

**INSTITUTO TECNOLÓGICO DE SANTO DOMINGO
(INTEC)**

Financial Statements

December 31, 2015

(With Independent Auditors' Report Thereon)

*(Free Translation from the Original Spanish-
Language Version)*



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RNC I-01025913

Independent Auditors' Report

The Board of Regents
Instituto Tecnológico de Santo Domingo (INTEC):

We have audited the accompanying financial statements of Instituto Tecnológico de Santo Domingo (INTEC) (the Institution) which comprise the statement of financial position as at December 31, 2015, and the statements of activities, changes in net assets and other comprehensive income, and of the cash flows for the years then ended and notes, comprising a summary of significant accounting policies and others explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

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

(Continues)

*Opinion*

In our opinion, the financial statements present fairly, in all material respects the financial position of Instituto Tecnológico de Santo Domingo (INTEC) as of December 31, 2015, and of its changes in net assets and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRSs for SMEs).

Other Matter

Without further qualifying our opinion, we draw attention to note 2.3 to the financial statements, which describes that the Institution's functional currency is the Dominican peso. The accompanying financial statements have been prepared in dollars of the United States of America for reporting purposes to the Government of the United States of America. These financial statements were prepared to comply with the requirements of the regulatory authorities, and should be used by the Board of Regents, management, the Institution and the Government of the United States of America, and it is not meant for or should be used by others than the specific parties.

A handwritten signature in black ink that reads 'KPMG'.

May 27, 2016

Santo Domingo,
Dominican Republic

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Statements of Financial Position

December 31, 2015 and 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents (notes 3 and 21)	US\$ <u>1,321,594</u>	<u>442,915</u>
Accounts receivable (notes 4, 5, 20 and 21):		
Students, third-party programs and others	5,952,135	7,631,142
Other receivables net	<u>417,039</u>	<u>72,431</u>
	6,369,174	7,703,573
Current portion of long-term notes receivable	389,614	564,088
Allowance for impairment for accounts receivable	<u>(1,246,994)</u>	<u>(1,604,039)</u>
Accounts receivable, net	<u>5,511,794</u>	<u>6,663,622</u>
Inventories of books and supplies	16,234	17,191
Investments in securities (notes 6 and 21)	-	218,987
Prepaid expenses (note 7)	<u>427,984</u>	<u>383,377</u>
Total current assets	<u>7,277,606</u>	<u>7,726,092</u>
Non current assets:		
Long-term notes receivable, net excluding current portion (note 5)	402,751	412,306
Allowance for impairment long-term notes receivable (note 5)	<u>(402,751)</u>	<u>(412,306)</u>
Long-term notes receivable, net	<u>-</u>	<u>-</u>
Property, furniture and equipment, net (notes 8 and 14)	27,956,294	24,873,668
Other assets, net (note 9)	<u>296,331</u>	<u>336,164</u>
	US\$ <u>35,530,231</u>	<u>32,935,924</u>

The notes on pages 1 to 28 are an integral part of these financial statements.

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Statements of Financial Position

December 31, 2015 and 2014

<u>Liabilities and net assets and other comprehensive income</u>	<u>2015</u>	<u>2014</u>
Current liabilities:		
Current portion of long-term debt (notes 8, 14 and 21)	US\$ 249,506	183,480
Note payable (note 13)	<u>1,539,476</u>	<u>-</u>
Accounts payable (notes 4 and 21):		
Suppliers	1,796,305	2,006,836
Advances received for courses and diplomas	3,272,217	3,342,135
Others accounts payable	<u>1,111,102</u>	<u>795,609</u>
Total accounts payable	<u>6,179,624</u>	<u>6,144,580</u>
Deferred income (note 10)	1,802,767	1,278,870
Accruals and other liabilities (note 11)	729,184	443,575
Accounts payable to employees (note 12)	<u>204,664</u>	<u>361,764</u>
Total current liabilities	<u>10,705,221</u>	<u>8,412,269</u>
Non current liabilities:		
Long-term debt, excluding current portion (notes 8, 14 and 21)	1,791,498	1,190,553
Provision for severance indemnities (note 15)	<u>3,903,753</u>	<u>3,759,983</u>
Total non current liabilities	<u>5,695,251</u>	<u>4,950,536</u>
Total liabilities	16,400,472	13,362,805
Total net assets and other comprehensive income (note 16)	<u>19,129,759</u>	<u>19,573,119</u>
Total net assets and other comprehensive income and liabilities	US\$ <u><u>35,530,231</u></u>	<u><u>32,935,924</u></u>

The notes on pages 1 to 28 are an integral part of these financial statements.

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Statements of Activities, Changes in Net Assets and Other Comprehensive Income

Years ended December 31, 2015 and 2014

		<u>2015</u>	<u>2014</u>
Operating revenue (notes 8 and 17):			
Educational services			
Enrollment and students services, net	US\$	18,824,777	18,721,473
Other educational services		562,953	528,790
Educational services departments		<u>519,998</u>	<u>625,310</u>
		19,907,728	19,875,573
Governmental grants		2,252,723	1,755,007
Other income		<u>2,989,432</u>	<u>1,794,383</u>
Total operating revenue		<u>25,149,883</u>	<u>23,424,963</u>
Operating costs and expenses (notes 4, 5, 8, 9, 18, 19 and 20):			
Salaries and personnel compensations		13,813,533	12,872,273
Depreciation and amortization		1,589,638	1,320,484
Other costs and general and administrative expenses		<u>9,600,979</u>	<u>8,649,280</u>
Total operating costs and expenses		<u>25,004,150</u>	<u>22,842,037</u>
Operational result		<u>145,733</u>	<u>582,926</u>
Financial Income (costs), net (notes 3, 6, 12, 13, 14 and 21):			
Interests earned		35,815	178,749
Interest expense		(120,033)	(131,528)
Foreign exchange difference, net		<u>(26,694)</u>	<u>(39,660)</u>
Financial income (cost), net		<u>(110,912)</u>	<u>7,561</u>
Increase in the year of net assets		34,821	590,487
Other comprehensive income - items that are or may be reclassified to changes in net assets - foreign currency translation adjustment in the year (note 16)		<u>(478,181)</u>	<u>(709,182)</u>
Total comprehensive income for the year	US\$	<u>(443,360)</u>	<u>(118,695)</u>

The notes on pages 1 to 28 are an integral part of these financial statements.

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Statements of Changes in Net Assets and Other Comprehensive Income

December 31, 2015 and 2014

		<u>Net Assets</u>	<u>Translation Reserve</u>	<u>Total Changes in Net Assets and Other Comprehensive Income</u>
Beginning balances, January 1, 2014	US\$	<u>24,075,516</u>	<u>(4,383,702)</u>	<u>19,691,814</u>
<u>Comprehensive income for the year:</u>				
Changes in net assets for the year		590,487	-	590,487
Other comprehensive income - exchange differences on translating foreign operating (note 16)		<u>-</u>	<u>(709,182)</u>	<u>(709,182)</u>
Total comprehensive income for the year		<u>590,487</u>	<u>(709,182)</u>	<u>(118,695)</u>
Ending balances at December 31, 2014		<u>24,666,003</u>	<u>(5,092,884)</u>	<u>19,573,119</u>
<u>Comprehensive income for the year:</u>				
Changes in net assets for the year		34,821	-	34,821
Other comprehensive income - exchange differences on translating foreign operating (note 16)		<u>-</u>	<u>(478,181)</u>	<u>(478,181)</u>
Total comprehensive income for the year		<u>34,821</u>	<u>(478,181)</u>	<u>(443,360)</u>
Ending balances at December 31, 2015	US\$	<u>24,700,824</u>	<u>(5,571,065)</u>	<u>19,129,759</u>

The notes on pages 1 to 28 are an integral part of these financial statements.

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Statements of Cash Flows

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Changes in net assets of the year	US\$ 34,821	590,487
Adjustments to:		
Depreciation and amortization	1,589,638	1,320,484
Provision for severance indemnities	586,360	650,150
Allowance for impairment of receivables	467,477	112,852
Derecognition of allowance for impairment notes and accounts receivable	-	(74,381)
Effect of exchange rate fluctuation	366,890	(285,485)
Disposal of property, furniture and equipment	42,557	-
Disposal of other assets	-	287,823
Deferred income	1,802,767	1,278,870
Financial income (costs), net	(84,218)	52,938
Net changes in assets and liabilities		
Decrease (increase) in		
Accounts receivable	553,969	(1,618,851)
Inventories of books and supplies	957	(1,600)
Prepaid expenses	(44,607)	(36,797)
Other assets	(30,188)	(154,018)
Long-term notes receivable	174,474	362,857
Increase (decrease) in:		
Accounts payable	35,043	729,465
Deferred income	(1,278,870)	(1,200,268)
Accruals and other liabilities	285,609	(80,284)
Accounts payable to employees	(157,100)	(81,952)
Provision for severance indemnities	(730,130)	(164,498)
Cash generated by operations	3,615,449	1,687,792
Interest received	(35,815)	(184,466)
Interest paid	120,033	131,528
Net cash provided by operating activities	<u>3,699,667</u>	<u>1,634,854</u>
Cash flows from investing activities:		
Disposal of investment in securities	218,987	1,220,767
Acquisition of property, furniture and equipment	(5,235,611)	(5,270,998)
Net cash flows used in investing activities	<u>(5,016,624)</u>	<u>(4,050,231)</u>
Cash flows from financing activities:		
Loans obtained	2,382,986	-
Loans paid	(176,538)	(228,040)
Net cash flows provided by (used in) financing activities	<u>2,206,448</u>	<u>(228,040)</u>
Net increase (decrease) in cash and cash equivalents	889,491	(2,643,417)
Cash and cash equivalents at the beginning of the year	442,915	3,199,572
Effect of exchange rate on cash and cash equivalents	(10,812)	(113,240)
Cash and equivalents at the end of the year	US\$ <u>1,321,594</u>	<u>442,915</u>

The notes on pages 1 to 28 are an integral part of these financial statements.

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

December 31, 2015 and 2014

1 General information

The Instituto Tecnológico de Santo Domingo (INTEC) (the Institution), is a not-for profit autonomous private university. It was incorporated under the Law No. 520 and the Decree No. 2389 dated June 15, 1972, subsequently repealed and replaced by the Law No. 122-05. The Institution commenced academic activities on October 1972. INTEC's purpose is to educate capable, honorable and internationally competitive citizens that will contribute to the sustainable development of the society through science and technology.

INTEC's main objectives are:

- a. Educate high quality, innovative and internationally competitive professionals with critical thinking.
- b. Promoting and strengthening the links of the Institution with sectors contributing to innovation and sustainable technological development.
- c. Enhancing competitiveness and strengthening INTEC's international position.
- d. Strengthening INTEC's partnership and strategic agreements with higher educational institutions and research organizations worldwide.
- e. Raising organizational performance levels through the improvement of processes and the physical infrastructure to ensure the Institution's service quality and financial sustainability.

In accordance with the provisions of Article 299, paragraph (d) of the Tax Code (Law No. 11-92) on not-for profit organizations, the Institution is exempt from income tax payment.

The Institution has its main domicile at Los Proceres Ave, No. 809, Ensanche Gala, Santo Domingo, Dominican Republic, being able to develop all its activities throughout the country and overseas.

INTEC has three general governing bodies:

- ♦ The General Assembly: is the supreme governing body of INTEC, which consist of founding members and members of the Board of Regents. The Board has 15 members, among which are included the Rector, outstanding people of the national community and college graduates from INTEC.
- ♦ The Rectory: Is the highest executive authority of INTEC, under the responsibility of the Rector.
- ♦ The Academic Council: In accordance with the guidelines of the Board of Regents is responsible for planning the academic policy. Its members are: the Rector, who serves as the chair, the Vice-Rectors and Deans of academic areas and divisions.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

2 Basis of presentation and significant accounting policies**2.1 Basis of presentation**

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-size Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB). This standard do not provide a presentation for financial statements issued by a non-for-profit entity; therefore, based on the hierarchy of the IFRS and SMEs, the Institution's management has considered the pronouncements of other standard-setting bodies for the presentation of financial statements of non-for-profit entities.

As a result, the Institution's net assets and changes therein are classified as follows:

Unrestricted net assets - represent net assets that are not subject to the regulations established by an external donor. At December 31, 2015 and 2014, the Institution presents as unrestricted net assets the net result of income, costs and expenses resulting from its operation.

At December 31, 2014, the Institution held unrestricted assets of cash received from third parties, which were held as part as investments in securities.

At December 31, 2014, the Institution had as unrestricted assets the cash received form third parties and presented forming part of investments in securities.

Temporarily restricted net assets – net assets subject to regulations established by donors that may or will be met either by actions of the Institution or by the passage of time. During the years ended December 31 2015 and 2014, the Institution received extraordinary donations form the Dominican Government amounting to US\$2,222,716 and US\$1,726,519, respectively, for funding healthcare facilities under construction.

Permanently restricted net assets - represent those net assets subject to regulations established by donor that require the net assets to be maintained permanently by the Institution. Generally, the donors of these assets enable the Institution to use all or part of the income generated by the assets in specific activities. At December 31, 2015 and 2014, the Institution has not permanently restricted net assets.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied during the years presented in these financial statements.

The final issue of the financial statements was authorized by the Institution's Board of Regents on May 27, 2016.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the provisions for employee benefits, which are recognized at the net present value of the obligation, as described in note 2.15.

2.3 Functional and presentation currency

The functional currency of the Institution is the Dominican peso. The enclosed financial statements are expressed in U.S. dollars, as a presentation currency.

The figures of the financial statements were translated to dollars of the United States of America (US\$) for reporting purposes to the Government of the United States of America (USA). The translation were made in conformity with the guidelines of the IFRS for SMSs, Section 30 *Foreign Currency Translation* which sets forth the use of the closing rates at the date of the statements of financial position to translate assets and liabilities and the exchange rates at the dates of the transactions to translate income and expenses. All resulting exchange differences are recognized in other comprehensive income (OCI).

At December 31, 2015 and 2014, the exchange rates used by the Institution for translating the statements of financial position were RD\$45.47 and RD\$44.36 per each US\$, respectively. The average exchange rates used by the Institution for translating the statements of activities for the years ended December 31, 2015 and 2014 were RD\$44.99 and RD\$44.44 per each US\$, respectively. These exchange rates approximate the exchange rates at the date of the transactions.

2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with the IFRS for SMEs requires management to make estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements, is included in the following notes:

Note 15 - Provision for severance indemnities. The net present value of the estimated obligations for employee benefits was determined based on the discount of the estimate of future disbursements at the reporting date.

Notes 4 and 5 - Accounts receivable and long-term notes receivable: key assumptions to determine the recoverable amount of these assets.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

2.5 Revenue recognition, costs and expenses

Revenue is measured at the fair value of the consideration received or receivable, net of returns.

The Institution recognizes revenues when the amount thereof can be measured reliably and it is probable that future economic benefits will flow to the Institution.

A summary of the specific criteria used by the Institution for the revenue recognition is summarized as follows:

a) Revenues from educational services

Revenues from educational services is recognized to the extent that the service is provided according to the school curricula, net of any discount awarded. Discounts awarded arise from timely payment and academic achievements from the students.

The Institution recognizes revenues from own operations as an increase within unrestricted net assets, using the accrual method. At the end of each accounting period, revenues corresponding to billings for educational services not yet provided, are presented as deferred revenue and are recognized as operating income when the educational services are provided to the students.

b) Revenues from subsidies

Correspond to contributions received from the Dominican State, as a governmental support to non-for-profit organizations. The subsidy does not impose a specific condition of future returns for the Institution.

The Institution recognized revenues from subsidies received as an increase of net assets, when they are received or have the enforceable right thereof.

c) Other operating income

Commission income from third party programs (advances received for courses and certificate courses)

Commission income from third party programs correspond to commissions earned as a result of the intermediation of services provided of courses and certificate courses through the Institution's training centers.

Commission income from third party programs is recognized to the extent the service is provided. Initially, advances received from third parties are recognized as a liability and are disbursed to the different centers to the extent the services are provided to the users.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

Operating leases

Revenues from cancelable operating leases are recognized using the straight-line method over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income over the term of the lease.

Other income

Any other income is recognized using the accrual basis of accounting, when the services are provided to the students.

d) Costs and expenses

Costs and expenses are recognized in profit or loss of each period as incurred.

The Institution awards scholarships to its employees and their close relatives, as well as to people of limited resources that meet the academic requirements of INTEC, through the Ministerio de Educación Superior, Ciencia y Tecnología (MESCYT for its Spanish acronym). The cost of these scholarships are recognized in the accompanying statements of activities, changes in net assets and other comprehensive income in the period when the service is provided.

2.6 Finance income (costs)***Finance income***

Finance income comprise interest earned on funds invested in security investments, cash equivalents and long-term notes receivable. Interest income are recognized in profit or loss, using the effective interest method.

Finance costs

Finance costs comprise interest paid on borrowings and gains or losses in foreign exchange rate. All borrowing costs are recognized in profit or loss of the period as incurred, using the effective interest method.

Foreign currency exchange losses are reported by offsetting the amounts of finance income or finance cost, depending on whether the balances are in a net gain or net loss position.

2.7 Foreign currency transactions

Assets and liabilities in foreign currencies are translated into Dominican pesos (RD\$) at the current exchange rate at the date of the financial statements. Income and expenses are translated into Dominican pesos (RD\$) using the current exchange rate at the date of the transaction. Differences arising from the translation of assets and liabilities are recognized as gain or losses in foreign currency in the line item of finance income (costs) in the accompanying statements of activities, changes in net assets and other comprehensive income.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

2.8 Financial instruments**2.8.1 Non-derivative assets and liabilities**

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Institution applies the provisions of IFRS for SMEs, Section 11 *Basic Financial Instruments*, to account for all its non-derivative financial instruments.

The Institution initially recognizes other basic financial instruments at the date of the transaction in which the Institution becomes a party of the contractual provisions of the instrument.

The Institution derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Institution is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Institution has a legal right to offset the amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets and liabilities held by the Institution are classified as financial instruments measured at amortized cost and are held until maturity. Financial instruments measured at amortized cost are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

The Institution has the following non derivative financial instruments:

Trade debtors, long- term notes receivable and other receivables

Loans, receivables and long- term notes receivable are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Receivables consist of accounts receivable and long- term notes receivable of students, courses, certificate courses and sponsors. They arise in the normal development of academic activities, requiring payment within the term of study or 30 days from the date of invoicing in the case of institutions.

The Institution recognizes an allowance for impairment that represents its estimate of incurred losses in respect of accounts and long-term notes receivable and other receivables. The main component of this allowance is a specific loss element that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment and recoverable statistics of these accounts.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts, if they exist, repayable on demand and forming an integral part of the Institution's cash management, are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

Investments in securities

The investments correspond to certificates of deposits issued by domestic financial institutions with original maturity of more than three months, which are recognized at amortized cost, using the effective interest method.

Long-term debt (borrowings)

Borrowings are initially recognized at the transaction price (the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently measured at amortized cost.

Borrowings are classified as current liabilities unless the entity has the unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Accounts payable to employees

Correspond to the debt the Institution has with its employees for contributions made at the time of abolishing the pension plan. The Institution agreed to pay the amount owed to the employees during the years 2015 and 2016.

2.9 Property, furniture and equipment**2.9.1 Recognition and measurement**

Items of property, furniture and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets by the Institution includes:

- ◆ the cost of materials and direct labor, and
- ◆ any other costs directly attributable to bringing the assets to a working condition for their intended use.

When the Institution has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located is required.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

When parts of an item of property, furniture and equipment have different useful lives, they are accounted for as separate items (major components) of property, furniture and equipment; and any gain or loss on disposal of an item of property furniture and equipment (calculated as the difference between the value obtained from the disposal and the carrying amount of the item) is recognized in profit or loss as a change in net assets.

2.9.2 Subsequent costs

Subsequent expenditures are capitalized only when it is probable that future economic benefits associated to the expenditure will flow to the Institution. Ongoing repairs and maintenance are recognized in profit or loss as a change in net assets.

2.10 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss as a change in net assets based on the straight-line method over the estimated useful lives of each part of an item of property, furniture and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

Items of property, furniture and equipment are depreciated from the date they are available for use, or in respect of self-constructed assets, from the date the asset is completed and ready to be used.

A summary of useful lives in years of property, furniture and equipment are as follows:

<u>Type of Asset</u>	<u>Useful Lives in Years</u>
Buildings improvements	5
Buildings	35
Furniture and office equipment	4
Literature	6.67
Transportation equipment	<u>5</u>

If there is an indication that there has been significant changes in the conditions of an asset, the depreciation method, useful life or residual value, the accumulated depreciation of the asset is revised prospectively to reflect the new expectations.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

2.11 Impairment**2.11.1 Financial assets measured at cost or at amortized cost**

At the end of each reporting period, the Institution will assess whether there is objective evidence of impairment of financial assets measured at cost or amortized cost (loans and other receivables) both at specific and collective level. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment by grouping assets with similar risk characteristics.

In assessing collective impairment, the Institution uses historical information on the timing of recoveries and the amount of the loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at cost, is calculated as the difference between its carrying amount and the best estimate of the value the Institution will receive for the asset if sold on the reporting date.

An impairment loss in respect of a financial asset measured at amortized cost, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate.

Losses are recognized in profit or loss as a change in net assets and reflected in an allowance account of loans and receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease is reversed as a change in net assets.

2.11.2 Non-financial assets

The carrying amount of the Institution's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated (or group of related assets affected) and is compared with its carrying amount. When the recoverable amount of an asset is estimated to be lower than its carrying amount, then is reduced to the recoverable amount and an impairment loss is recognized in profit or loss as a change in net assets.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized in prior years. The reversal of an impairment loss is recognized immediately in profit or loss as a change in net assets.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

2.12 Inventories of books and supplies

Inventories of books and supplies are measured at the lower of cost and net realizable value using the average weighted method.

Estimation for inventories obsolescence is recognized based on a technical analysis of the inventory items that the Institution understands will not be used in the operation at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price or replacement costs less costs of completion and sell. If the inventories are impaired, the carrying amount is reduced to the selling price or replacement costs less costs to complete and sell; and an impairment loss is recognized immediately in profit or loss as a change in net assets.

2.13 Other assets**Recognition**

Other assets comprise software licenses that have a limited useful life, measured at cost less accumulated amortization.

Subsequent expenditures

Subsequent expenditure is capitalized only when it increase the future economic benefits embodied in the specific asset to which it relates.

Amortization

Amortization is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Amortization is recognized in profit or loss as a change in net assets using the straight-line method, the uniform distribution of the cost of the assets over the estimated years of useful life from the date they are available for use, since this mostly reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of the licenses are five years.

If there is an indication that there has been a significant change in amortization rate, useful life or residual value of an asset, the amortization of the asset is revised prospectively to reflect the new expectations.

2.14 Short-term employee benefits

Obligations for short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. The Institution recognizes a liability for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the Institution has a present legal or constructive obligation to pay this amount, as a result of a past service provided by the employee, and the obligation can be estimated reliably.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

2.15 Severance indemnities

The Labor Code of the Dominican Republic requires that employers pay a relief of notice to employees whose contracts have been terminated without justified cause.

The Institution has the policy to pay severance indemnities independently whether the employee is dismissed or resigns, provided such meets certain requirements. At December 31, 2015 and 2014, the Institution has 609 and 576 active eligible employees, respectively. The Institution recognizes a provision for labor liabilities and other benefits for employees, in net income for the year, based on the actuarial calculation performed by a qualified actuary, by assuming an annual average of a 6 % salary increase, discounted at its present value using the prevailing interest rate for bonds of the Dominican Government.

The Institution's labor liability is calculated by estimating the amount of the future benefit employees have earned in the actual period and in previous periods.

2.16 Contributions to the Social Security

The Institution recognizes the monthly contributions to the Dominican Social Security System, as well as the employees' contributions as an accumulation up to the moment they are deposited in the Social Security Treasury of the Dominican Republic.

2.17 Lease payments

Payments made under operating leases are recognized in profit or loss as a change in net assets on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

2.18 Provisions

A provision is recognized if, as a result of a past event, the Institution has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows necessary to settle the liability.

3 Cash and cash equivalents

A summary of cash and cash equivalents at December 31, 2015 and 2014, is as follows:

		<u>2015</u>	<u>2014</u>
Cash on hand (a)	US\$	13,624	14,999
Deposits in checking and savings accounts (a)		1,076,495	144,313
Time deposits (b)		<u>231,475</u>	<u>283,603</u>
	US\$	<u>1,321,594</u>	<u>442,915</u>

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

- (a) Correspond to cash deposited in domestic and foreign banks. At December 31, 2015 and 2014, some of these checking and savings accounts generate annual interest between 0.75% and 1.5% and 0.2% and 2% , respectively. The interest generated during 2015 and 2014 amounted to US\$2,539 and US\$4,090, respectively, and are included within the line item of finance (costs) income in the accompanying statements of activities, changes in net assets and other comprehensive income.
- (b) Correspond to certificate of deposits maturing between 30 and 90 days. These certificates generate annual interests between 6.33% and 8%. The interest received during 2015 and 2014 amounted to US\$33,276 y US\$98,557, respectively, and are included within the line item of finance (costs) income, in the accompanying statements of activities, changes in net assets and other comprehensive income.

4 Accounts receivable

Accounts receivable arise primarily from registration and presentation of certificate courses, seminars, among others. The credit risk to which the Institution is exposed is defined mainly by the individual characteristics of each student.

At December 31, 2015 and 2014, approximately 94% of the Institution's revenues and accounts receivable by geographic area are concentrated in students, end-users of the local market.

The exposure risk of accounts receivable at December 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Students	US\$ 1,996,485	2,588,418
Courses and certificate courses	186,099	348,294
Third party programs (a)	2,122,790	2,926,701
Sponsors	1,287,391	1,334,754
Central Bank of the Dominican Republic (note 20)	359,370	432,974
Other accounts receivable	<u>417,039</u>	<u>72,431</u>
	US\$ <u>6,369,174</u>	<u>7,703,572</u>

- (a) At December 31, 2015 and 2014, the Institution has received advances for US\$3,272,217 and US\$3,342,135, respectively, represented by cash received from third parties for the service of seminars and diploma programs. Such amounts are presented as advances received for courses and diplomas within the line item of accounts payable in the accompanying statements of financial position.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

Impairment losses

The aging of accounts receivable at December 31, 2015 and 2014, is as follows:

		<u>2015</u>		<u>2014</u>	
		<u>Accounts Receivable</u>	<u>Impairment Loss</u>	<u>Accounts Receivable</u>	<u>Impairment Loss</u>
Between 0-90 days (a)	US\$	4,539,969	-	5,848,363	-
Past due:					
91-180 days		155,036	35,340	195,229	43,229
181-360 days		90,951	45,475	53,479	26,739
More than 360 days		<u>1,166,179</u>	<u>1,166,179</u>	<u>1,534,071</u>	<u>1,534,071</u>
		5,952,135	1,246,994	7,631,142	1,604,039
Other receivables		<u>417,039</u>	<u>-</u>	<u>72,431</u>	<u>-</u>
	US\$	<u>6,369,174</u>	<u>1,246,994</u>	<u>7,703,573</u>	<u>1,604,039</u>

- (a) At December 31, 2014, includes US\$220,730, correspondent to accounts receivable to the United States of America government for maintenance payment to federal students, subsidized by such country.

Based on past experience, the Institution believes no impairment allowance is necessary in respect to accounts receivable to the Central Bank of the Dominican Republic, because they will be offset with the exchange difference on the loan with the Inter-American Development Bank (IDB), which establishes a fixed exchange rate of RD\$3.15, regardless of the prevailing exchange rate at the time of paying the installments of principal and interest (see notes 14 and 20).

At December 31, 2015 and 2014 outstanding balances of accounts receivable correspond to accounts with favorable historical trend of payment with the Institution. The Institution establishes an allowance for impairment representing its best estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures of each loan.

A summary of the movement of the allowance for impairment of accounts receivable during the years ended December 31, 2015 and 2014, is as follows:

		<u>2015</u>	<u>2014</u>
Balances at beginning of the year	US\$	1,604,039	1,570,148
Expense for the period		467,477	112,852
Write off of accounts receivable		(788,756)	(21,494)
Effect of exchange rate fluctuation		<u>(35,766)</u>	<u>(57,467)</u>
Balances at end of the year	US\$	<u>1,246,994</u>	<u>1,604,039</u>

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

5 Long-term notes receivable

Corresponds to long-term notes receivable to students who have educational loans relating to undergraduate and graduate enrollments. These notes matures between three and five years (the length of career), and are secured by the sole signature of the student. They are initially recognized at cost.

Impairment losses

A summary of long-term notes receivable including current portion according to their ageing and impairment estimate at December 31, 2015 and 2014, is as follows:

		<u>Long-term Notes Receivable</u>	<u>Current Portion</u>	<u>Long-term Note Receivable Including Current Portion</u>	<u>Impairment Loss</u>
2015					
Between 0-90 days	US\$	-	377,659	377,659	-
Due between:					
181-360 days		-	11,955	11,955	1,211
More than 360 days		<u>402,751</u>	<u>-</u>	<u>402,751</u>	<u>402,751</u>
	US\$	<u>402,751</u>	<u>389,614</u>	<u>792,365</u>	<u>403,962</u>
2014					
Between 0-90 days	US\$	-	516,762	516,762	-
Due between:					
91-180 days		-	32,840	32,840	-
181-360 days		-	14,486	14,486	1,765
More than 360 days		<u>412,306</u>	<u>-</u>	<u>412,306</u>	<u>412,306</u>
	US\$	<u>412,306</u>	<u>564,088</u>	<u>976,394</u>	<u>414,071</u>

A summary of the movement of the allowance for impairment in respect of long-term notes receivable during the years ended December 31, 2015 and 2014, is as follows:

		<u>2015</u>	<u>2014</u>
Balances at beginning of the year	US\$	414,071	504,775
Release of provision		-	(74,381)
Effect of exchange rate fluctuation		<u>(10,109)</u>	<u>(16,323)</u>
Balances at end of the year (a)	US\$	<u>403,962</u>	<u>414,071</u>

(a) At December 31, 2015 and 2014, includes the amount of US\$1,211 and US\$1,765, correspondent to current allowance for impairment in respect of long-term notes receivable, respectively.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

The maturity of long-term notes receivable including current portion, is as follows:

2016		US\$	389,614	
2017			402,751	
		US\$	792,365	

As of December 31, 2015 and 2014, the Institution has a services agreement with Fundación Apec de Crédito Educativo, Inc. (FUNDAPEC), for cash collection and managing a part of the educational loan portfolio for the amount of US\$392,804 and US\$628,793, respectively. Due to cash collection, accounts receivable were recovered for the approximate amount of US\$182,538 and US\$223,174, respectively, during the years 2015 and 2014. The Institution pays a 2 % commission for each cash collection achieved. During the years 2015 and 2014, expense paid on this account amounts to US\$60,877 and US\$31,673, respectively, and is included as part of other general and administrative costs and expenses in the accompanying statements of activities, changes in net assets and other comprehensive income.

6 Investments in securities

At December 31, 2014, correspond to certificates of deposit held to maturity with domestic financial institutions. These certificates generate annual interest between 5.25% and 9% and mature between 180 and 360 days. Interest received in 2014, amounted to US\$76,102, and is included within the line item of finance (costs), income, net in the accompanying statements of activities, changes in net assets and other comprehensive income .

7 Prepaid expenses

A summary of prepaid expenses at December 31, 2015 and 2014, is as follows:

	<u>2015</u>		<u>2014</u>
Amortizable expenses -			
students' scholarships (nota 19) (a) US\$	112,032		107,017
Insurance	77,173		74,342
ITBIS recoverable	79,961		120,646
Software maintenance	158,457		79,665
Others	361		1,707
	US\$ 427,984		383,377

(a) At December 31, 2015 and 2014, correspond to expenditures for scholarships relating to undergraduate, graduate and master's degrees students, which are recognized as operating expenses to the extent that the educational services are provided to the students. In 2015 and 2014, expenses amounted to US\$1,408,139 and US\$1,273,472, respectively, which are included as part of other costs and general and administrative costs and expenses in the accompanying statements of activities, changes in net assets and other comprehensive income.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

8 Property, furniture and equipment, net

A movement of property, furniture and equipment and accumulated depreciation during the year ended December 31, 2015, is as follow:

<u>Costs:</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Furniture and Equipment</u>	<u>Literature</u>	<u>Vehicles and Transportation Equipment</u>	<u>Construction in Progress (a)</u>	<u>Total</u>
Balances at beginning	US\$ 11,106,573	13,144,957	4,838,174	883,790	181,128	4,551,812	34,706,434
Additions	-	79,987	751,963	4,947	21,773	4,376,941	5,235,611
Transfers	-	186,536	100,819	-	-	(287,355)	-
Reclassifications (b)	-	-	-	-	-	(9,218)	(9,218)
Disposals	-	-	(43,803)	-	-	(36,905)	(80,708)
Effect of exchange rate fluctuation	(271,132)	(320,890)	(118,107)	(21,574)	(4,422)	(111,118)	(847,243)
Balances at end of year	<u>10,835,441</u>	<u>13,090,590</u>	<u>5,529,046</u>	<u>867,163</u>	<u>198,479</u>	<u>8,484,157</u>	<u>39,004,876</u>
<u>Depreciation:</u>							
Balances at beginning	-	(5,940,663)	(3,047,780)	(679,272)	(165,051)	-	(9,832,766)
Charges of the period	-	(702,608)	(741,164)	(56,613)	(10,012)	-	(1,510,397)
Disposals	-	-	39,013	-	-	-	39,013
Effect of exchange rate fluctuation	-	152,438	81,813	17,180	4,137	-	255,568
Balances at end of year	<u>-</u>	<u>(6,490,833)</u>	<u>(3,668,118)</u>	<u>(718,705)</u>	<u>(170,926)</u>	<u>-</u>	<u>(11,048,582)</u>
Property, Furniture and equipment, net	<u>US\$ 10,835,441</u>	<u>6,599,757</u>	<u>1,860,928</u>	<u>148,458</u>	<u>27,553</u>	<u>8,484,157</u>	<u>27,956,294</u>

(a) At December 31, 2015, construction in progress consists principally of disbursements for the construction of the building that will house the Faculty of Health Sciences.

(b) Includes a commercial facility for lease purposes, located at the Caribálico building. The operating lease agreement relating to this property is automatically renewed annually for successive periods of one year, prior agreement among the parties. No contingent rents are charged. During the years 2015 and 2014, income earned amount to US\$ 112,155 and US\$102,187, respectively, and is presented as part of the line item of other operating income in the accompanying statements of activities, changes in net assets and other comprehensive income.

These lease agreements have a fixed annual rent, which is annually revised by the parties. The estimated income that this operating lease will generate for 2016 will be approximately US\$123,361.

The Institution has in use fully depreciated assets with an original cost for the approximate amounts of US\$2,991,000 and US\$2,930,000 for the years ended at December 31, 2015 and 2014, respectively.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

8.1 Collateral

The Institution has an apartment pledged as collateral from the loan with Bienes Nacionales, with a carrying amount of US\$69,099.

9 Other assets

A summary of other assets at December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Surety and deposits	US\$ 15,545	24,251
Educational software under development	<u>149,409</u>	<u>153,145</u>
	164,954	177,396
Licenses and software (a)	731,357	693,394
Accumulated amortization (b)	<u>(599,980)</u>	<u>(534,626)</u>
	<u>131,377</u>	<u>158,768</u>
	US\$ <u>296,331</u>	<u>336,164</u>

(a) Correspond to licenses and software and maintenance with maturity between one and five years.

(b) A movement of amortizations during 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Balances at beginning of the year	US\$ 534,626	476,569
Charges for the year	79,241	83,292
Withdrawals	-	(6,782)
Effect of exchange rate fluctuation	<u>(13,887)</u>	<u>(18,453)</u>
Balances at end of the year	US\$ <u>599,980</u>	<u>534,626</u>

10 Deferred income

At December 31, 2015 and 2014, correspond to advances received for enrollment of students in undergraduate, graduate and master's degrees, which are recognized as income to the extent that the educational services are provided to the students.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

11 Accruals and other liabilities

Accruals and other liabilities at December 31, 2015 and 2014, are as follows:

		<u>2015</u>	<u>2014</u>
Taxes on professional fees	US\$	30,104	24,633
Credit union		34,092	-
Employees' withholding		85,670	76,831
Withholding Law No. 87-01		166,138	151,811
Personnel vacations		339,395	190,193
Other accruals		<u>73,785</u>	<u>107</u>
	US\$	<u>729,184</u>	<u>443,575</u>

12 Accounts payable to employees

At December 31, 2015 and 2014, correspond to accounts payable to employees, for the contributions made by the Institution to the pension plan that existed with AFP Caribalico, S. A. The plan was liquidated and the Institution returned the individual contributions employees had made to the plan, remaining pending the contributions made by the Institution. By Resolution of the Board of Regents, the Institution agreed to pay the amount owed to the employees. This account accrues interest at 6% per annum. The interest incurred on this account during the years ended December 31, 2015 and 2014, amounted to US\$18,034 and US\$102,843, respectively, and is presented in the line item of other costs and general and administrative expenses in the accompanying statements of activities, changes in net assets and other comprehensive income.

The Institution's management determined to settle this commitment during 2015 and 2016.

13 Note payable

Unsecured loan, received under a credit line with a domestic bank in October 2015, for an amount of US\$1,539,477, with an interest rate of 10.5 % per annum, without specific collateral and maturity date on April 2016.

At December 31, 2015, interest accrued for short-term notes payable amounts to US\$22,721, and is presented within the line item of finance (costs) income, net in the accompanying statement of activities, changes in net assets and other comprehensive income for 2015.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

14 Long-term debt

A summary of long-term debt at December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Unsecured loan 681/SF-DR signed with the Inter-American Development Bank (IDB), dated June 3, 1982, for an original amount of US\$5,400,000 and 181,710,372 pesetas, payable at an average exchange rate of RD\$3.15 and the exchange differences will be assumed by the Central Bank of the Dominican Republic, to be used in scholarships granted to employees. The loan generates interest at 2 % per annum and a 0.5 % credit commission; was received for financing the “Consolidation and Academic Expansion of INTEC,” project with a guarantee of the Dominican Government and maturity on May 24, 2022. The loan is payable in 60 semi-annual consecutive installments of principal plus interest of approximately US\$79,291 and €20,075 and US\$81,029 and €21,6575 in 2015 and 2014, respectively. At December 31, 2015 and 2014, includes the amount of US\$900,320 and €239,296 and US\$1,038,830 and €276,110, respectively	US\$ 1,160,817	1,372,889
Unsecured loan with Banco BHD León, S. A. for an amount of RD\$40,000,000, at an interest rate of 12 % per annum. Principal and interest are payable in 84, equal and consecutive monthly installments of RD\$706,109, and a one year grace period for the payment of principal until March 2016, with maturity on February 2023	879,701	-
Loan signed between the Dominican Government through Bienes Nacionales and the Institution on August 15, 1996, to purchase an apartment at the José Contreras Project; without interest, payable in monthly installments of RD\$2,604 during 20 year maturing in 2016, and secured by the property, which is owned by the Institution	<u>486</u>	<u>1,144</u>
Long-term debt	2,041,004	1,374,033
Current portion of long-term debt	<u>(249,506)</u>	<u>(183,480)</u>
Long-term debt excluding current portion	US\$ <u>1,791,498</u>	<u>1,190,553</u>

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

At December 31, 2015, long-term debt maturities are as follows:

2016	US\$	249,506
2017		272,900
2018		284,861
2019		298,339
2020 hereinafter		<u>935,398</u>
	US\$	<u>2,041,004</u>

At December 31, 2015 and 2014, interest incurred for long-term debt amounts to US\$79,302 and US\$28,685, respectively, and is presented within the line item of finance (costs) income, net in the accompanying statements of activities, changes in net assets and other comprehensive income.

15 Provision for severance indemnities

At December 31, 2015 and 2014, the Institution has established a provision for the payment of severance indemnities upon termination of the employees' contract due to justified cause, provided they have served for five or more consecutive years, have comply with the termination notice and have maintained a satisfactory performance. The proportion to be received for employees with five years of service is an amount equivalent to 25 % of the severance indemnities and a 5% is added per each additional year of service up to 100%, when the employee reaches 20 years of service.

The movement in the provision for employee benefits during the years ended December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Balances at January 1 st .	US\$ <u>3,759,983</u>	<u>3,274,331</u>
Included in the statements of activities, other comprehensive income and changes in net assets:		
Expenses for the period	586,360	650,150
Benefits paid	(348,289)	(35,872)
Effect of exchange rate fluctuation	<u>(94,301)</u>	<u>(128,626)</u>
	<u>143,770</u>	<u>485,652</u>
Employees benefits liability at end of year	US\$ <u>3,903,753</u>	<u>3,759,983</u>

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

Actuarial assumptions

A summary of the principal actuarial assumptions used by the Institution at December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Discount rate	11.49 %	10.24 %
Mortality table	GAM-94	GAM-94
Future salary increases	2 %	6 %
Termination benefits	<u>Media</u>	<u>Media</u>

Assumptions regarding future mortality are based on published statistics and mortality tables.

A summary of the number of beneficiaries and the amount of current pensions as of December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Number of employees	609	470
Average monthly salary	RD\$ 61,794	56,190
Monthly payroll	US\$ <u>836,469</u>	<u>745,061</u>

Age distribution for the years 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Under 35 years old	253	237
Between 36 and 45 years old	105	103
Between 46 and 65 years old	217	203
Over 66 years old	<u>43</u>	<u>33</u>

Sensitivity Analysis

On the basis of severance indemnities at December 31, 2015 and assuming all other actuarial assumptions remain constant, a possible fair change in the actuarial assumption corresponding to the discount rate of the severance indemnities of 4 %, would generate a change in the obligation as detailed below:

<u>Actuarial assumption</u>	Provision for Employee Benefits <u>Increase/(Decrease)</u>
Discount rate (change of 4 %)	US\$ <u>157,816</u>

16 Other comprehensive income

Corresponds to the effect of conversion of the Institution's financial statements from its functional currency to its reporting currency.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

17 Operating income

A summary of operating income during the years ended December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Student's enrolment and services:		
Undergraduate registration	US\$ 12,129,090	11,807,085
Postgraduate registration	2,636,837	2,368,990
Laboratory registration	410,794	683,014
Right to register for undergraduate	3,346,795	3,465,148
Right to register for postgraduate	882,401	880,351
	19,405,917	19,204,588
Discounts and bonuses (a)	(581,140)	(483,115)
	18,824,777	18,721,473
Other educational services	562,953	528,790
Educational services	519,998	625,310
	19,907,728	19,875,573
Government grants (b)	2,252,723	1,755,007
	2,252,723	1,755,007
<u>Other:</u>		
Release of provision on accounts receivable	-	74,381
Fines and surcharges	687,415	543,688
Overhead of third party programs	803,162	574,369
Technical assistance and advisory	523,574	203,043
Sponsorship income	37,905	48,524
Sale of publications	23,594	28,825
Institutional income	-	20,449
Donations and foreign contributions	253,457	9,717
Rental of Caribalico premises	112,155	102,187
Other income	548,170	189,200
	2,989,432	1,794,383
	US\$ 25,149,883	23,424,963

- (a) At December 31, 2015 and 2014, correspond to cash discounts for early payment and good academic performance index, awarded to students of the Institution.
- (b) Correspond to subsidy allocated by the Dominican Republic Government for non-profit organizations. The amount allocated for the years ended December 31, 2015 and 2014, amounted to US\$2,504 and US\$2,590 per month, respectively. In 2015 and 2014 the Dominican Republic Government allocated an extraordinary grant for the amount of US\$2,225,684 and US\$1,749,540, respectively. The allocation was intended for building the Institution's Science Health area.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

18 Salaries and personnel compensation

A summary of salaries and personnel compensation during the years ended December 31, 2015 and 2014, is as follows:

		<u>2015</u>	<u>2014</u>
Wages and salaries	US\$	9,527,109	8,898,975
Christmas bonus		835,622	718,098
Vacation		447,885	247,116
Other bonuses		54,917	38,115
Severance indemnities		674,194	676,785
Insurance		575,517	503,688
Pension plan Law No. 87-01		686,906	694,211
Professional development		81,902	152,350
Study benefits		128,944	101,280
Per diem		334,287	403,845
Transportation		278,856	342,605
Other benefits		<u>187,394</u>	<u>95,205</u>
	US\$	<u>13,813,533</u>	<u>12,872,273</u>

At December 31, 2015 and 2014, approximately US\$817,960 and US\$736,648, respectively, correspond to top management, which are defined as those occupying vice-presidents positions and above.

At December 31, 2015 and 2014, the Institution has 1,099 and 1,072 employees, respectively.

19 Other costs and general and administrative expenses

A summary of other costs and general and administrative expenses during the years ended December 31, 2015 and 2014, are as follows:

		<u>2015</u>	<u>2014</u>
Electric power	US\$	768,106	741,184
Surveillance		444,860	426,045
Various supplies		429,949	484,283
Fees		939,259	616,932
Promotion and advertising		207,818	192,398
Fuels and lubricants		168,265	234,596
Workshops and conferences expenses		231,376	372,611

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

Operating lease	288,217	261,799
Student parking	47,675	71,734
Communications	243,988	172,430
Institutional attentions	57,697	101,296
Shipping	50,879	31,765
Other Expenses Tax	24,281	44,703
Professional fees	62,924	53,550
Several expenses	271,792	183,889
Printing and bindings	89,468	136,633
Photocopies and reproduction	67,633	67,591
General insurance	98,167	101,329
Researches	187,999	190,537
National and international relations	98,943	182,634
Doubtful debts expense	467,477	112,852
Maintenance expense and renewal of licenses and software	211,130	159,980
Coffee break	192,037	202,327
Water, coffee and garbage	13,124	10,489
Maintenance and repair	989,375	1,060,228
Scholarships (a)	1,406,261	1,273,472
ITBIS nor recoverable (b)	508,962	573,482
Scientific and institutional publications	67,589	51,260
Special events	203,053	38,238
Organizations and development of projects	126,115	25,211
Hospitals services	23,783	6,215
Incidentals	42,019	5,165
Portfolio management fees	60,796	31,673
Others	<u>509,962</u>	<u>430,749</u>
	US\$ <u>9,600,979</u>	<u>8,649,280</u>

- (a) Correspond to scholarships granted to employees of the Institution and their close relatives; as well as people of limited resources sent from to the Ministerio de Educación Superior, Ciencia y Tecnología (MESCYT), who meet the academic requirements of the Institution.
- (b) Correspond to the tax paid by the Institution, which was not deductible, because ITBIS is not generated in the Entity's invoices.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

20 Commitments and contingencies**Commitments**

- a) On August 1st, 1995, the Instituto Tecnológico de Santo Domingo (INTEC), entered into a service agreement with the Central Bank of the Dominican Republic (Central Bank), for an original three-year term, subject to review from the parties at the termination thereof and renewable upon mutual agreement. Through this agreement the Central Bank assumes the exchange differences that arise between the original foreign exchange rate of Loan No. 681/SF-DR of the INTEC with the Inter-American Development Bank (IDB) (RD\$3.15 per each US\$1.00) and the exchange rate at the moment of the payment of principal installments plus interest. The Institution is committed to provide scholarships program for undergraduate and postgraduate, technical training programs and organizational support projects, equivalent to the amount of the debt in Dominican pesos resulting from the exchange differences assumed by the Central Bank. At December 31, 2015 and 2014, the Institution maintains receivable balances amounting to US\$359,370 and US\$432,974, respectively, derived from granting scholarship services to the Central Bank staff, more than those covered under this agreement, and recognized as part of accounts receivable in the accompanying statements of financial position at those dates.
- b) On May 2013 the Institution signed with the company Enorden, C. por A., a services agreement for maintenance of the green areas. The agreement is for a one year term, establishes a monthly payment of US\$7,298, automatically renewable each year. At December 31, 2015 and 2014, the Institution incurred in maintenance expenditures of the green areas amounting to US\$87,281 and US\$82,271, respectively, which are included as part of the line item of other costs and general and administrative expenses in the accompanying statements of activities, changes in net assets and other comprehensive income. The estimated fee commitment for 2016 approximates US\$117,800.
- c) On June 1st, 2006, the Institution signed with the company Enorden, C. por A., an agreement for cleaning and maintenance services of the facilities. The agreement is for a one year term, establishes a monthly payment of US\$19,543, automatically renewable each year. At December 31, 2015 and 2014, the Institution incurred in cleaning expenditures amounting to US\$222,308 and US\$261,025, respectively, which are included as part of other costs and general and administrative expenses in the accompanying statements of activities, changes in net assets and other comprehensive income. The estimated payment commitment for 2016 approximates US\$244,000.
- d) In February 2013, the Institution signed a leased premises agreement for providing teaching and administrative areas, for the monthly amount of US\$3,850. This agreement provides a five (5) year term and is automatically renewable upon previous agreement among the parties. At December 31, 2015 and 2014, expense recognized for this agreement amounted to US\$45,789 and US\$54,824, respectively, and is recognized as other general and administrative expenses in the accompanying statements of activities, changes in net assets and other costs and comprehensive income. The estimated payment commitment for 2016 approximates US\$48,000.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

- e) At December 31, 2015 and 2014, the Institution holds commitment fees for the rental of a parking lot for the amount of US\$6,199 per month. The agreement was signed in April 2004, with a one year term and automatically renewable prior agreement upon the parties. In 2015 and 2014, payments amount to US\$70,344 and US\$71,734, respectively, which are included as part of other costs and general and administrative costs and expenses in the accompanying statements of activities, changes in net assets and other comprehensive income. The estimated commitment fee for 2016 approximates US\$77,400.
- f) The Institution has contracted the services of the company Thormann Peralta Security, S. A., for transportation services and protection of all the Institutions' facilities and surroundings. These agreements were executed in May 2006 and February 2007, respectively, and establishes monthly payments of US\$3,507 and US\$30,883, respectively, for a one year term and is automatically renewable upon previous agreement among the parties. At December 31, 2015 and 2014, payments for these concepts amounted to US\$26,836 and US\$15,826 and US\$353,669 and US\$435,482, respectively, which are included as part of other costs and general and administrative expenses in the accompanying statements of activities, changes in net assets and other comprehensive income. The estimated payment commitments for 2016 approximates US\$15,900 and US\$397,800, respectively.
- g) At December 31, 2015, the Institution has payment commitments for renting a parking space for the monthly payment of US\$5,000. This agreement was signed in May 2015 for a one year term and is automatically renewable upon previous agreement among the parties. In 2015, expense recognized for this agreement amounted to US\$43,750, and is recognized as other costs and general and administrative expenses in the accompanying statements of activities, changes in net assets and other comprehensive income. The estimated payment commitment for 2016 approximates US\$59,900.

Contingencies

At December 31, 2015 and 2014, there are lawsuits that have been filed against the Institution, for the approximate amount of US\$108,900 and US\$76,300, respectively, arising in the normal course of operations. According to the Institution's external legal advisers, it is very unlikely that these lawsuits result in an adverse decision against the Institution. Therefore, management does not anticipate any material loss as a result of the claims, and has not considered it necessary to recognize a provision for such purposes.

21 Balances in foreign currency

The Institution performs sales and purchase transactions that are denominated in a currency other than the functional currency of the Institution, mainly the United States dollar (US\$).

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Notes to the Financial Statements

At December 31, 2015 and 2014, the Institution accounts include the following balances in Dominican pesos, translated to dollars of the United State of America:

2015	<u>RD\$</u>	<u>US\$</u>	<u>€</u>	<u>Total</u>
Cash and equivalents	1,296,651	22,890	2,053	1,321,594
Accounts receivable and other receivables	5,487,161	882,013	-	6,369,174
Accounts payable	(5,730,160)	(449,464)	-	(6,179,624)
Long-term debt	<u>(2,440,865)</u>	<u>(900,320)</u>	<u>(239,296)</u>	<u>(3,580,481)</u>
Net position	<u>(1,387,213)</u>	<u>(444,881)</u>	<u>(237,243)</u>	<u>(2,069,337)</u>
2014				
Cash and equivalents	325,106	116,191	1,618	442,915
Investments in securities	208,987	10,000	-	218,987
Accounts receivable and other receivables	5,263,064	836,470	-	6,099,534
Long-term notes receivable, net	564,088	-	-	564,088
Account payable	(5,819,590)	(324,990)	-	(6,144,580)
Long-term debt	<u>(59,093)</u>	<u>(1,038,830)</u>	<u>(276,110)</u>	<u>(1,374,033)</u>
Net position	<u>482,562</u>	<u>(401,159)</u>	<u>(274,492)</u>	<u>(193,089)</u>

In 2015 and 2014, the foreign exchange rates per US\$1 and €1 used by the Institution were as follows:

	<u>Average Rate</u>		<u>Spot Rate</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Equivalent in RD\$	44.93	43.44	45.47	44.36
Equivalent in €	<u>49.86</u>	<u>57.71</u>	<u>49.50</u>	<u>53.67</u>

22 Application of new standards

Following is a summary of significant changes to the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) as of May 2015:

<u>Effective Date</u>	<u>New Regulations or Amendments</u>	<u>Major Changes</u>
January 1st, 2017	<i>Property, Plant and equipment</i> (amendments to Section 17)	The amendment allows SMEs an option to use the revaluation model for measurement of its property, plant and equipment.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

January 1st, 2017	<i>Income Tax</i> (amendments to Section 29)	to	The International Accounting Standard Board (IASB), has decided to align the requirements of Section 29 for the recognition and measurement of deferred tax with IAS 12 <i>Income Taxes</i> .
January 1st, 2017	<i>Specialized Activities</i> (amendments to Section 34)	to	The International Accounting Standard Board (IASB), has decided to align the principal requirements of recognition and measurement of certain specialized activities of the IFRS for SMEs, Section 34, with IFRS 6.

The aforementioned standards and amendment to standards, are not expected to have significant effects on the financial statements of the Institution.