CONSOLIDATED FINANCIAL STATEMENTS

The Humber College Institute of Technology and Advanced Learning

March 31, 2012

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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 "Board").

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 are 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 and Finance Committee (the "Committee").

The Audit and Finance Committee is appointed by the Board of Governors, and includes within its ranks three Board members. 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 BDO Canada LLP, the external auditors, in accordance with Canadian generally accepted auditing standards, on behalf of the Board. BDO Canada LLP has full and free access to the Audit and Finance Committee.

College President

June 27, 2012

Vice President, Finance & Administrative Services

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BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Humber College Institute of Technology and Advanced Learning, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the consolidated financial statements 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 College's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Humber College Institute of Technology and Advanced Learning as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Mississauga, Ontario
June 27, 2012

CONSOLIDATED BALANCE SHEET

As at March 31

	2012 $	2011 $
ASSETS		
Current		
Cash	**14,259,550**	5,222,185
Short-term investments (note 3)	**113,476,850**	77,489,691
Grants receivable (note 4(a))	**3,695,199**	3,516,323
Accounts receivable (note 5(b))	**7,753,812**	8,387,326
Prepaid expenses	**1,236,270**	1,457,341
Total current assets	**140,421,681**	96,072,866
Long-term accounts receivable (note 5(a))	**548,874**	2,896,710
Investment in University of Guelph-Humber (note 6(a))	**9,287,433**	9,594,700
Long-term grants receivable (note 4(b))	**6,870,000**	9,160,000
Long-term investments (note 3)	**103,884,735**	111,476,992
Capital assets, net (note 7)	**296,597,854**	292,179,846
Total assets	**557,610,577**	521,381,114
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	**13,178,026**	17,357,228
Accrued payroll and employee benefits	**9,958,894**	7,949,147
Accrued vacation pay	**12,836,218**	11,458,492
Deferred revenue	**33,575,901**	31,403,796
Due to University of Guelph-Humber (note 6(c))	**14,394,530**	16,790,796
Due to Humber Students' Federation (note 11)	**3,622,153**	4,074,307
Demand loan payable (note 12)	**36,661,676**	37,924,445
Total current liabilities	**124,227,398**	126,958,211
Long-term liabilities		
Accrued vested sick-leave benefits (note 15)	**3,785,020**	4,280,164
Employee future benefits (note 14)	**1,487,000**	1,460,000
Interest rate swap (note 12(b))	**9,245,403**	5,633,202
Total long-term liabilities	**14,517,423**	11,373,366
Deferred contributions		
Deferred contributions (note 8)	**7,838,441**	6,764,753
Deferred capital contributions (note 10)	**144,891,136**	150,270,735
Total deferred contributions	**152,729,577**	157,035,488
Commitments (note 16)		
Net assets		
Unrestricted		
Operating	**28,456,631**	24,264,322
Employee future benefits	**(1,487,000)**	(1,460,000)
Vacation pay	**(12,836,218)**	(11,458,492)
Vested sick leave benefits	**(3,785,020)**	(4,280,164)
	10,348,393	7,065,666
Internally restricted (note 13)	**132,500,000**	102,400,000
Unrealized gains (losses) on investments (note 2)	**1,101,477**	(1,410,364)
Interest rate swap (note 12(b))	**(9,245,403)**	(5,633,202)
Invested in capital assets (note 7(b))	**116,938,837**	111,359,187
Endowments (note 9)	**14,492,875**	12,232,762
Total net assets	**266,136,179**	226,014,049
	557,610,577	521,381,114

See accompanying notes

On behalf of the Board of Governors:

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES

Year ended March 31

	2012 $	2011 $
REVENUE		
Operating		
Grants and reimbursements	**131,485,205**	129,065,861
Tuition fees	**131,056,819**	113,201,138
Amortization of deferred capital contributions (note 10)	**6,471,708**	6,164,162
Interest income	**4,878,990**	3,045,194
Other (note 6(a) and (b))	**30,049,920**	30,501,859
Total operating revenue	**303,942,642**	281,978,214
Ancillary	**29,999,483**	31,201,171
TOTAL REVENUE	**333,942,125**	313,179,385
EXPENSES		
Operating		
Salaries and benefits	**173,408,787**	162,146,231
Contract services	**22,555,350**	17,576,153
Maintenance, utilities and municipal taxes	**11,802,835**	18,559,095
Advertising and Marketing	**8,556,406**	7,485,264
Supplies, equipment and other expenses	**25,649,778**	27,342,338
Information technology	**4,639,783**	4,116,010
Student assistance	**5,602,246**	4,653,524
Amortization of capital assets	**17,468,842**	16,744,029
Total operating expenses	**269,684,027**	258,622,644
Ancillary	**25,295,721**	25,842,431
TOTAL EXPENSES	**294,979,748**	284,465,075
Excess of revenue over expenses for the year	**38,962,377**	28,714,310

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

2012

	Unrestricted $	Internally restricted $	Unrealized gains (losses) on investments $	Interest rate swap $	Invested in capital assets $	Endowments $	Total $
		(note 13)	(note 2)	(note 12)	(note 7)	(note 9)	
Balance, beginning of year	**7,065,666**	**102,400,000**	**(1,410,364)**	**(5,633,202)**	**111,359,187**	**12,232,762**	**226,014,049**
Excess of revenue over expenses for the year	**38,962,377**	-	-	-	-	-	**38,962,377**
Change in internally restricted net assets	**(30,100,000)**	**30,100,000**	-	-	-	-	-
Net change in invested in capital assets (note 7)	**(5,579,650)**	-	-	-	**5,579,650**	-	-
Endowment contributions	-	-	-	-	-	**2,260,113**	**2,260,113**
Change in fair value of interest rate swap	-	-		**(3,612,201)**	-	-	**(3,612,201)**
Change in fair value on investments	-	-	**2,511,841**	-	-	-	**2,511,841**
Balance, end of year	**10,348,393**	**132,500,000**	**1,101,477**	**(9,245,403)**	**116,938,837**	**14,492,875**	**266,136,179**

2011

	Unrestricted $	Internally restricted $	Unrealized gains (losses) on investments $	Interest rate swap $	Invested in capital assets $	Endowments $	Total $
		(note 13)	(note 2)	(note 12)	(note 7)	(note 9)	
Balance, beginning of year	2,326,401	86,000,000	(689,278)	(5,709,519)	103,784,142	10,744,738	196,456,484
Excess of revenue over expenses for the year	28,714,310	-	-	-	-	-	28,714,310
Change in internally restricted net assets	(16,400,000)	16,400,000	-	-	-	-	-
Net change in invested in capital assets (note 7)	(7,575,045)	-	-	-	7,575,045	-	-
Endowment contributions	-	-	-	-	-	1,488,024	1,488,024
Change in fair value of interest rate swap	-	-	-	76,317	-	-	76,317
Change in fair value on investments	-	-	(721,086)	-	-	-	(721,086)
Balance, end of year	7,065,666	102,400,000	(1,410,364)	(5,633,202)	111,359,187	12,232,762	226,014,049

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

	2012 $	2011 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**38,962,377**	28,714,310
Add (deduct) non-cash items		
Amortization of capital assets	**17,468,842**	16,744,029
Amortization of deferred capital contributions	**(6,471,708)**	(6,164,162)
Loss on disposal of capital assets	**-**	2,053
Share of excess of revenue over expenses for the year from University of Guelph-Humber (note 6(a))	**(8,190,833)**	(8,397,559)
	41,768,678	30,898,671
Net change in non-cash working capital balances related to operations (note 17)	**4,451,050**	30,989,198
Cash provided by operating activities	**46,219,728**	61,887,869
INVESTING ACTIVITIES		
Net (increase) / decrease of short-term investments & other assets	**(35,704,813)**	(28,506,571)
Net (increase) / decrease of long-term investments & other assets	**9,821,751**	(28,308,877)
Purchase of capital assets	**(21,886,853)**	(42,225,505)
Cash used in investing activities	**(47,769,915)**	(99,040,953)
FINANCING ACTIVITIES		
Distribution from Guelph-Humber Joint Venture (note 6(d))	**8,498,100**	5,559,864
Repayment of long-term debt	**(1,262,770)**	(1,195,581)
Increase in deferred capital contributions	**1,092,109**	24,407,836
Endowment contributions	**2,260,113**	1,488,024
Cash provided by financing activities	**10,587,552**	30,260,143
Net (decrease) / increase in cash during the year	**9,037,365**	(6,892,941)
Cash, beginning of year	**5,222,185**	12,115,126
Cash, end of year	**14,259,550**	5,222,185

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 34/03 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:

"Humber develops broadly educated, highly skilled and adaptable citizens who significantly contribute to the educational, economic and social development of their communities." We accomplish this by:

- Preparing learners for careers through a comprehensive choice of educational credentials in a broad range of programming;
- Developing informed and engaged citizens through an applied and liberal education;
- Enabling organizations to enhance their effectiveness through customized training and lifelong learning opportunities; and
- Supporting our local communities through outreach activities.

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 (the "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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Investments

Short-Term and Long-Term investments consist of Daily Interest Deposits, Bonds and Guaranteed Investment Certificates. These investments are classified as available for sale and are recorded at fair value on a settlement date basis. Fair value is determined based on quoted market prices. Unrealized gains or losses from the change in fair value are recorded in the statement of changes in net assets. Transaction costs related to the investments are expensed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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	2.5-5.0
Furniture and equipment	10.0-33.3
Automotive equipment	20.0
Software	14.0

Construction in progress costs are capitalized as incurred and 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. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its net realizable value.

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 and contract training revenues are recorded as revenue rateably over the term to which the tuition fees revenue applies to the extent that the related courses and services are provided to the student or client.

Ancillary revenues, including retail operations, food services, student residence, parking and other sundry revenues are recognized when products are delivered or services are provided to the student or client, where the sales price is fixed and determinable, and collection is reasonably assured.

Derivative financial instruments

The College is party to an interest rate swap agreement that manages the exposure to market risks from changing interest rates. The College's policy is not to utilize derivative financial instruments for trading or speculative purposes. The College formally documents the relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedge transactions. This process includes linking the interest rate swap to the demand loan on the consolidated balance sheet. The College also formally assesses, both at the hedge's inception and on an ongoing basis, whether the interest rate swap that is used in the hedging transaction is highly effective in offsetting changes in cash flows of the hedged items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Employee future benefits

Defined contribution plan accounting is applied to multi-employer defined benefit pension 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.
- Liabilities are discounted using current interest rates on long-term bonds.

Capital management

The College's capital consists of its unrestricted net assets, internally restricted net assets and funds invested in capital assets. The College's primary objective of capital management is to ensure that it has sufficient resources to continue to provide services to its students. The College is not subject to any externally imposed capital requirements. Annual budgets are developed and regularly monitored to ensure the College's capital is maintained at an appropriate level.

Investment in University of Guelph-Humber

The investment in the 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 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

Short-term investments consist of Redeemable and Non-Redeemable Guaranteed Investment Certificates, Daily Interest Deposits and Bonds with market values ranging from $278,189 to $10,000,000 (2011 - $969,591 to $10,000,000), interest rates/yields ranging from 0.20% to 4.00% (2011 - 0.20% to 2.00%) and maturity dates ranging from April 1, 2012 to March 27, 2013 (2011 – April 1, 2011 to February 10, 2012).

Long-term

Long-term investments consist of Redeemable and Non-Redeemable Guaranteed Investment Certificates and Bonds with market values ranging from $2,024,800 to $20,220,000 (2011 - $1,455,762 to $19,334,000) interest rates/yields ranging from 2.00% to 3.55% (2011 - 0.60% to 4.00%) and maturity/call dates ranging from June 6, 2013 to November 2, 2015 (2011 – April 30, 2012 to November 2, 2015).

4. GRANTS RECEIVABLE

(a) Current grants receivable

Other grants receivable represent amounts receivable from the Ministry to fund programs delivered by the College.

	2012 $	2011 $
Other grants receivable	**1,405,199**	1,226,323
Current portion of long-term grant receivable	**2,290,000**	2,290,000
Total current grants receivable	**3,695,199**	3,516,323

(b) The Ministry of Training, Colleges and Universities (the "MTCU") is providing funding of $22,900,000 to finance a building, which was completed in 2007. The non-interest bearing funding is being provided in equal instalments of $2,290,000 over a ten-year period commencing with the fiscal year ending March 31, 2007.

	2012 $	2011 $
Grants receivable	**9,160,000**	11,450,000
Less current portion included in grants receivable	**2,290,000**	2,290,000
Long-term grants receivable	**6,870,000**	9,160,000

5. ACCOUNTS RECEIVABLE

	2012 $	2011 $
a) Long-term 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 Building K at the Lakeshore Campus and the Student Centre renovation at the North Campus. The levy generates approximately $2,200,000 per annum.	**2,748,874**	5,096,710
Less current portion of accounts receivable	**2,200,000**	2,200,000
Total long-term accounts receivable	**548,874**	2,896,710

	2012 $	2011 $
b) Current accounts receivable		
Investment interest receivable	**2,310,093**	2,016,765
Accounts receivable - third party	**681,731**	469,344
Other	**2,561,988**	3,701,217
Current portion of long-term accounts receivable	**2,200,000**	2,200,000
Total current accounts receivable	**7,753,812**	8,387,326

6. INVESTMENT IN UNIVERSITY OF GUELPH-HUMBER

In 1999, the College entered into a Memorandum of Understanding with the University of Guelph, known as the University of Guelph-Humber 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:

	2012 $	2011 $
Current assets	**11,461,511**	11,721,266
Capital assets	**855,577**	846,600
Total liabilities	**3,029,655**	2,973,166
Net assets	**9,287,433**	9,594,700
Revenue	**23,306,293**	21,492,285
Expenses	**15,115,460**	13,094,726
Excess of revenue over expenses for the year	**8,190,833**	8,397,559

6. INVESTMENT IN UNIVERSITY OF GUELPH-HUMBER (Cont'd.)

	2012 $	2011 $
Cash provided by operating activities	**8,868,636**	6,019,796
Cash used in investing activities	**(155,375)**	(88,578)
Cash used in financing activities	**(8,713,261)**	(5,931,218)
Net cash flows	**-**	-

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

(b) During the year, the College earned $9,747,574 (2011 - $9,862,141) of fees from the Joint Venture for services provided which has been included in other revenue.

(c) The amount due to the Joint Venture is unsecured, non-interest bearing and due on demand.

(d) During the year, the Joint Venture distributed $8,498,100 (2011 - $5,559,864) to the College which was applied against the investment.

7. CAPITAL ASSETS

(a) Capital assets consist of the following:

	2012		2011	
	Cost $	Accumulated Amortization $	Cost $	Accumulated Amortization $
Land	**8,966,449**	**-**	8,966,449	-
Buildings	**287,446,895**	**88,570,490**	247,331,521	81,963,131
Site improvements	**14,422,998**	**13,969,276**	14,422,998	13,401,569
Leasehold improvements	**83,726,063**	**17,998,447**	83,726,063	15,755,107
Furniture and equipment	**77,822,682**	**62,147,045**	73,269,373	55,239,237
Automotive equipment	**2,355,029**	**1,894,691**	2,238,669	1,686,507
Software	**7,372,134**	**934,447**	-	-
Construction in progress - Buildings	**-**	**-**	24,560,207	-
Construction in progress - Software	**-**	**-**	5,710,118	-
	482,112,250	**185,514,396**	460,225,398	168,045,551
Less: Accumulated amortization	**(185,514,396)**		(168,045,551)	
Net book value	**296,597,854**		292,179,846	

7. CAPITAL ASSETS (Cont'd.)

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

	2012 $	2011 $
Balance, beginning of year	**292,179,846**	266,700,421
Purchase of capital assets internally funded	**15,314,014**	16,961,384
Purchase of capital assets funded from deferred capital contributions	**6,572,836**	25,264,123
Loss on disposal of capital assets	**-**	(2,053)
Amortization of capital assets	**(17,468,842)**	(16,744,029)
Balance, end of year	**296,597,854**	292,179,846

(b) Invested in capital assets consists of the following:

	2012 $	2011 $
Capital assets, net	**296,597,854**	292,179,846
Less amounts financed by:		
Long-term debt (note 12)	**36,661,676**	37,924,445
Deferred capital contributions (note 10)	**142,997,341**	142,896,214
Balance, end of year	**116,938,837**	111,359,187

The change in invested in capital assets is as follows:

	2012 $	2011 $
Repayment of long-term debt	**1,262,770**	1,195,581
Purchase of capital assets internally funded	**15,314,014**	16,961,384
Amortization of deferred capital contributions	**6,471,708**	6,164,162
Increase in invested in capital assets	**23,048,492**	24,321,127
Amortization expense	**17,468,842**	16,744,029
Loss on disposal of capital assets	**-**	2,053
Decrease in invested in capital assets	**17,468,842**	16,746,082
Total change Invested in Capital Assets	**5,579,650**	7,575,045

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:

	2012 $	2011 $
Balance, beginning of year	**6,794,753**	5,653,859
Amounts received during the year	**31,828,744**	26,133,270
Amounts recognized as revenue during the year	**(30,785,056)**	(25,022,376)
Balance, end of year	**7,838,441**	6,764,753

Comprised of:

	2012 $	2011 $
Awards, Scholarships and bursaries, other restricted projects	**3,192,362**	2,933,154
Other grants	**4,646,079**	3,831,599
Balance, end of year	**7,838,441**	6,764,753

9. ENDOWMENTS

Endowments include restricted donations received by the College where the endowment principal is required to be maintained intact. The investment income generated from these endowments must be used in accordance with various purposes established by the donors. The College ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Realized investment income on endowments has been recorded in the consolidated statement of revenue and expenses, since this income is available for spending as the donors' conditions have been met.

Endowments include grants provided by MTCU from the Ontario Student Opportunity Trust Fund 1 ("OSOTF 1") matching program, the Ontario Student Opportunity Trust Fund 2 ("OSOTF 2") matching program, and the Ontario Trust for Student Support Fund ("OTSS") matching program. Under these programs the government matches funds raised by the College. The purpose of these programs is to academically assist students who, for financial reasons, would not otherwise be able to attend College.

Other endowments represent various grants and donations received with externally restricted purposes.

9. ENDOWMENTS (Cont'd.)

Schedule of Changes in Endowment Fund Balances
For the Year Ended March 31

	OSOTF 1 $	OSOTF 2 $	OTSS $	Other $	2012 TOTAL $	2011 TOTAL $
Fund balance at beginning of year	1,265,418	526,742	6,060,632	4,379,970	**12,232,762**	10,744,738
Cash Donations Received From Other Sources	-	-	931,939	206,000	**1,137,939**	674,850
OTSS Funds received From MTCU	-	-	231,814	-	**231,814**	117,255
OTSS Funds receivable From MTCU	-	-	890,360	-	**890,360**	695,919
Fund Balance at end of year	1,265,418	526,742	8,114,745	4,585,970	**14,492,875**	12,232,762

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

	OSOTF 1 $	OSOTF 2 $	OTSS $	2012 TOTAL $	2011 TOTAL $
Balance, beginning of year	44,413	14,669	212,278	**271,360**	224,141
Investment Income, net of Expenses	39,166	16,191	194,029	**249,386**	197,562
Bursaries awarded	(32,500)	(15,300)	(99,480)	**(147,280)**	(115,515)
Balance at end of year	51,079	15,560	306,827	**373,466**	306,188
Bursaries awarded (#)	65	23	89	**169**	163

The bursaries awarded under OTSS comprise 49 to OSAP recipients totaling $48,625 and 40 to non-OSAP recipients totaling $50,855.

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of restricted donations and grants received for the purchase of capital assets or maintenance. 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:

10. DEFERRED CAPITAL CONTRIBUTIONS (Cont'd.)

	2012 $	2011 $
Balance, beginning of year	**150,270,735**	132,027,061
Add contributions received for capital purposes	**1,092,109**	24,409,533
Less amortization of deferred capital contributions	**(6,471,708)**	(6,164,162)
Less deferred capital contributions used for maintenance	-	(1,697)
Balance, end of year	**144,891,136**	150,270,735
Comprised of:		
Received but not spent	**1,893,795**	7,374,521
Spent funds being amortized (note 7)	**142,997,341**	142,896,214
Balance, end of year	**144,891,136**	150,270,735

11. DUE TO HUMBER STUDENTS' FEDERATION

The amount due to Humber Students' Federation is unsecured, bears interest at the bank's prime rate less 2.25% with an effective rate at March 31, 2012 of 0.75% (2011 - 0.75%) and is due on demand.

12. DEMAND LOAN AND DERIVATIVE FINANCIAL INSTRUMENTS

The College has unsecured demand 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 $36,661,676 (2011 - $37,924,445) under its hedge facility as described below. The balance of the facility is available in either prime rate loans bearing interest at the bank's prime rate of 3.000% (2011 – 3.000%) less ¾% per annum, Bankers' Acceptances or public sector fixed rate operating loans bearing interest at the bank's 30-day cost of funds rate of 1.450% (2011 – 1.200%) plus 0.225% per annum.

(a) The original loan of $45,000,000 obtained on April 1, 2004 is scheduled to be repaid over twenty-five years, bears interest at prime minus ¾% per annum and is repayable monthly on the first of each month in blended payments of $275,802 and is scheduled to be repaid on April 1, 2029.

	2012 $	2011 $
Demand loan payable	**36,661,676**	37,924,445
Less portion scheduled to be repaid in following year	**(1,333,734)**	(1,262,770)
Remaining balance, demand loan payable	**35,327,942**	36,661,675

Interest on the demand loan amounted to $2,125,403 (2011 - $2,195,169) and is included in ancillary operations expense.

12. DEMAND LOAN AND DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd.)

Principal repayments scheduled on the demand loan are estimated to be as follows:

	$
2013	**1,333,734**
2014	**1,408,687**
2015	**1,487,852**
2016	**1,571,465**
2017	**1,659,778**
Subsequent years	**29,200,160**
Balance, Demand Loan payable	**36,661,676**

(b) Derivative financial instruments

The College has in place an Interest Rate Swap Agreement (the "Agreement"), designated as a hedge of the demand loan, 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 demand loan into a fixed rate obligation and thus manage its exposure to interest rate risk. At March 31, 2012, this Agreement qualified as an effective hedge transaction.

The fair value of the interest rate swap (in favour of the counterparty) of $9,245,403 (2011 - $5,633,202) is recorded on the consolidated balance sheet. Because the hedging relationship is effective, the change in fair value of the interest rate swap is recorded in the statement of net assets, with no impact on the College's excess/(deficiency) of revenue over expenditures.

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

	2012		**2011**	
	Notional value	**Fair value**	**Notional value**	**Fair value**
	$	**$**	**$**	**$**
Interest rate swap	**36,661,676**	**(9,245,403)**	37,924,445	(5,633,202)

13. INTERNALLY RESTRICTED NET ASSETS

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

	2012 $	2011 $
Strategic		
Building Fund	**100,750,000**	69,900,000
Multi-year IT Strategic Plan	**10,000,000**	12,000,000
Operating		
Utility	**2,500,000**	2,500,000
Equipment - Academic	**3,000,000**	3,000,000
Encumbrances	**1,850,000**	2,000,000
Contingency		
General	**9,900,000**	9,000,000
Construction	**4,500,000**	4,000,000
Total Internally Restricted Net Assets	**132,500,000**	102,400,000

14. EMPLOYEE FUTURE BENEFITS

Pension plans

Substantially all employees of the College are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), which is a multi-employer jointly-sponsored defined benefit plan for eligible employees public colleges and related employers in Ontario. The College makes contributions to the Plan equal to those of the employees. Contribution rates are set by the Plan's governors to ensure the long term viability of the Plan.

Any pension surplus or deficit is a joint responsibility of the members and employers and may affect future contribution rates. The College does not recognize any share of the Plan's pension surplus or deficit as insufficient information is available to identify the College's share of the underlying pension assets and liabilities. The most recent actuarial valuation filed with pension regulators as at January 1, 2012 indicated an actuarial surplus of $154 million. The College made contributions to the Plan and its associated retirement compensation arrangement of $12,513,310 in 2012 (2011 - $11,249,003), which has been included in the consolidated statement of revenue and expenses.

14. EMPLOYEE FUTURE BENEFITS (Cont'd.)

Other employee future benefits

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

	2012 $	2011 $
Fair value of plan assets		
Post-employment benefits - premium waiver during long-term disability	**336,000**	347,000
Total fair value of plan assets	**336,000**	347,000
Accrued benefit obligations		
Non-pension post-employment benefits	**328,000**	399,000
Post-employment benefits – premium waiver during long-term disability	**193,000**	191,000
Post-employment benefits – continuation of medical and dental benefits during long-term disability	**1,302,000**	1,217,000
Total accrued benefit obligations	**1,823,000**	1,807,000
Net benefit obligation	**1,487,000**	1,460,000

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:

	2012 %	2011 %
Discount rate per annum – non-pension post retirement benefits	**4.20**	4.75
Discount rate per annum – post employment benefits	**4.20**	4.75

For drug benefits, cost escalation will grade down from 10.5% in 2011 to 4.5% in 2026. For dental benefits, cost escalation will be 4.5% per annum.

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

	2012 $	2011 $
Employee benefit liability, beginning of year	**1,460,000**	1,397,000
Employee future benefit expense	**27,000**	63,000
Employee benefit liability, end of year	**1,487,000**	1,460,000

There were no contributions during the year.

15. VESTED SICK LEAVE BENEFITS

The College is liable to pay certain employees' vested sick leave credits to a maximum of 50% of the employee's salary. These credits are payable upon retirement, termination or at any time during employment at the employee's discretion.

16. COMMITMENTS

Leases

The College has entered into a ninety-nine (99) year lease agreement with Her Majesty the Queen in 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:

	$
2013	**949,867**
2014	**581,765**
2015	**444,086**
2016	**172,640**
Total Commitments	**2,148,358**

Capital

The College has entered into construction contracts with a combined total cost of approximately $50 million. The College has provided unconditional loan guarantees to certain third parties amounting to $232,725 (2011 - $232,725) primarily related to possible defaults in financial agreements for certain construction projects.

17. CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2012 $	2011 $
Grants receivable	**(178,876)**	4,697,883
Accounts receivable	**633,514**	(3,227,003)
Prepaid expenses	**221,071**	130,690
Long-term receivable	**2,347,836**	2,223,100
Long-term grant receivable	**2,290,000**	2,290,000
Accounts payable and accrued liabilities	**(4,179,201)**	5,439,992
Accrued payroll and employee benefits	**2,009,748**	1,148,081
Accrued vacation pay	**1,377,727**	568,698
Deferred revenue	**2,172,106**	3,590,143
Deferred contributions	**1,073,689**	1,110,894
Due to University of Guelph-Humber	**(2,396,266)**	13,811,443
Due to Humber Students' Federation	**(452,154)**	(251,790)
Accrued vested sick-leave benefits	**(495,144)**	(605,933)
Employee future benefits	**27,000**	63,000
Net change, non-cash working capital	**4,451,050**	30,989,198

18. TORONTO CHILDREN'S SERVICES WAGE SUBSIDIES

Wage subsidies received for the year ended March 31, 2012 were allocated between the child care centres as follows:

	Wage Subsidy $	Wage Improvement $
Humber Child Development Centre		
Wage subsidies deferred from prior years	-	-
Wage subsidies received	77,735	14,455
Wage subsidies allocated to staff salaries	-	-
Wage subsidies deferred to future years	-	-
Humber Child Care Centre		
Wage subsidies deferred from prior years	-	-
Wage subsidies received	61,077	11,341
Wage subsidies allocated to staff salaries	-	-
Wage subsidies deferred to future years	-	-
Total wage subsidy received	138,812	25,796

The College's Child Care Centre operations are included as part of the Ancillary operations. All wage subsidies received have been allocated and spent on staff salaries.

19. FINANCIAL INSTRUMENTS

The fair values of the College's financial instruments are not significantly different from their carrying values at March 31, 2012, unless otherwise noted. Long term grants receivable are classified as loans and receivables, and are initially recorded at fair market value and subsequently carried at amortized cost using the effective interest method. All other liabilities are classified as other financial liabilities, and are initially recorded at fair market value and subsequently carried at amortized cost using the effective interest method. The College is subject to credit risk with respect to its accounts receivable to the extent debtors do not meet their obligations; interest rate and foreign exchange 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 MTCU for disclosure on the public website.

21. ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (NPO)

The Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) has issued new standards for government (public sector) not-for-profit organizations. For years beginning on or after January 1, 2012, government NPOs have a choice of:

1. Public Sector Accounting Standards supplemented by PS 4200 – 4270 for government non-for-profit organizations; or
2. Public Sector Accounting Standards.

The College has chosen to follow Public Sector Accounting Standards supplemented by PS 4200 – 4270 for government not-for-profit organizations. The College is currently assessing the impact of this choice jointly with the other colleges of Ontario.

22. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2012 consolidated financial statements.