CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

The Humber College Institute of Technology and Advanced Learning

March 31, 2006

The Humber College Institute of Technology and Advanced Learning

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of The Humber College Institute of Technology and Advanced Learning (the "College") are the responsibility of management and have been approved by the Board of Governors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The College maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the College's assets are appropriately accounted for and adequately safeguarded.

The College's insurance liabilities have been reviewed by management in consultation with its broker. There are no material liabilities in either fact or contingency as at the date of this report.

The Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Governors, and includes within its ranks one member who, notwithstanding this appointment, operates at arm's length with both the Board and management. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements. The Committee also considers, for review and approval by the Board, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards, on behalf of the Board. Ernst & Young LLP has full and free access to the Audit Committee.

College President	Vice President, Administrative Services

June 12, 2006

AUDITORS' REPORT

To the Board of Governors of
The Humber College Institute of Technology and Advanced Learning

We have audited the consolidated balance sheet of **The Humber College Institute of Technology and Advanced Learning** as at March 31, 2006 and the consolidated statements of revenue and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Thornhill, Canada,
May 12, 2006.

Chartered Accountants

The Humber College Institute of Technology and Advanced Learning **Statement 1**

CONSOLIDATED BALANCE SHEET

As at March 31

	2006 $	2005 $
ASSETS		
Current		
Cash	**846,715**	-
Short-term investments (note 3)	**48,777,885**	34,315,572
Grants receivable	**4,665,146**	10,867,422
Accounts receivable (note 4)	**3,895,295**	2,610,308
Prepaid expenses	**498,389**	1,063,471
Total current assets	**58,683,430**	48,856,773
Long term accounts receivable (note 4)	**4,500,000**	-
Loan receivable from University of Guelph-Humber (note 5(c))	**5,166,429**	4,948,385
Advances to University of Guelph-Humber (note 5(d))	**4,256,285**	4,786,539
Restricted investments (note 3)	**7,902,115**	7,148,428
Capital assets, net (note 6)	**200,106,073**	198,060,883
	280,614,332	263,801,008
LIABILITIES AND NET ASSETS		
Current		
Bank indebtedness (note 7)	**-**	446,203
Accounts payable and accrued liabilities	**7,326,797**	6,906,004
Accrued payroll and employee benefits	**4,299,316**	6,542,206
Accrued vacation pay	**7,973,092**	7,614,171
Deferred revenue	**10,753,626**	10,370,430
Deferred contributions (notes 8, 15 and 16)	**7,188,583**	11,169,152
Due to Humber Students' Federation (note 10)	**749,907**	588,167
Current portion of long-term debt (notes 7 and 11)	**960,723**	909,606
Total current liabilities	**39,252,044**	44,545,939
Long-term debt (notes 7 and 11)	**42,338,446**	43,299,169
Accrued vested sick-leave benefits (note 13)	**5,513,726**	6,424,848
Employee future benefits (note 13)	**1,705,000**	4,133,000
Deficiency in University of Guelph-Humber (note 5(a))	**3,062,260**	3,981,962
Deferred capital contributions (note 9)	**83,550,686**	77,717,130
Total liabilities	**175,422,162**	180,102,048
Commitments (note 14)		
Net assets		
Unrestricted	**(15,278,163)**	(24,994,446)
Internally restricted (note 12)	**39,312,000**	25,410,000
Invested in capital assets (note 6)	**75,753,875**	79,154,004
Endowments (notes 15 and 16)	**5,404,458**	4,129,402
Total net assets	**105,192,170**	83,698,960
	280,614,332	263,801,008

See accompanying notes

On behalf of the Board of Governors:

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES

Year ended March 31

	2006	2005
	$	$
REVENUE		
Government grants and reimbursements	**95,164,467**	93,584,909
Tuition fees	**56,306,133**	53,781,198
Ancillary operations	**26,424,697**	24,715,741
Amortization of deferred capital contributions	**4,367,543**	2,945,120
Interest income	**1,191,990**	914,529
Other (note 5(a) and 5(b))	**18,702,748**	13,472,869
	202,157,578	189,414,366
EXPENSES		
Academic	**94,388,411**	89,353,330
Special projects	**1,777,006**	1,697,035
Student services	**18,822,805**	18,276,209
Administrative	**20,815,753**	20,837,276
Property and plant	**11,416,815**	12,326,039
Ancillary operations (note 11)	**24,312,559**	22,751,277
Awards, scholarships, bursaries and other	**963,717**	459,469
Amortization of capital assets - operating	**9,442,358**	8,736,855
	181,939,424	174,437,490
Excess of revenue over expenses for the year	**20,218,154**	14,976,876

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2006				
	Unrestricted	**Internally restricted**	**Invested in capital assets**	**Endowments**	**Total**
	$	$	$	$	$
		(note 12)	(note 6)		
Balance, beginning of year	**(24,994,446)**	**25,410,000**	**79,154,004**	**4,129,402**	**83,698,960**
Excess of revenue over expenses for the year	**20,218,154**	**-**	**-**	**-**	**20,218,154**
Change in internally restricted net assets	**(13,902,000)**	**13,902,000**	**-**	**-**	**-**
Net change in invested in capital assets (note 6)	**3,400,129**	**-**	**(3,400,129)**	**-**	**-**
Endowment contributions	**-**	**-**	**-**	**1,275,056**	**1,275,056**
Balance, end of year	**(15,278,163)**	**39,312,000**	**75,753,875**	**5,404,458**	**105,192,170**

	2005				
	Unrestricted	**Internally restricted**	**Invested in capital assets**	**Endowments**	**Total**
	$	$	$	$	$
		(note 12)	(note 6)		
Balance, beginning of year	(72,809,784)	25,410,000	111,992,466	3,046,228	67,638,910
Excess of revenue over expenses for the year	14,976,876	-	-	-	14,976,876
Change in internally restricted net assets	-	-	-	-	-
Net change in invested in capital assets (note 6)	32,838,462	-	(32,838,462)	-	-
Endowment contributions	-	-	-	1,083,174	1,083,174
Balance, end of year	(24,994,446)	25,410,000	79,154,004	4,129,402	83,698,960

See accompanying notes

The Humber College Institute of Technology and Advanced Learning **Statement 4**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

	2006	2005
	$	$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**20,218,154**	14,976,876
Add (deduct) non-cash items		
Amortization of capital assets - operating	**9,442,358**	8,736,855
Amortization of capital assets - ancillary	**2,383,746**	2,532,974
Amortization of deferred capital contributions	**(4,367,543)**	(2,945,120)
Loss on disposal of capital assets	**102,517**	126,743
Share of (excess) deficiency of revenue over expenses for the year from University of Guelph-Humber	**(919,702)**	1,039,032
	26,859,530	24,467,360
Net change in non-cash working capital balances related to operations (note 17)	**(2,755,560)**	(14,604,147)
Cash provided by operating activities	**24,103,970**	9,863,213
INVESTING ACTIVITIES		
Purchase of short-term investments	**(14,462,313)**	(32,929,310)
Decrease (increase) in restricted investments	**(753,687)**	665,310
Purchase of capital assets	**(13,973,811)**	(23,186,340)
Cash used in investing activities	**(29,189,811)**	(55,450,340)
FINANCING ACTIVITIES		
Proceeds (repayment) of bank indebtedness	**(446,203)**	446,203
Endowment contributions	**1,275,056**	1,083,174
Proceeds from long-term debt	**-**	45,000,000
Repayment of long-term debt	**(909,606)**	(791,225)
Decrease (increase) in advances to University of Guelph-Humber	**530,254**	(5,256,118)
Increase in loan receivable from University of Guelph-Humber	**(218,044)**	(1,468,256)
Net increase in deferred capital contributions	**5,701,099**	1,616,094
Cash provided by financing activities	**5,932,556**	40,629,872
Net increase (decrease) in cash during the year	**846,715**	(4,957,255)
Cash, beginning of year	**-**	4,957,255
Cash, end of year	**846,715**	-

See accompanying notes

1. DESCRIPTION OF THE ORGANIZATION

The College system was created by an Act of the Ontario Legislature on December 30, 1966. Regulation 771 empowered the then Ministry of Education to establish individual colleges. On February 23, 1967, Humber College of Applied Arts and Technology became a reality. By Ontario Regulation 33/3 filed on February 11, 2003, the name of the College was changed to The Humber College Institute of Technology and Advanced Learning (the "College").

The College's mission statement is as follows:

"We at Humber strive for an open, respectful and welcoming educational environment which is responsive to the needs of our students, our faculty, our staff, our community and our nation. Our College proudly reflects the richness and diversity of the Canadian community: the many cultures, the economic backgrounds, the differing age groups, the many ideas that have solidified our democracy. We aim for high standards of teaching and learning and we are dedicated to anticipating the changes in our society and to responding to those changes in practical but innovative ways."

The College's consolidated financial statements include the accounts of the Humber College Educational Foundation, which is controlled by the College, and the College's 50% equity interest in the University of Guelph-Humber Joint Venture. These consolidated financial statements do not reflect the assets, liabilities and results of operations of The Humber Students' Federation or the various other student organizations of the College.

The College is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the College have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), the most significant of which are as follows:

Investments

Investments are recorded at cost plus accrued interest. If the market value of the investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market.

Capital assets

Purchased capital assets are recorded at cost while contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis using the following annual rates:

	%
Buildings	2.5
Site improvements	10.0
Leasehold improvements	2.5
Furniture and equipment	10.0-33.3
Automotive equipment	20.0

Construction in progress costs are transferred to various categories of capital assets and are amortized on a basis consistent with similar assets, once the assets are placed in service.

Revenue recognition

The College follows the deferral method of accounting for contributions, which include donations and government grants. Contributions externally restricted for purposes other than endowment are recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital asset. Endowment contributions are recognized as direct increases in net assets in the period in which they are received. The College actively fundraises and unrestricted contributions are recorded when received since pledges are not legally enforceable.

Tuition fees are recorded as revenue when the programs and courses are delivered.

Sales and service revenue is recognized at the point of sale or when the service has been provided.

Derivative financial instruments

Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices or changes to notional contract amounts. The College uses an interest rate swap in order to manage interest rate exposure. This instrument is used for hedging an on-balance sheet liability and has been designated as a hedge.

In the event a designated hedge long-term debt is extinguished or matures prior to the termination of the related interest rate swap, any realized or unrealized gain or loss on such interest rate swap is recognized in income.

Employee future benefits

Defined contribution plan accounting is applied to multi-employer defined benefit plans. Contributions are expensed as incurred.

The College offers other retirement benefits such as extended health and dental.

The accounting policies applied to these benefits are as follows:

- The cost of these retirement benefits earned by employees is actuarially determined using the projected benefit method based on services rendered and management's best estimates regarding assumptions about a number of future conditions including expected plan investment performance, salary escalation, retirement ages of employees, mortality rates and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized on a straight-line basis over the average remaining service life of active employees. The average remaining service period of the active employees covered by the other retirement plan is 10 years.
- Liabilities are discounted using current interest rates on long-term bonds.

Investment in University of Guelph-Humber

The investment in University of Guelph-Humber Joint Venture is accounted for using the equity method.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Due to inherent uncertainty involved in making such estimates, actual results could differ from those estimates.

3. INVESTMENTS

Short-term investments and restricted investments consist of Canadian Bankers' Acceptances and Redeemable Short-Term Investment Certificates totalling $56,680,000 (2005 - $41,464,000) with amounts ranging from $2,100,000 to $10,000,000 (2005 - $150,000 to $10,000,000), interest rates ranging from 3.25% to 3.60% (2005 - 2.30% to 2.50%) and maturity dates ranging from September 20, 2006 to March 21, 2007 (2005 - November 18, 2005 to March 29, 2006).

An amount equal to unspent capital contributions of $2,497,657 (2005 - $3,019,026) as disclosed in note 9 and endowments of $5,404,458 (2005 - $4,129,402) have been classified as restricted investments.

4. ACCOUNTS RECEIVABLE

The College in concert with the Humber Students' Federation, agreed to direct the building levy assessed upon students to fund a number of improvements to facilities at both campuses including partial support for a new library at the Lakeshore campus. The levy generates approximately $1,500,000 per annum. The parties have agreed that the levy will provide a maximum of $6,000,000 to fund the aforementioned projects.

	2006 **$**	**2005** **$**
Total accounts receivable	**6,000,000**	-
Less current portion included in accounts receivable	**1,500,000**	-
Total long term accounts receivable	**4,500,000**	-

5. INVESTMENT IN UNIVERSITY OF GUELPH-HUMBER

In 2001, the College entered into a Joint Venture agreement with the University of Guelph, known as the University of Guelph-Humber Joint Venture (the "Joint Venture"). The purpose of the Joint Venture is to provide students with a four-year collaborative learning opportunity which results in the conferment of both a university degree and a college diploma.

(a) The following is the College's combined 50% share of the components of the financial statements of the Joint Venture:

	2006 $	2005 $
Current assets	**2,515,947**	1,934,573
Capital assets	**1,261,333**	1,777,142
Long-term liabilities	**6,839,540**	7,693,677
Net deficit	**(3,062,260)**	(3,981,962)
Revenue	**10,164,055**	7,224,525
Expenses	**9,244,353**	8,263,557
Excess (deficiency) of revenue over expenses for the year	**919,702**	(1,039,032)
Cash flows provided by (used in) operating activities	**1,016,061**	(2,297,426)
Cash flows used in investing activities	**(161,685)**	(882,953)
Cash flows provided by (used in) financing activities	**(854,376)**	3,180,379
Net cash flows	**-**	-

Excess (deficiency) of revenue over expenses for the year has been included in other revenue.

(b) During the year, the College earned $6,853,765 (2005 - $5,512,284) of fees from the Joint Venture for services provided which has been included in other revenue.

(c) Loan receivable from the Joint Venture bears interest at 3% (2005 – 3%) per annum and has no fixed terms of repayment. Repayment will not be demanded prior to April 1, 2007. The fair value of the loan receivable cannot be reasonably determined as there are no fixed terms of repayment.

(d) Advances to the Joint Venture are non-interest bearing with no fixed terms of repayment. Repayment will not be demanded prior to April 1, 2007. The fair value of the advances cannot be reasonably determined as there are no fixed terms of repayment.

6. CAPITAL ASSETS

Capital assets consist of the following:

	2006		2005	
	Cost $	Accumulated Amortization $	Cost $	Accumulated Amortization $
Land	**3,739,565**	**-**	3,739,565	-
Buildings	**181,905,347**	**55,436,611**	173,622,163	50,994,861
Site improvements	**13,931,152**	**10,636,237**	13,931,152	10,096,613
Leasehold improvements	**60,904,594**	**6,730,154**	59,889,916	5,218,364
Furniture and equipment	**53,747,127**	**42,211,565**	50,350,886	37,880,172
Automotive equipment	**2,460,272**	**2,157,354**	2,353,998	1,906,817
Construction in progress	**589,937**	**-**	270,030	-
	317,277,994	**117,171,921**	304,157,710	106,096,827
Less accumulated amortization	**(117,171,921)**		(106,096,827)	
Net book value	**200,106,073**		198,060,883	

The change in net book value of capital assets is due to the following:

	2006 $	2005 $
Balance, beginning of year	**198,060,883**	186,271,115
Purchase of capital assets internally funded	**3,251,343**	19,821,765
Purchase of capital assets funded from deferred capital contributions	**10,722,468**	3,364,575
Loss on disposal of capital assets	**(102,517)**	(126,743)
Amortization of capital assets – operating	**(9,442,358)**	(8,736,855)
Amortization of capital assets – ancillary	**(2,383,746)**	(2,532,974)
Balance, end of year	**200,106,073**	198,060,883

Invested in capital assets consists of the following:

	2006 $	2005 $
Capital assets, net	**200,106,073**	198,060,883
Less amounts financed by:		
Long-term debt (note 11)	**43,299,169**	44,208,775
Deferred capital contributions	**81,053,029**	74,698,104
Balance, end of year	**75,753,875**	79,154,004

The change in invested in capital assets is as follows:

	2006 $	2005 $
Repayment of long-term debt	**909,606**	791,225
Purchase of capital assets internally funded	**3,251,343**	19,821,765
Increase in invested in capital assets	**4,160,949**	20,612,990
Amortization expense – operating	**9,442,358**	8,736,855
Amortization expense – ancillary	**2,383,746**	2,532,974
Less amortization of deferred capital contributions	**(4,367,543)**	(2,945,120)
Loss on disposal of capital assets	**102,517**	126,743
Proceeds from long-term debt	**-**	45,000,000
Decrease in invested in capital assets	**7,561,078**	53,451,452
	(3,400,129)	(32,838,462)

7. CREDIT FACILITIES

The College has loan facilities with the Bank of Montreal to a maximum amount of $62,000,000 to finance the construction of two student residences. The College has utilized $45,000,000 under its hedge facility as described in note 11. The balance of the facility is available in either prime rate loans bearing interest at the bank's prime rate less ¾% per annum, Bankers' Acceptances or public sector fixed rate operating loans bearing interest at the bank's cost of funds rate plus 0.225% per annum.

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants and donations for awards, scholarships and bursaries, arboretum projects and other. The changes in the deferred contributions balance are as follows:

	2006 $	2005 $
Balance, beginning of year	**11,169,152**	12,333,273
Amounts received during the year	**14,124,361**	30,444,671
Amounts recognized as revenue during the year	**(18,104,930)**	(31,608,792)
Balance, end of year	**7,188,583**	11,169,152

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the consolidated statement of revenue and expenses. The changes in the deferred capital contributions balance are as follows:

	2006 $	2005 $
Balance, beginning of year	**77,717,130**	79,046,156
Add contributions received for capital purposes	**10,312,251**	2,127,240
Less amortization of deferred capital contributions	**(4,367,543)**	(2,945,120)
Less deferred capital contributions used for maintenance	**(111,152)**	(511,146)
Balance, end of year	**83,550,686**	77,717,130

As at March 31, 2006, there are deferred capital contributions received but not spent of $2,497,657 (2005 - $3,019,026).

10. DUE TO HUMBER STUDENTS' FEDERATION

The amount due to Humber Students' Federation bears interest at the bank's prime rate less 2¼% with an effective rate at March 31, 2006 of 3¼% (2005 - 2%) and is due on demand. The fair value cannot be reasonably determined as there are no fixed terms of repayment.

11. LONG-TERM DEBT AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) The original loan of $45,000,000 obtained on April 1, 2004 is amortized over twenty-five years, bears interest at 5.48% per annum and is repayable monthly on the first of each month in blended payments of $275,802 and is due on April 1, 2029.

	2006 $	2005 $
Long-term debt	**43,299,169**	44,208,775
Less current portion of long-term debt	**960,723**	909,606
	42,338,446	43,299,169

Interest on long-term debt amounted to $2,404,674 (2005 - $2,536,202) and is included in ancillary operations expense.

The fair value of the term loan cannot be reasonably determined.

Principal repayments on long-term debt are estimated to be as follows:

	$
2007	**960,723**
2008	**1,014,714**
2009	**1,071,738**
2010	**1,131,967**
2011	**1,195,581**
Thereafter	**37,924,446**
	43,299,169

(b) Derivative financial instruments

The College has in place an Interest Rate Swap Agreement (the "Agreement"), designated as a hedge of the long-term debt, which will expire on April 1, 2029. Under the terms of the Agreement, the College agrees with the counterparty to exchange, at specified intervals and for a specified period, its floating interest for fixed interest (5.705%) calculated on the notional principal amount of the long-term debt. The use of the swap effectively enables the College to convert the floating rate interest obligations of the long-term debt into a fixed rate obligation and thus manage its exposure to interest rate risk. At March 31, 2006, this Agreement qualified as an effective hedge transaction.

The notional and change in fair values of the financial instrument are as follows:

	2006		**2005**	
	Notional value	**Change in fair value**	**Notional value**	**Change in fair value**
	$	**$**	**$**	**$**
Interest rate swap	**43,299,169**	**(3,217,865)**	44,208,775	(2,785,628)

12. INTERNALLY RESTRICTED

The College, by resolution of the Board of Governors, internally restricts amounts from unrestricted net assets to cover anticipated future operating expenses, including obligations and commitments existing at year end which are as follows:

	2006	**2005**
	$	**$**
Operating		
Foreign Student Assistance	**3,800,000**	3,600,000
Renovations - Residence	**3,810,000**	2,810,000
Curriculum Development - Applied Degrees	**350,000**	350,000
Renovations - Academic Non-Teaching Space	**300,000**	300,000
Nursing Degree Program	**2,550,000**	1,550,000
Capital		
Building Fund	**12,240,000**	6,700,000
Encumbrances	**2,962,000**	1,200,000
Reserves		
Utility	**2,000,000**	**-**
Equipment	**2,000,000**	**-**
Contingency		
General	**6,100,000**	5,700,000
Construction	**3,200,000**	3,200,000
	39,312,000	25,410,000

The contingency balance of $9,300,000 has been approved by the Board of Governors. The general contingency is calculated at 3% of gross revenue and the construction contingency is calculated at 2% of the total estimated construction costs of $160,000,000.

13. EMPLOYEE FUTURE BENEFITS

Pension plans

The employees of the College are participants in the Colleges of Applied Arts and Technology Pension Plan which is a multi-employer defined benefit pension plan. During the year, contributions to this plan were $5,669,929 (2005 - $5,536,447) and are included in the consolidated statement of revenue and expenses.

Other employee future benefits

Information about the College's non-pension defined benefit plans as at March 31, in aggregate, is as follows:

	2006	**2005**
	$	**$**
Fair value of plan assets		
Post-employment benefits - premium waiver during long-term disability	**303,000**	310,000
Total fair value of plan assets	**303,000**	310,000
Accrued benefit obligations		
Non-pension post-retirement benefits	**818,000**	3,311,000
Post-employment benefits - premium waiver during long-term disability	**424,000**	434,000
Post-employment benefits - continuation of medical and dental benefits during long-term disability	**766,000**	698,000
Total accrued benefit obligations	**2,008,000**	4,443,000
Net benefit obligation	**1,705,000**	4,133,000
Vested sick-leave benefits	**5,513,726**	6,424,848
Total obligation	**7,218,726**	10,557,848

The significant actuarial assumptions adopted in measuring the College's non-pension accrued benefit obligation and measuring the College's expenses for the year are as follows:

	2006	**2005**
	%	**%**
Discount rate per annum - accrued benefit obligations	**5.00**	5.25
Discount rate per annum - expenses April - August 2005	**5.25**	5.50
Discount rate per annum - expenses September 2005 - March 2006	**4.50**	5.50

The cost escalation for various medical benefits ranged from 0% to 5%. For drug benefits only, costs escalation will grade down from 9% in 2004, to 5% in 2010.

The latest actuarial valuation for the post-employment benefits plan was performed as of December 31, 2003. The next actuarial valuation is required as of December 31, 2006.

The College's accrued employee benefit liability is calculated as follows:

	2006 $	2005 $
Employee benefit liability, beginning of year	**4,133,000**	3,901,000
Employee future benefit expense	**(2,428,000)**	232,000
Employee benefit liability, end of year	**1,705,000**	4,133,000

There were no contributions during the year.

14. COMMITMENTS

Leases

The College has entered into a ninety-nine (99) year lease agreement with Her Majesty The Queen In The Right Of Ontario for the property now known as the Robert A. Gordon Learning Centre. The base rent is one dollar ($1) per year for the term of the lease which expires January 31, 2094.

The College has also entered into various other agreements to lease premises and equipment. The anticipated annual payments for the remaining fiscal years under current lease arrangements are as follows:

	$
2007	**891,919**
2008	**741,341**
2009	**768,993**
2010	**298,345**
2011	**313,262**
	3,013,860

Capital

The College has entered into construction contracts with a combined total cost of approximately $70 million. The College has provided unconditional loan guarantees to certain third parties amounting to $0 (2005 - $564,865) primarily related to possible defaults in financial agreements for certain construction projects.

15. ONTARIO STUDENT OPPORTUNITY TRUST FUND PHASES 1 AND 2

(a) Ontario Student Opportunity Trust Fund Phase 1

Endowments include grants provided by the Ministry of Training, Colleges and Universities ("MTCU") from the Ontario Student Opportunity Trust Fund 1 ("OSOTF 1") matching program to award student aid as a result of raising an equal amount of endowed donations.

Schedule of Changes in OSOTF 1 Endowment Balance
For the Year Ended March 31

	2006 $	2005 $
Fund balance, beginning of year	**1,265,418**	1,265,418
Cash donations received	**-**	-
Fund balance, end of year	**1,265,418**	1,265,418

Schedule of Changes in OSOTF 1 Expendable Funds Available for Awards
For the Year Ended March 31

	2006 $	2005 $
Balance, beginning of year	**33,333**	15,218
Investment income, net of direct investment-related expenses	**33,754**	25,115
Bursaries awarded (total number: 49 (2005 - 10))	**(24,500)**	(7,000)
Balance, end of year	**42,587**	33,333

The expendable funds available for awards are included in deferred contributions on the consolidated balance sheet.

The market value of the endowment as at March 31, 2006 was $1,308,005 (2005 - $1,298,751).

(b) Ontario Student Opportunity Trust Fund Phase 2

Endowments include grants provided by MTCU from the Ontario Student Opportunity Trust Fund 2 ("OSOTF 2") matching program to award student aid as a result of raising an equal amount of endowed donations.

Schedule of Changes in OSOTF 2 Endowment Balance for the Year Ended March 31

	2006 $	2005 $
Fund balance, beginning of year	**526,692**	-
Cash donations received	**50**	263,346
Matching funds received from MTCU	**-**	263,346
Fund balance, end of year	**526,742**	526,692

Schedule of Changes in OSOTF 2 Expendable Funds Available for Awards for the Year Ended March 31

	2006 $	2005 $
Balance, beginning of year	**1,396**	-
Investment income, net of direct investment-related expenses	**14,266**	1,396
Bursaries awarded (total number: 2 (2005 - 0))	**(500)**	-
Balance, end of year	**15,162**	1,396

The expendable funds available for awards are included in deferred contributions on the consolidated balance sheet.

The market value of the endowment as at March 31, 2006 was $541,904 (2005 - $528,088).

16. ONTARIO TRUST FOR STUDENT SUPPORT FUND

Endowments include grants provided by the Ministry of Training, Colleges and Universities from the Ontario Trust for Student Support Fund matching program to award student aid as a result of raising an equal amount of endowed donations.

	2006 $	2005 $
Donations	**346,542**	-
Endowment fund		
Donations	**346,542**	-
Matching grants from the Ministry of Training Colleges and Universities	**744,134**	-
Balance, end of year	**1,090,676**	-
Expendable funds available for awards		
Investment income	**5,637**	-
Bursaries awarded	**-**	-
Balance, end of year	**5,637**	-

The expendable funds available for awards are included in deferred contributions on the consolidated balance sheet.

The market value of the endowment as at March 31, 2006 was $1,096,313.

17. CONSOLIDATED STATEMENT OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2006 $	2005 $
Grants receivable	**6,202,276**	(8,070,774)
Accounts receivable	**(1,284,987)**	(407,053)
Prepaid expenses	**565,082**	(226,011)
Accounts payable and accrued liabilities	**420,793**	(6,060,967)
Accrued payroll and employee benefits	**(2,242,890)**	333,304
Accrued vacation pay	**358,921**	1,113,553
Deferred revenue	**383,196**	450,765
Deferred contributions	**(3,980,569)**	(1,164,121)
Due to Humber Students' Federation	**161,740**	(841,881)
Accrued vested sick-leave benefits	**(911,122)**	37,038
Employee future benefits	**(2,428,000)**	232,000
	(2,755,560)	(14,604,147)

18. SERVICE CONTRACT/CFSA APPROVAL WITH THE MINISTRY OF COMMUNITY, FAMILY AND CHILDREN'S SERVICES

The College has a Service Contract/CFSA Approval with the Ministry of Community, Family and Children's Services. A reconciliation report summarizes by service for Project Code number 28 all revenues and expenditures and identifies any resulting surplus or deficit that relates to the Service Contract/CFSA Approval.

A review of this report shows the service contract to be in a deficit position of $294,718 as at March 31, 2006 (2005 - $275,498).

19. FINANCIAL INSTRUMENTS

The fair values of the College's financial instruments are not significantly different from their carrying value at March 31, 2006, unless otherwise noted. The College is subject to credit risk with respect to its accounts receivable to the extent debtors do not meet their obligations and interest rate risk with respect to its investments.

20. PUBLIC SECTOR SALARY DISCLOSURE ACT, 1996

The Public Sector Salary Disclosure Act, 1996 (the "Act") requires the disclosure of the salaries and benefits of employees in the public sector who are paid a salary of $100,000 or more in a year. The College complies with this Act by providing the information to the Ministry of Training, Colleges and Universities for disclosure on the public website.

21. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2006 consolidated financial statements.

ADDITIONAL COMMENTS OF AUDITORS

The accompanying schedules 1 to 11 of revenue, expenses, and net assets are presented as supplementary information only. In this respect, they do not form part of the financial statements of **The Humber College Institute of Technology and Advanced Learning** for the year ended March 31, 2006 and hence are excluded from the opinion expressed in our report dated May 12, 2006 to the Board of Governors on such financial statements. The information in these schedules has been subject to audit procedures only to the extent necessary to express an opinion on the financial statements of the College and, in our opinion, is fairly presented in all respects material to those financial statements.

Ernst & Young LLP

Thornhill, Canada,
May 12, 2006.

Chartered Accountants

SCHEDULE OF REVENUE

Year ended March 31

	2006	2005
	$	$
GOVERNMENT GRANTS AND REIMBURSEMENTS		
General operating grants	**77,059,537**	61,976,117
Supplementary grants	**1,187,130**	16,389,073
Termination gratuities	**-**	662,681
Grants in lieu of municipal taxation	**1,035,600**	983,100
Grants - other	**6,641,977**	4,919,246
Grants and donations for restricted purposes	**963,717**	459,469
Literacy and Basic Skills	**1,035,856**	997,356
Apprenticeship	**4,637,175**	4,532,456
Employment Assistance Services	**2,603,475**	2,665,411
	95,164,467	93,584,909
TUITION FEES		
Post secondary	**47,989,925**	46,132,984
Non-post secondary	**2,144,158**	1,856,915
OSAP support	**3,704,919**	3,724,666
Information technology	**2,467,131**	2,066,633
	56,306,133	53,781,198
ANCILLARY OPERATIONS (schedule 7)	**26,424,697**	24,715,741
AMORTIZATION OF DEFERRED CAPITAL CONTRIBUTIONS	**4,367,543**	2,945,120
INTEREST INCOME	**1,191,990**	914,529
OTHER		
Special projects	**1,772,526**	1,664,445
Miscellaneous	**16,383,372**	11,326,199
Extracurricular	**546,850**	482,225
	18,702,748	13,472,869
	202,157,578	189,414,366

The Humber College Institute of Technology and Advanced Learning **Schedule 2**

SCHEDULE OF ACADEMIC EXPENSES

Year ended March 31

	2006	2005
	$	$
Salaries		
Administrative	**5,693,154**	5,254,577
Faculty	**53,137,858**	49,447,316
Support	**8,564,109**	7,808,394
Teaching services purchased	**33,381**	51,110
	67,428,502	62,561,397
Employee benefit plans	**9,386,985**	11,175,524
Termination gratuities	**1,439,885**	622,858
Professional development	**432,453**	382,286
Travel, accommodations and meals	**674,822**	595,359
General office supplies and services	**3,745,130**	2,910,573
Software	**683,275**	534,560
Memberships and dues	**52,269**	62,551
Consulting fees	**331,102**	535,766
Contract services	**4,206,154**	3,769,584
Instructional supplies and services	**3,229,642**	3,367,021
Field work	**88,315**	73,666
Promotion and public relations	**2,023,439**	1,818,247
Telecommunications	**104,017**	110,526
Rental		
Furniture and equipment	**5,277**	16,897
IT equipment and software	**18,963**	11,423
Equipment maintenance	**242,692**	276,096
Leased furniture and equipment	**295,489**	528,996
	94,388,411	89,353,330

SCHEDULE OF SPECIAL PROJECTS EXPENSES

Year ended March 31

	2006	**2005**
	$	$
Salaries		
Administrative	**81,647**	60,311
Faculty	**109,610**	70,726
Support	**169,257**	177,921
	360,514	308,958
Employee benefit plans	**58,232**	41,197
Travel, accommodations and meals	**190,158**	60,965
General office supplies and services	**219,566**	294,728
Contract services	**447,260**	508,248
Instructional supplies and services	**358,658**	268,880
Promotion and public relations	**142,618**	214,059
	1,777,006	1,697,035

SCHEDULE OF STUDENT SERVICES EXPENSES

Year ended March 31

	2006	**2005**
	$	$
Salaries		
Administrative	**1,400,257**	1,205,675
Faculty	**1,349,513**	1,496,017
Support	**9,079,275**	8,855,167
	11,829,045	11,556,859
Employee benefit plans	**1,309,961**	1,550,358
Termination gratuities	**-**	39,979
Professional development	**64,172**	28,892
Travel, accommodations and meals	**263,053**	221,499
General office supplies and services	**1,076,846**	1,144,749
Software	**101,270**	30,181
Consulting fees	**10,066**	37,131
Contract services	**233,928**	190,275
Instructional supplies and services	**755,509**	854,750
Promotion and public relations	**354,668**	420,060
Student assistance	**2,218,728**	1,694,743
Entrance scholarships	**363,456**	303,072
Telecommunications	**16,836**	17,787
Rental IT equipment and software	**90,957**	109,066
Equipment maintenance	**65,322**	27,604
Rental and leased furniture and equipment	**68,988**	49,204
	18,822,805	18,276,209

The Humber College Institute of Technology and Advanced Learning **Schedule 5**

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year ended March 31

	2006 $	2005 $
Salaries		
Administrative	**5,262,720**	5,358,091
Support	**4,032,424**	3,840,029
	9,295,144	9,198,120
Employee benefit plans	**1,879,614**	2,352,079
Termination gratuities	**42,317**	-
Staff employment hiring cost	**169,782**	178,955
Professional development	**364,702**	332,613
Travel, accommodations and meals	**219,444**	221,760
General office supplies and services	**1,009,856**	1,224,287
Software	**1,190,002**	879,122
Memberships and dues	**363,872**	229,877
Legal and consulting fees	**840,696**	1,002,606
Audit fees	**145,135**	139,769
Contract services	**1,828,925**	1,630,701
Promotion and public relations	**1,040,191**	899,829
Telecommunications	**412,123**	566,951
Insurance	**234,981**	298,029
Rental IT equipment and software	**301,791**	295,033
Equipment maintenance	**275,812**	289,702
Rental and leased furniture and equipment	**165,766**	114,743
Municipal taxes	**1,035,600**	983,100
	20,815,753	20,837,276

SCHEDULE OF PROPERTY AND PLANT EXPENSES

Year ended March 31

	2006	**2005**
	$	$
Salaries		
Administrative	**585,001**	558,856
Support	**1,303,294**	1,312,512
	1,888,295	1,871,368
Employee benefit plans	**316,292**	395,957
Professional development	**4,640**	11,098
Travel, accommodations and meals	**3,860**	1,777
General office supplies and services	**300,663**	100,516
Consulting fees	**35,824**	69,820
Contract services	**3,085,677**	2,897,221
Rental premises	**495,469**	473,610
Equipment maintenance	**120,730**	143,307
Building maintenance	**2,109,287**	3,337,684
Electricity	**1,301,951**	1,362,886
Fossil fuels	**1,170,234**	1,099,986
Water	**269,626**	227,970
Custodial supplies	**170,718**	165,526
Safety and security supplies	**88,556**	124,235
Vehicle expense	**37,121**	36,918
Rental and leased furniture and equipment	**17,872**	6,160
	11,416,815	12,326,039

SCHEDULE OF ANCILLARY OPERATIONS

Year ended March 31

	Revenue	Expenses	Net 2006	Net 2005
	$	$	$	$
Retail Operations	**1,290,517**	**471,349**	**819,168**	1,055,153
Food Services	**1,284,782**	**547,713**	**737,069**	793,708
Student Residences	**8,032,711**	**8,382,972**	**(350,261)**	(351,674)
Parking	**3,649,200**	**2,287,880**	**1,361,320**	929,157
Health Sciences	**1,662,056**	**1,870,871**	**(208,815)**	(154,776)
International Projects	**2,262,810**	**2,271,008**	**(8,198)**	(25,325)
Digital Imaging Training Centre	**767,196**	**834,948**	**(67,752)**	(97,066)
Contract Training Centre	**2,968,467**	**3,173,330**	**(204,863)**	(121,249)
Corporate and Continuing Education	**3,390,520**	**3,334,561**	**55,959**	15,361
Employee Benefit Centre	**702,901**	**717,528**	**(14,627)**	(26,601)
Canadian Plastics Training Centre	**413,537**	**420,399**	**(6,862)**	(52,224)
	26,424,697	**24,312,559**	**2,112,138**	1,964,464

SCHEDULE OF CHANGES IN UNRESTRICTED NET ASSETS AND INTERNALLY RESTRICTED NET ASSETS

Year ended March 31, 2006

	Ancillary Services *(schedule 9)* $	**Other** *(schedule 10)* $	**Parking** $	**Business Development** *(schedule 11)* $	**Total Ancillary** $	**General Operating** $	**Total Operating Fund** $
UNRESTRICTED							
Net assets, beginning of year	**1,585,062**	**127,870**	**1,275,931**	**(89,927)**	**2,898,936**	**(27,893,382)**	**(24,994,446)**
Excess (deficiency) of revenue over expenses for the year	**1,205,976**	**(291,627)**	**1,361,320**	**(163,531)**	**2,112,138**	**18,106,016**	**20,218,154**
Change in internally restricted net assets	-	-	-	-	-	**(13,902,000)**	**(13,902,000)**
Transfer	-	-	-	-	-	-	-
Net change in invested in capital assets	-	-	-	-	-	**3,400,129**	**3,400,129**
Endowment contributions	-	-	-	-	-	-	-
Net assets, end of year	**2,791,038**	**(163,757)**	**2,637,251**	**(253,458)**	**5,011,074**	**(20,289,237)**	**(15,278,163)**

	Ancillary Services *(schedule 9)* $	**Other** *(schedule 10)* $	**Parking** $	**Business Development** *(schedule 11)* $	**Total Ancillary** $	**General Operating** $	**Total Operating Fund** $
INTERNALLY RESTRICTED							
Net assets, beginning of year	**2,810,000**	-	-	-	**2,810,000**	**22,600,000**	**25,410,000**
Excess of revenue over expenses for the year	-	-	-	-	-	-	-
Change in internally restricted net assets	-	-	-	-	-	**13,902,000**	**13,902,000**
Net change in invested in capital assets	-	-	-	-	-	-	-
Endowment contributions	-	-	-	-	-	-	-
Net assets, end of year	**2,810,000**	-	-	-	**2,810,000**	**36,502,000**	**39,312,000**

The Humber College Institute of Technology and Advanced Learning **Schedule 9**

SCHEDULE OF ANCILLARY SERVICES

Year ended March 31, 2006

	Retail Operations $	Food Services $	Student Residences $	Total Ancillary Services $
UNRESTRICTED				
Net assets, beginning of year	**514,466**	**580,679**	**489,917**	**1,585,062**
Excess (deficiency) of revenue over expenses for the year	**819,168**	**737,069**	**(350,261)**	**1,205,976**
Change in internally restricted net assets	-	-	-	-
Transfer	-	-	-	-
Net change in invested in capital assets	-	-	-	-
Endowment contributions	-	-	-	-
Net assets, end of year	**1,333,634**	**1,317,748**	**139,656**	**2,791,038**

	Retail Operations $	Food Services $	Student Residences $	Total Ancillary Services $
INTERNALLY RESTRICTED				
Net assets, beginning of year	-	-	**2,810,000**	**2,810,000**
Excess of revenue over expenses for the year	-	-	-	-
Change in internally restricted net assets	-	-	-	-
Net change in invested in capital assets	-	-	-	-
Endowment contributions	-	-	-	-
Net assets, end of year	-	-	**2,810,000**	**2,810,000**

SCHEDULE OF OTHER ANCILLARY SERVICES

Year ended March 31, 2006

	Health Sciences $	Canadian Plastics Training Centre $	Digital Imaging Training Centre $	International Projects $	Total Other $
UNRESTRICTED					
Net assets, beginning of year	**(154,585)**	**(51,842)**	**189,884**	**144,413**	**127,870**
Deficiency of revenue over expenses for the year	**(208,815)**	**(6,862)**	**(67,752)**	**(8,198)**	**(291,627)**
Change in internally restricted net assets	-	-	-	-	-
Transfer	-	-	-	-	-
Net change in invested in capital assets	-	-	-	-	-
Endowment contributions	-	-	-	-	-
Net assets, end of year	**(363,400)**	**(58,704)**	**122,132**	**136,215**	**(163,757)**

	Health Sciences $	Canadian Plastics Training Centre $	Digital Imaging Training Centre $	International Projects $	Total Other $
INTERNALLY RESTRICTED					
Net assets, beginning of year	-	-	-	-	-
Excess of revenue over expenses for the year	-	-	-	-	-
Change in internally restricted net assets	-	-	-	-	-
Net change in invested in capital assets	-	-	-	-	-
Endowment contributions	-	-	-	-	-
Net assets, end of year	-	-	-	-	-

SCHEDULE OF BUSINESS DEVELOPMENT SERVICES

Year ended March 31, 2006

	Contract Training Centre $	Corporate and Continuing Education $	Employee Benefit Centre $	Total Business Development $
UNRESTRICTED				
Net assets, beginning of year	**(116,283)**	**41,261**	**(14,905)**	**(89,927)**
Excess (deficiency) of revenue over expenses for the year	**(204,863)**	**55,959**	**(14,627)**	**(163,531)**
Change in internally restricted net assets	-	-	-	-
Transfer	-	-	-	-
Net change in invested in capital assets	-	-	-	-
Endowment contributions	-	-	-	-
Net assets, end of year	**(321,146)**	**97,220**	**(29,532)**	**(253,458)**
INTERNALLY RESTRICTED				
Net assets, beginning of year	-	-	-	-
Excess of revenue over expenses for the year	-	-	-	-
Change in internally restricted net assets	-	-	-	-
Net change in invested in capital assets	-	-	-	-
Endowment contributions	-	-	-	-
Net assets, end of year	-	-	-	-