	3,389
Expended capital recognized as revenue	924	852	903
Student tuition and related fees			
Degree, diploma and certificate programs	53,932	54,977	52,303
Apprenticeship training	7,980	4,567	7,972
Continuing education	17,417	11,368	13,356
International student surcharge	17,220	21,145	16,516
Sales, rentals and services			
Ancillary operations	24,286	18,801	23,866
Training contracts	8,978	6,331	9,871
Other	6,226	7,592	5,510
Donations and other grants			
Donations and operating grants	8,166	7,281	6,118
Expended capital recognized as revenue	2,537	2,885	3,857
Investment income (note 19)	13,835	9,772	17,961
Restructuring transaction (note 20)	-	1,206	-
	<u>426,916</u>	<u>359,154</u>	<u>374,917</u>
Expenses:			
Instructional delivery	155,023	157,949	158,469
Applied research	17,672	12,172	10,505
Facilities operations and maintenance	75,483	73,563	75,931
Academic and student support	60,781	57,862	59,275
Institutional support	56,510	54,697	52,682
Ancillary services	22,897	20,768	23,591
Fundraising	118	3	102
	<u>388,484</u>	<u>377,014</u>	<u>380,555</u>
Annual operating surplus (deficit)	\$ 38,432	\$ (17,860)	\$ (5,638)
Endowment contributions (note 11)		872	648
Endowment capitalized investment income (note 11)		593	595
		<u>1,465</u>	<u>1,243</u>
Annual deficit		\$ (16,395)	\$ (4,395)
Accumulated surplus, beginning of year		259,131	263,526
Accumulated surplus, end of year		\$ 242,736	\$ 259,131

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2020 (IN THOUSANDS OF DOLLARS)

	Budget (Note 24)	2020	2019
Annual surplus (deficit)	\$ 38,432	\$ (16,395)	\$ (4,395)
Acquisition of tangible capital assets	(5,000)	(11,234)	(27,465)
Proceeds from sale of tangible capital assets	20	107	184
Amortization of tangible capital assets	36,755	35,725	38,446
(Gain) loss on disposal of tangible capital assets	(40)	(48)	253
Change in inventories of supplies		-	370
Change in prepaid expenses		(392)	(132)
Change in spent deferred capital contributions		(15,276)	(13,143)
Change in accumulated remeasurement (losses) gains		(14,283)	3,685
(Decrease) in net financial assets		(21,796)	(2,197)
Net financial assets, beginning of year		49,928	52,125
Net financial assets, end of year		\$ 28,132	\$ 49,928

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

FOR THE YEAR ENDED JUNE 30, 2020 (IN THOUSANDS OF DOLLARS)

	2020	2019
Accumulated remeasurement gains, beginning of year	\$ 10,911	\$ 7,226
Unrealized (losses) gains attributable to:		
Portfolio investments (note 4)		
Non-endowment	(13,087)	11,083
Amounts reclassified to the consolidated statement of operations:		
Portfolio Investments (note 4)		
Non-endowment	(1,196)	(7,398)
Accumulated remeasurement (losses) gains, end of year	\$ (3,372)	\$ 10,911

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020 (IN THOUSANDS OF DOLLARS)

	2020	2019
Operating transactions		
Annual deficit	\$ (16,395)	\$ (4,395)
Add (deduct) non-cash items:		
Amortization of tangible capital assets	35,725	38,446
Gain on sale of portfolio investments	(1,139)	(7,214)
(Gain) loss on disposal of tangible capital assets	(48)	253
Expended capital recognized as revenue	(21,399)	(23,429)
Increase in employee future benefit liabilities	1,452	143
Change in non-cash items	14,591	8,199
Increase in accounts receivable	(28,689)	(475)
Decrease in inventories held for sale	155	113
Increase (decrease) in accounts payable and accrued liabilities	8,585	(3,493)
(Decrease) increase in unearned revenue	(7,937)	1,945
Increase in deferred contributions	30,608	8,828
Decrease in inventories of supplies	-	370
Increase in prepaid expenses	(392)	(132)
Cash provided by operating transactions	526	10,960
Capital transactions		
Acquisition of tangible capital assets, less in-kind donations	(9,964)	(27,267)
Proceeds on sale of tangible capital assets	107	184
Cash applied to capital transactions	(9,857)	(27,083)
Investing transactions		
Purchase of portfolio investments	(44,055)	(71,583)
Proceeds on sale of portfolio investments	77,592	119,543
Cash provided by investing transactions	33,537	47,960
Financing transactions		
Debt - repayment	(2,822)	(39,548)
Increase in spent deferred capital contributions, less expended capital recognized as revenue, less in-kind donations	4,853	10,088
Cash provided by (applied to) financing transactions	2,031	(29,460)
Increase in cash and cash equivalents	26,237	2,377
Cash and cash equivalents, beginning of year	11,287	8,910
Cash and cash equivalents, end of year	\$ 37,524	\$ 11,287

The accompanying notes are part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020 (IN THOUSANDS OF DOLLARS)

1. AUTHORITY AND PURPOSE

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

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

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

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

(b) VALUATION OF FINANCIAL ASSETS AND LIABILITIES

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

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 realizable value
Accounts payable and accrued liabilities	Cost
Debt	Amortized cost

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

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

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

(c) REVENUE RECOGNITION

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

Government grants, non-government grants, and donations

Government transfers are referred to as government grants.

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

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

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

Grants and donations related to land

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

Endowment donations

Endowment donations 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 June 30 (6 months). The accrual is calculated using historical distribution information per unit and current market values.

Investment income from restricted grants is recognized as deferred contributions when the terms of use create a liability and is recognized as investment income when the terms of the grant are met. 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 endowment to be withheld from distribution to avoid fluctuations in the amount distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits NAIT and does not impair the long-term value of the fund.

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

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

(e) INVENTORIES HELD FOR RESALE

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

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

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

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

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

(g) ASSET RETIREMENT OBLIGATIONS

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

(h) FOREIGN CURRENCY TRANSLATION

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

(i) EMPLOYEE FUTURE BENEFITS

Pension

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

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

Long-term disability

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

Supplementary retirement plan

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

Special leave plan

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

Management retirement plan

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

(j) BASIS OF CONSOLIDATION

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

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

(k) LIABILITY FOR CONTAMINATED SITES

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

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

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

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

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

(l) EXPENSE BY FUNCTION

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

Instructional delivery

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

Applied research

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

Facilities operations and maintenance

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

Academic and student support

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

Institutional support

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

Ancillary services

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

Fundraising

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

(m) FUNDS AND RESERVES

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

(n) FUTURE ACCOUNTING CHANGES

In August 2018, the Public Sector Accounting Board issued PS 3280 Asset retirement obligations. This accounting standard was initially going to be effective for fiscal years starting on or after April 1, 2021, but has been delayed until April 1, 2022 due to COVID-19. Asset retirement obligations provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

In November 2018, the Public Sector Accounting Board approved PS 3400 Revenue. This accounting standard was initially going to be effective for fiscal years starting on or after April 1, 2022, but has been delayed until April 1, 2023 due to COVID-19. This standard provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions.

Management is currently assessing the impact of these new standards on the consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

	2020	2019
Cash	\$ 34,573	\$ 18,868
Money market funds, short-term notes, and treasury bills	10,568	-
Less: Funds held on behalf of others (Note 17)	(7,617)	(7,581)
	<u>\$ 37,524</u>	<u>\$ 11,287</u>

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

4. PORTFOLIO INVESTMENTS

	2020	2019
Portfolio investments - non-endowment	\$ 173,969	\$ 221,808
Portfolio investments - restricted for endowments	53,987	57,718
	\$ 227,956	\$ 279,526

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

2020				
	Level 1	Level 2	Level 3	Total
Portfolio investments at fair value:				
Fixed income ⁽¹⁾	\$ -	\$ 81,365	\$ 10	\$ 81,375
Canadian equity	26,945	-	-	26,945
All World equity ⁽²⁾	118,252	(2)	-	118,250
	\$ 145,197	\$ 81,363	\$ 10	\$ 226,571
Other at amortized cost	-	-	-	1,385
	\$ 145,197	\$ 81,363	\$ 10	\$ 227,956
	64%	36%	0%	100%

2019				
	Level 1	Level 2	Level 3	Total
Portfolio investments at fair value:				
Fixed income ¹	\$ 10	\$ 125,643	\$ -	\$ 125,653
Canadian equity	28,840	-	-	28,840
All World equity ²	123,880	(314)	-	123,566
	\$ 152,730	\$ 125,329	\$ -	\$ 278,059
Other at amortized cost	-	-	-	1,467
	\$ 152,730	\$ 125,329	\$ -	\$ 279,526
	55%	45%	0%	100%

2020 level composition is based on December 31, 2019 information provided by investment manager.

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

(2) All World equity includes investments in Canadian markets, equating to 10.0% (2019: 9.8%) of the Fund at December 31, 2019.

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 8)	Accumulated remeasurement gains and losses	Total
Balance as at June 30, 2018	\$ 3,338	\$ 7,226	\$ 10,564
Unrealized gains attributable to portfolio investments	4,669	11,083	15,752
Amounts reclassified to statement of operations	(3,322)	(7,398)	(10,720)
Balance as at June 30, 2019	\$ 4,685	\$ 10,911	\$ 15,596
Unrealized gains attributable to portfolio investments	(4,226)	(13,087)	(17,313)
Amounts reclassified to statement of operations	(663)	(1,196)	(1,859)
Balance as at June 30, 2020	\$ (204)	\$ (3,372)	\$ (3,576)

5. FINANCIAL RISK MANAGEMENT

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

NAIT's portfolio investments are in a pooled fund portfolio. All pooled funds have a year end of December 31. Where June 30 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.

	2020	2019
Canadian equity (S&P/TSX Composite Total Return Index benchmark)	\$ 1,024	\$ 1,067
All World equity (MSCI All Country World Index [Net Dividend, C\$] benchmark)*	3,902	4,201

* All World equity includes investments in Canadian markets, equating to 10% (2019: 9.8%) of the Fund at December 31, 2019.

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

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

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

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

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value of a 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 amount of business activities conducted in foreign currency. NAIT further mitigates risk by limiting international contracts that are not in Canadian dollars to only US dollars.

A 5% strengthening or weakening in the Canadian dollar would result in a \$4,257 (2019: \$4,572) change in the market value of the investment portfolio.

CREDIT RISK

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

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

	2020	2019
AAA	16.2%	20.9%
AA	22.2%	37.0%
A	35.8%	23.1%
BBB	24.9%	18.0%
Short-term investments and other net assets (liabilities)	0.9%	1.0%
	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 June 30, 2020, NAIT has committed borrowing facilities of \$2,500 (2019: \$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 investing in a fixed income portfolio with a variety of interest rates and terms to maturity. If interest rates increased by 1%, and all other variables were held constant, the potential loss in fair value would be approximately 2.7% (2019: 2.6%) of total investments. Interest risk on NAIT's debt is managed through fixed-rate agreements with Alberta Capital Finance Authority (Note 7).

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

	2020	2019
< 1 year	4.2%	10.2%
1 - 5 years	39.3%	45.0%
> 5 years	56.5%	44.8%
	100.0%	100.0%
Average effective yield	1.87%	2.29%

6. EMPLOYEE FUTURE BENEFIT LIABILITIES

Employee future benefit liabilities are comprised of the following:

	2020	2019
Accrued vacation pay	\$ 21,900	\$ 21,452
Long-term disability	5,069	4,061
Supplementary retirement plan - defined contribution	1,723	1,478
Supplementary retirement plan - defined benefit	144	176
Special leave plan	367	598
Management retirement plan	78	64
	\$ 29,281	\$ 27,829

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

Long-term disability (LTD)

The Institution provides long-term disability defined benefits to employees. The most recent actuarial valuation for these benefits was as at June 30, 2020. The long-term disability plan provides pension and non-pension benefits after employment, but before the employee's normal retirement date. Salary costs are covered by an insurance plan.

Supplementary Retirement Plan (SRP)

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

Special Leave Plan

NAIT provides compensated absences for its employees under a special leave plan. Under this plan, employees contribute 18% of their gross bi-weekly earnings for a contributory period of four years. For the fifth year, employees receive 82% of their gross salary as of the last day of their contributory period. Alternatively, employees contribute 18% of their gross bi-weekly earnings for a contributory period of two years, and for the subsequent six months, receive 82% of their gross salary as of the last day of their contributory period. NAIT funds the shortfall between the contributed funds, including interest earned, and the gross salary to be paid to the employee during their compensated absence. NAIT's contribution to the total liability under the plan is \$295 (2019 \$209) and has been discounted at a rate of 0.0% (2019 0.0%).

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

Local Authorities Pension Plan

The Local Authority Pension Plan (LAPP) is a multi-employer contributory defined benefit pension plan for staff and is accounted for on a defined contribution basis. As at December 31, 2019, the LAPP reported an actuarial surplus of \$7,913,261 (2018: \$3,469,347 surplus). An actuarial valuation of the LAPP was carried out as at December 31, 2017 and was then extrapolated to December 31, 2019. The pension expense recorded in these financial statements is \$20,144 (2019 \$21,967). Other than the requirement to make additional contributions, NAIT does not bear any risk related to the LAPP deficit.

Management Retirement Plan

A management retiring allowance was established in 1988 in response to market conditions. The allowance is \$2 per year of eligible service. To be eligible to receive this allowance, employees must have been employed in an eligible management position with NAIT prior to July 1, 2002 and be eligible for retirement benefits from the Local Authorities Pension Plan. Managers whose employment with NAIT commenced on or after July 1, 2002 are not eligible for this allowance. The liability is calculated based on management's best estimate of when the eligible employee will retire and a discount rate of 2.45% (2019 3.95%).

(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 was \$245 (2019 - \$89).

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

2020					
	LTD	SRP (Defined Benefit)	SRP (Defined Contribution)	Special Leave	Management Retiring
Expense					
Current service cost	\$ 2,418	\$ 3	\$ 160	\$ (231)	\$ 14
Interest cost	130	7	85	-	-
Total expense	\$ 2,548	\$ 10	\$ 245	\$ (231)	\$ 14
Financial Position					
Accrued benefit obligation:					
Balance, beginning of year	\$ 4,061	\$ 176	\$ 1,478	\$ 598	\$ 64
Current service cost	2,418	3	160	(231)	14
Interest cost	130	7	85	-	-
Benefits paid	(1,540)	(42)	-	-	-
Balance, end of year	\$ 5,069	\$ 144	\$ 1,723	\$ 367	\$ 78
2019					
	LTD	SRP (Defined Benefit)	SRP (Defined Contribution)	Special Leave	Management Retiring
Expense					
Current service cost	\$ 486	\$ 85	\$ 31	\$ 79	\$ 10
Interest cost	111	34	58	-	-
Realized actuarial gain on transfer to defined contribution plan	-	420	-	-	-
Amortization of actuarial (gains) losses	-	43	-	-	-
	\$ 597	\$ 582	\$ 89	\$ 79	\$ 10
2019					
Financial Position					
Accrued benefit obligation:					
Balance, beginning of year	\$ 3,959	\$ 1,713	\$ -	\$ 554	\$ 54
Transfer to defined contribution plan	-	(1,389)	1,389	-	-
Realized actuarial gain on transfer to defined contribution plan	-	420	-	-	-
Current service cost	486	85	31	79	10
Interest cost	111	34	58	-	-
Benefits paid	(495)	(730)	-	(35)	-
Actuarial (gain) loss	-	43	-	-	-
Balance, end of year	\$ 4,061	\$ 176	\$ 1,478	\$ 598	\$ 64

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	
	2020	2019
Accrued benefit obligation:		
Discount rate	2.10%	2.60%
Long-term average compensation increase	0.80%	2.00%
Benefit cost:		
Discount rate	2.60%	3.10%
Long-term average compensation increase	2.00%	3.00%
Alberta inflation (long term)	2.00%	2.00%
Estimated average remaining service life	5	5

7. DEBT

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

	2020				2019
	Collateral	Maturity Date	Interest rate	Amortized Cost	Amortized Cost
Debentures payable to Alberta Capital Finance Authority:					
Parkade	Cashflows	December 2042	3.426%	\$ 19,487	\$ 20,054
Blatchford Lands	(1)	June 2049	3.184%	108,745	111,000
				\$ 128,232	\$ 131,054

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

Principal and interest repayments are as follows:

	Principal	Interest	Total
2021	\$ 2,914	\$ 4,107	\$ 7,021
2022	3,009	4,012	7,021
2023	3,107	3,914	7,021
2024	3,209	3,812	7,021
2024	3,313	3,708	7,021
Thereafter	112,680	47,702	160,382
	\$ 128,232	\$ 67,255	\$ 195,487

Interest expense on debt is \$4,185 (2019: \$2,807) and is included in the consolidated statement of operations.

8. 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 June 30, 2018	\$ 31,504	\$ 2,982	\$ 34,486
Grants and donations received	49,449	9,042	58,491
Investment income (Note 19)	4,265	-	4,265
Transfer to spent deferred capital contribution (Note 10)	-	(10,553)	(10,553)
Recognized as revenue	(42,780)	-	(42,780)
Transferred to endowment	(595)	-	(595)
Unrealized gain on investments relating to deferred contributions (Note 4)	1,347	-	1,347
Balance as at June 30, 2019	\$ 43,190	\$ 1,471	\$ 44,661
Grants and donations received	45,885	35,913	81,798
Investment income (Note 19)	2,469	7	2,476
Transfer to spent deferred capital contribution (Note 10)	-	(6,159)	(6,159)
Recognized as revenue	(46,914)	-	(46,914)
Transferred to endowment	(593)	-	(593)
Unrealized gain on investments relating to deferred contributions (Note 4)	(4,889)	-	(4,899)
Balance as at June 30, 2020	\$ 39,148	\$ 31,232	\$ 70,380

10. TANGIBLE CAPITAL ASSETS

	2020							2019
	Land	Buildings, Leasehold and Site Improvements	Furnishings, Equipment and Systems	Vehicles	Library holdings	Work in progress	Total	Total
Cost								
Beginning of year	\$ 48,233	\$ 669,564	\$ 155,600	\$ 2,531	\$ 3,836	\$ 11,358	\$ 891,122	\$ 875,464
Acquisitions	-	1,498	9,117	-	17	602	11,234	27,465
Disposals	-	(577)	(7,853)	(159)	-	-	(8,589)	(11,807)
	<u>48,233</u>	<u>670,485</u>	<u>156,864</u>	<u>2,372</u>	<u>3,853</u>	<u>11,960</u>	<u>893,767</u>	<u>891,122</u>
Accumulated Amortization								
Beginning of year	-	(222,851)	(115,043)	(2,198)	(3,161)	-	(343,253)	(316,177)
Amortization expense	-	(23,337)	(12,101)	(140)	(147)	-	(35,725)	(38,446)
Disposals	-	555	7,816	159	-	-	8,530	11,370
	<u>-</u>	<u>(245,633)</u>	<u>(119,328)</u>	<u>(2,179)</u>	<u>(3,308)</u>	<u>-</u>	<u>(370,448)</u>	<u>(343,253)</u>
Net book value at June 30, 2020	<u>\$ 48,233</u>	<u>\$ 424,852</u>	<u>\$ 37,536</u>	<u>\$ 193</u>	<u>\$ 545</u>	<u>\$ 11,960</u>	<u>\$ 523,319</u>	
Net book value at June 30, 2019	<u>\$ 48,233</u>	<u>\$ 446,713</u>	<u>\$ 40,557</u>	<u>\$ 333</u>	<u>\$ 675</u>	<u>\$ 11,358</u>	<u>\$ 547,869</u>	<u>\$ 547,869</u>

Interest: Additions to capital assets includes capitalized interest of \$0 (2019: \$0).

Cost includes work-in-progress totaling \$11,960 (2019: \$11,358), comprised of land \$3,591 (2019: \$3,470), buildings \$4,780 (2019: \$2,588), site improvements \$26 (2019: \$26), equipment \$2,746 (2019: \$2,624) and software \$817 (2019: \$2,650).

Acquisitions during the year include in-kind contributions in the amount of \$1,270 (2019: \$198).

10. 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).

	2020	2019
Balance, beginning of year	\$ 331,921	\$ 345,064
Transfers from unspent externally restricted grants and donations (Note 8)	6,159	10,553
Expended capital recognized as revenue	(21,400)	(23,429)
Net book value of asset disposals	(35)	(267)
Balance, end of year	<u>\$ 316,645</u>	<u>\$ 331,921</u>

11. NET ASSETS

	Accumulated Operating Surplus	Investment in Tangible Capital Assets	Funds and Reserves	Endowments	Total Accumulated Surplus
Net assets, as at June 30, 2018	\$ 30,499	\$ 146,806	\$ 48,936	\$ 44,511	\$ 270,752
Annual operating deficit	(5,638)	-	-	-	(5,638)
Endowments					
Contributions	-	-	-	648	648
Capitalized investment income	-	-	-	595	595
Transfer to endowments	-	-	(25)	25	-
Tangible capital assets					
Amortization of tangible capital assets	15,017	(15,017)	-	-	-
Acquisition of tangible capital assets	(12,542)	17,295	(4,753)	-	-
Debt - expenditures from funds received in prior years	6,849	(6,849)	-	-	-
Debt - repayment	(39,548)	39,548	-	-	-
Debt - reduction in amount received in excess of requirements	39,000	(39,000)	-	-	-
Net book value of tangible capital asset disposals	169	(169)	-	-	-
Operating expenses funded from funds and reserves	4,016	-	(4,016)	-	-
Net Board appropriation to (from) funds and reserves	2,484	-	(2,484)	-	-
Change in accumulated remeasurement gains and losses	3,685	-	-	-	3,685
Net assets, June 30, 2019	\$ 43,991	\$ 142,614	\$ 37,658	\$ 45,779	\$ 270,042
Annual operating deficit	(17,860)	-	-	-	(17,860)
Endowments					
Contributions	-	-	-	872	872
Capitalized investment income	-	-	-	593	593
Tangible capital assets					
Amortization of tangible capital assets	14,326	(14,326)	-	-	-
Acquisition of tangible capital assets	(4,515)	5,076	(561)	-	-
Debt - expenditures from funds received in prior years	1,529	(1,529)	-	-	-
Debt - adjustments to previous expenditures no longer funded from debt	(9,088)	9,088	-	-	-
Debt - repayment	(2,822)	2,822	-	-	-
Debt - reduction in amount received in excess of requirements	2,566	(2,566)	-	-	-
Net book value of tangible capital asset disposals	23	(23)	-	-	-
Operating expenses funded from funds and reserves	1,271	-	(1,271)	-	-
Net Board appropriation to (from) funds and reserves	4,614	-	(4,614)	-	-
Change in accumulated remeasurement gains and losses	(14,283)	-	-	-	(14,283)
Net assets, June 30, 2020	\$ 19,752	\$ 141,156	\$ 31,212	\$ 47,244	\$ 239,364
Net assets is comprised of:					
Accumulated surplus	\$ 23,124	\$ 141,156	\$ 31,212	\$ 47,244	\$ 242,736
Accumulated remeasurement gains and losses	(3,372)	-	-	-	(3,372)
	\$ 19,752	\$ 141,156	\$ 31,212	\$ 47,244	\$ 239,364

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

FUNDS AND RESERVES

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

	Balance, June 30, 2019	Appropriations from (returned to) Accumulated Surplus	Disbursements During the Year	Balance, June 30, 2020
Appropriation for capital activities:				
Main Campus Renovations	\$ 19,345	\$ (76)	\$ (368)	\$ 18,901
Capital Renewal	1,197	229	-	1,426
Student Housing	9,843	(9,843)	-	-
Industry Solutions	-	118	(118)	-
Academic Incentive Plan	-	75	(75)	-
	<u>30,385</u>	<u>(9,497)</u>	<u>(561)</u>	<u>20,327</u>
Appropriation for operating activities:				
Technology Transformation Fund	-	5,000	(246)	4,754
Strategic Investment Fund	3,515	(75)	(267)	3,173
Industry Solutions	2,676	(118)	(682)	1,876
Credit Education Enhancement Fund	1,082	-	-	1,082
Main Campus Renovations	-	76	(76)	-
	<u>7,273</u>	<u>4,883</u>	<u>(1,271)</u>	<u>10,885</u>
	<u>\$ 37,658</u>	<u>\$ (4,614)</u>	<u>\$ (1,832)</u>	<u>\$ 31,212</u>

12. 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.

13. CONTINGENT LIABILITIES

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

NAIT has obligations for various asbestos remediation, as scheduled for future fiscal years. Management estimates remediation costs of \$1,107 (2019 \$1,182) based on contractual obligations and current industry costs. This amount has been recorded in the financial statements.

14. 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
2021	\$ 12,520	\$ -	\$ -	\$ 12,520
2022	9,850	-	-	9,850
2023	4,790	-	-	4,790
2024	2,518	-	-	2,518
2025	1,773	-	-	1,773
Thereafter	3,979	-	-	3,979
	\$ 35,430	\$ -	\$ -	\$ 35,430
Total at June 30, 2019	\$ 24,063	\$ 877	\$ 1,714	\$ 26,654

15. CONTRACTUAL OBLIGATIONS

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

	Blatchford Lands*	Capital Projects	Long-term Leases	Total
2021	\$ -	\$ 1,708	\$ 2,100	\$ 3,808
2022	8,722	-	1,982	10,704
2023	-	-	1,507	1,507
2024	52,956	-	1,394	54,350
2025	-	-	1,389	1,389
Thereafter	-	-	7,159	7,159
	\$ 61,678	\$ 1,708	\$ 15,531	\$ 78,917
Total at June 30, 2019	\$ 61,678	\$ 8,547	\$ 17,032	\$ 87,257

* In 2018/19, NAIT entered into a contract with the City of Edmonton to purchase a section of the Blatchford lands adjacent to main campus for future development. The contractual obligation of \$61,678 (2019: \$61,678) represents the total purchase less deposit paid of \$623. The purchase is expected to be completed in 2023/24.

16. EXPENSE BY OBJECT

The following is a summary of expenses by object:

	2020		2019
	Budget	Actual	Actual
Salaries and employee benefits	\$ 255,776	\$ 259,252	\$ 255,350
Materials, supplies and services			
Cost of goods sold	13,256	10,521	13,409
Purchased labour and services	17,816	15,807	15,997
Classroom, lab and general supplies	12,831	10,897	12,903
Other materials, supplies and services	10,528	6,520	8,186
Maintenance and repairs	25,851	22,735	23,483
Utilities	8,340	7,995	7,087
Scholarships, bursaries and prizes	2,808	3,376	2,887
Interest expense	4,523	4,186	2,807
Amortization of capital assets	36,755	35,725	38,446
	\$ 388,484	\$ 377,014	\$ 380,555

17. FUNDS HELD ON BEHALF OF OTHERS

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

	2020	2019
Alberta Post-Secondary Application System Society	\$ 7,188	\$ 6,792
NAIT Students' Association	429	789
	\$ 7,617	\$ 7,581

18. 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 2019/20, 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 arms-length.

NAIT has liabilities with Alberta Capital Finance Authority as described in Note 7.

19. INVESTMENT INCOME

	2020	2019
Investment earnings	\$ 10,339	\$ 20,614
Less transferred to Deferred Contributions (Note 8)	(2,476)	(4,265)
Investment earnings from unrestricted sources	7,863	16,349
Add transfers from Deferred Contributions	1,909	1,612
Investment income	\$ 9,772	\$ 17,961

Investment earnings include an accrual of \$3,496 (2019: \$4,895). The accrual represents management's best estimate of revenue earned from January 1 to June 30 (6 months) and not yet distributed, based on information provided by the Investment Manager (see Note 2(c)).

20. RESTRUCTURING TRANSACTION

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

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

From the date of transfer to June 30, 2020, revenues and expenses related to the operation of GO Productivity were as follows: revenue of \$629; salaries of \$333; materials, supplies and services of \$390; maintenance and repairs of \$3 and utilities of \$1.

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.

	2020	2019
Grants from Government of Alberta		
Advanced Education		
Campus Alberta	\$ 156,434	\$ 162,851
Apprenticeship	15,231	15,718
Infrastructure Maintenance Program	6,385	6,385
Capital - Blatchford Land	30,000	-
Capital - Productivity and Innovation Centre	-	4,372
Targeted enrolment expansion	5,998	5,998
Other	4,193	6,665
Total Advanced Education	\$ 218,241	\$ 201,989
Other Government of Alberta departments and agencies		
Economic Development, Trade and Tourism (including Alberta Innovates)	1,108	3,637
Energy Efficiency Alberta-Refund	(78)	653
Agriculture and Forestry	-	200
Labour and Immigration	61	89
Municipal Affairs	50	50
Health (including Alberta Health Services)	25	22
Total other Government of Alberta departments and agencies	1,166	4,651
Total contributions received and receivable	219,407	206,640
Change in deferred contributions	(28,924)	(12,014)
Total Government of Alberta operating grant revenue	\$ 190,483	\$ 194,626
Grants from federal and other governments		
Federal government	6,258	5,939
Other government	755	45
Total contributions received and receivable	7,013	5,984
Less deferred contributions	(2,782)	(2,595)
Total federal and other government operating grant revenue	\$ 4,231	\$ 3,389

22. SALARY AND EMPLOYEE BENEFITS

2020				
	Base Salary ⁽⁸⁾	Other Cash Benefits ⁽⁹⁾	Other Non-Cash Benefits ⁽¹⁰⁾⁽¹¹⁾	Total
Governance ⁽¹⁾				
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	17	17
Executive				
President and CEO				
Past Incumbent ⁽²⁾⁽³⁾	202	420	127	749
Interim ⁽²⁾	195	50	13	258
Vice President Academic and Provost	257	44	95	396
Vice President Administration and CFO				
Past Incumbent ⁽⁴⁾	113	498	2	613
Incumbent ⁽⁴⁾	158	38	24	220
Vice President Industry Partnerships and CMO	296	52	34	382
2019				
	Base Salary ⁽⁸⁾	Other Cash Benefits ⁽⁹⁾	Other Non-Cash Benefits ⁽¹⁰⁾⁽¹¹⁾	Total
Governance ⁽¹⁾				
Chair of the Board of Governors	\$ -	\$ -	\$ -	\$ -
Members of the Board of Governors	-	-	7	7
Executive				
President and CEO	375	121	550	1,046
Provost ⁽⁵⁾	171	77	(4)	244
Vice President Academic and Provost ⁽⁶⁾	234	64	104	402
Vice President Administration and CFO	245	103	3	351
Vice President Industry Partnerships and CMO ⁽⁷⁾	198	33	37	268

- (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 President left this position in December 2019. He was replaced by the Vice President Administration and CFO in an interim appointment. This interim contract will be effective until August 2020 when a new president will commence.
- (3) A termination benefit of \$263 for the past incumbent President and CEO has been included in other cash benefits.
- (4) The past incumbent Vice President Administration and CFO left their position to fill the President and CEO role effective December 2019 (see note 2). This interim appointment will conclude in August 2020 and a retirement allowance payable of \$449 has been included in other cash benefits for the current fiscal year. The current incumbent has occupied this role since December 2019.
- (5) The past incumbent Provost left this position in March 2019. Effective April 2019, the Provost position and Vice President Academic positions were combined (see note 6).
- (6) The incumbent Vice President Academic held the position until March 2019. Effective April 2019, the Provost and Vice President Academic positions were combined (see note 5).

- (7) The Vice President Industry Partnerships and Chief Marketing Officer was filled in September 2018.
- (8) Base salary includes pensionable base pay.
- (9) Other cash benefits include variable compensation payments, vacation payouts by special approval or upon retirement/ termination, car allowance and pay in lieu of employee benefits.
- (10) Other non-cash benefits include:
- NAIT's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short- and long-term disability plans, management retirement allowance and professional memberships required for employment.
 - NAIT's current and prior service cost of the supplementary retirement plan.
 - The tuition fee for the two student representatives on the Board of Governors.
 - Negative amounts may appear if accrued non-cash benefits are lower than actual cash benefits paid.
- (11) Under the terms of the supplementary retirement plan (SRP), executive officers may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined 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 June 30, 2019	Adjustment to 2019 Service Costs	Service Cost	Interest Cost	Benefits Paid	Accrued Obligation June 30, 2020
President and CEO						
Past incumbent	\$ 1,400	\$ 89	\$ 33	78	\$ -	\$ 1,600
Provost and Vice President Academic	78	10	28	7	-	123

23. IMPACT OF COVID-19 PANDEMIC

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

24. BUDGET FIGURES

NAIT's 2020 budget was approved by the Board of Governors and was presented to the Minister of Advanced Education as part of NAIT's submission of its 2019/20 to 2021/22 Comprehensive Institutional Plan.

25. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Governors of the Northern Alberta Institute of Technology on October 16, 2020.

26. COMPARATIVE FIGURES

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

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