Financial Statements

# Instituto Tecnológico de Santo Domingo (INTEC)

*December 31, 2021*
*(Together with the Independent Auditor's Report)*

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Building a better working world

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# Independent Auditor's Report

To the Board of Regents of
Instituto Tecnológico de Santo Domingo (INTEC)

***Opinion***

We have audited the accompanying financial statements of Instituto Tecnológico de Santo Domingo (INTEC) (hereinafter "the Institute"), which comprise the statement of financial position as of December 31, 2021, the statement of activities, changes in net assets and other comprehensive income and the cash flow statement for the year then ended, and notes comprising significant accounting policies and others explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Instituto Tecnológico de Santo Domingo (INTEC) as of December 31, 2021, its financial performance and cash flows for the year then ended, in conformity with International Financial Reporting Standards for Small and Medium-sized Enterprises (IFRS for SMEs).

***Basis for the opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described in the section *Responsibilities of the Auditor with Regards to the Audit of the Financial Statements* in our report. We are independent from the Institute in accordance with the Code of Ethics for Accounting Professionals of the International Ethics Standards Board for Accountants (IESBA), the Code of Ethics of the Institute of Certified Public Accountants of the Dominican Republic (ICPARD in Spanish) along with the ethics requirements relevant for our audit of consolidated financial statements and have met all other ethical responsibilities in accordance with these requirements and the Code of Ethics of IESBA and ICPARD. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management and those charged with Corporate Governance over the financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Small and Medium Sized Entities, and for the internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is also responsible for assessing the Institute's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those responsible for the Institute's Corporate Governance are responsible for overseeing the Institute's financial reporting process.

***Auditor's responsibility regarding the audit of the financial statements***

Our objectives are to obtain reasonable assurance on whether financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an audit report including our opinion. Reasonable assurance is a high level of assurance but does not constitute a guarantee that an audit performed per International Standards on Auditing will always detect a significant error when one exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. As auditors, we also:

- Identify and assess the risk of material misstatement in the financial statements, due to fraud or error, design and apply audit procedures to respond to those risks and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of a material misstatement due to fraud going undetected is higher than one due to error, since fraud may involve collusion, forgery, intentional omissions, intentionally mistaken statements, or the circumvention of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are adequate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.

- Assess that the accounting policies used are adequate, as well as the fairness of accounting estimates and disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, we also conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to call attention in our audit report to the corresponding disclosures in the statutory financial statements, or if those disclosures are not adequate, to express a modified opinion. Our conclusions are based on the audit evidence obtained until the date of our audit report. Nevertheless, future events or conditions could cause the Institute not to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether those financial statements represent the underlying transactions and events that achieve reasonable presentation.

We communicated with those in charge of the Institute's Management regarding among others, the scope and timing of our audit and the significant findings, including any significant weaknesses in internal control that we identified during our audit.

Ernst & Young

May 23, 2022
Santo Domingo,
Dominican Republic

**STATEMENTS OF FINANCIAL POSITION**
**December 31, 2021 and 2020**
*(Amounts in United States dollars - US$)*

| | Notes | 2021 | 2020 |
|---|---|---|---|
| **Assets:** | | | |
| Current assets: | | | |
| Cash and cash equivalents | 3 | 601,540 | 473,958 |
| Accounts receivable: | 4 | | |
| Students, third-party programs and other | | 4,680,732 | 4,417,258 |
| Other accounts receivable | | 173,322 | 169,611 |
| | | 4,854,054 | 4,586,869 |
| Impairment allowance of notes and accounts receivable | 4 | (1,339,392) | (1,196,287) |
| Accounts receivable, net | | 3,514,662 | 3,390,582 |
| Current portion of long-term notes receivable | 5 | 231,421 | 190,351 |
| Inventories of books and supplies | 2.12 | 112,101 | 103,093 |
| Securities investments | 6 | 657,250 | 353,859 |
| Prepaid expenses | 7 | 544,527 | 459,726 |
| Total current assets | | 5,661,501 | 4,971,569 |
| Non-current assets: | | | |
| Long-term notes receivable (excluding a current portion) | 5 | 2,460,512 | 1,820,756 |
| Impairment allowance of long-term notes receivable | 5 | (241,217) | (237,090) |
| Long-term notes receivable, net | | 2,219,295 | 1,583,666 |
| Property, furniture and equipment, net | 8 | 25,338,730 | 24,438,837 |
| Other assets, net | 9 | 77,189 | 77,059 |
| **Total assets** | | **33,296,715** | **31,071,131** |
| **Liabilities and net assets:** | | | |
| Current liabilities: | | | |
| Current portion of long-term debt | 12 | 1,925,046 | 1,559,985 |
| Accounts payable: | 16 | | |
| Vendors | | 733,518 | 1,889,797 |
| Advanced payments for courses and diploma degrees | 18 | 1,224,465 | 1,026,096 |
| Other accounts payable | | 2,117,381 | 1,540,577 |
| Total accounts payable | | 4,075,364 | 4,456,470 |
| Deferred revenue | 10 | 1,520,309 | 1,489,160 |
| Accruals payable and other liabilities | 11 | 729,195 | 595,112 |
| Total current liabilities | | 8,249,914 | 8,100,727 |
| Non-current liabilities: | | | |
| Long-term debt, excluding a current portion | 12 | 4,045,694 | 3,783,868 |
| Labor benefit liability | 13 | 1,775,847 | 2,151,606 |
| Total non-current liabilities | | 5,821,541 | 5,935,474 |
| Total liabilities | | 14,071,455 | 14,036,201 |
| Net assets: | | | |
| **Net assets without donor restrictions** | | 19,225,260 | 17,034,930 |
| **Total liabilities and net assets without donor restrictions** | | **33,296,715** | **31,071,131** |

*See accompanying notes to the financial statements.*

**STATEMENTS OF ACTIVITIES, CHANGES IN NET ASSETS AND OTHER COMPREHENSIVE INCOME**
**For the years ended December 31, 2021 and 2020**
*(Amounts in United States dollars - US$)*

| | Notes | 2021 | 2020 |
|---|---|---|---|
| Change in net assets without donor restrictions: | | | |
| Operating revenue: | 14 and 16 | | |
| Educational services: | | | |
| Enrollment and student services, net | | 20,776,269 | 18,465,627 |
| Other educational services | | 719,340 | 635,230 |
| Educational department services | | 634,167 | 554,005 |
| | | 22,129,776 | 19,654,862 |
| Government grants | | 23,622 | 19,817 |
| Other revenue | | 3,880,905 | 5,522,327 |
| Total operating revenue | | 26,034,303 | 25,197,006 |
| Operating costs and expenses: | 15 and 16 | | |
| Employee benefits | | (14,785,632) | (13,458,904) |
| Other general and administrative and expenses | | (8,899,553) | (9,230,523) |
| Total operating costs and expenses: | | (23,685,185) | (22,689,427) |
| Operating result | | 2,349,118 | 2,507,579 |
| Financial income (costs), net: | | | |
| Interest income | 6 | 25,731 | 41,003 |
| Interest expense | 12 and 13 | (501,531) | (575,607) |
| Loss on foreign exchange rate | | (34,331) | (98,928) |
| Financial costs, net | | (510,131) | (633,532) |
| Increase in net assets without donor restrictions of the year | | 1,838,987 | 1,874,047 |
| Other comprehensive income (loss) – items that are or may be reclassified to changes in net assets – foreign currency translation adjustment | | 357,636 | (1,614,696) |
| **Total comprehensive income for the year** | | **2,196,623** | **259,351** |

*See accompanying notes to the financial statements.*

## STATEMENTS OF CHANGES IN NET ASSETS AND OTHER COMPREHENSIVE INCOME

**For the years ended December 31, 2021 and 2020**

*(Amounts in United States dollars - US$)*

| | Notes | Net Assets | Translation reserve | Total changes in net assets and other comprehensive income |
|---|---|---|---|---|
| Beginning balances as at January 1, 2020 | | 25,081,488 | (8,305,909) | 16,775,579 |
| Comprehensive income for the year: | | | | |
| Net assets without donor restriction of the year | | 1,874,047 | - | 1,874,047 |
| Other comprehensive income | | | | |
| Exchange difference on translation | 2.1 | - | (1,614,696) | (1,614,696) |
| Total comprehensive income for the year | | 1,874,047 | (1,614,696) | 259,351 |
| Balances as at December 31, 2020 | | 26,955,535 | (9,920,605) | 17,034,930 |
| Comprehensive income for the year: | | | | |
| Net assets without donor restriction of the year | | 1,838,986 | - | 1,838,986 |
| Other comprehensive income – | | | | |
| Exchange differences on translation | 2.1 | - | 351,344 | 351,344 |
| Total comprehensive income for the year | | 1,838,986 | 351,344 | 2,190,330 |
| **Balances as at December 31, 2021** | | **28,794,521** | **(9,569,261)** | **19,225,260** |

*See accompanying notes to the financial statements.*

**STATEMENTS OF CASH FLOWS**
**For the years ended December 31, 2021 and 2020**
*(Amounts in United States dollars - US$)*

| | Notes | 2021 | 2020 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Increase in net assets without donor restrictions of the year | | 1,838,986 | 1,874,047 |
| Adjustments for: | | | |
| Depreciation and amortization | 8 and 9 | 1,195,291 | 1,597,943 |
| Impairment allowance of notes and accounts receivable | 4 | 164,225 | 580,783 |
| Effect of the translation of foreign currency | | - | (530,619) |
| Loss on discharge of property, furniture and equipment | | 5,728 | 14,046 |
| Scholarship expenses | 7 | 132,435 | 129,856 |
| Accrued deferred revenue | | (1,520,168) | (1,588,486) |
| Financial costs | 12 and 13 | 475,800 | 534,604 |
| | | 2,292,297 | 2,612,174 |
| Net changes in assets and liabilities: | | | |
| Notes and accounts receivable, short-term and long-term | | (858,508) | (2,742,389) |
| Inventories of books and supplies | | (6,881) | 20,920 |
| Prepaid expenses | | (207,759) | (225,427) |
| Other assets | | (2,609) | (169) |
| Accounts payable | | (473,187) | 783,541 |
| Deferred revenue | | 1,520,575 | 1,530,344 |
| Accruals payable and other liabilities | | 118,714 | (21,083) |
| Labor benefit liability | | (420,250) | (329,280) |
| Cash from operations | | 1,962,392 | 1,628,631 |
| Interest Income | | 25,731 | 41,003 |
| Interest paid | 12 | (501,531) | (575,607) |
| Cash flow provided by operating activities | | 1,486,592 | 1,094,027 |
| Cash flows from investment activities: | | | |
| Increase of investments | | (296,086) | 381,192 |
| Acquisition of property, plant and equipment | 8 | (1,589,019) | (2,095,012) |
| Cash flow used in investment activities | | (1,885,105) | (1,713,820) |
| Cash flow used in financing activities: | | | |
| Loans obtained | 12 | 1,574,528 | 2,819,149 |
| Loans paid | | (1,057,959) | (2,560,529) |
| Net cash flows provided by financing activities | | 516,569 | 258,620 |
| Effect of exchange rate on cash and cash equivalents | | 9,526 | 443,411 |
| Increase in cash and cash equivalents | | 127,582 | 82,238 |
| Cash and cash equivalents at the beginning of the year | | 473,958 | 391,720 |
| **Cash and cash equivalents at year end** | | **601,540** | **473,958** |

*See accompanying notes to the financial statements.*

## 1. Corporate Information

Instituto Tecnológico de Santo Domingo (INTEC) (the Institute) is a non-profit and autonomous private university. It was created per Law 520 and Decree 2389 of June 15, 1972 (which was later eliminated and substituted by Law 122-05). The Institute started educational activities in October 1972. INTEC's mission is to train citizens that are capable, upstanding, and internationally competitive to contribute to the sustainable development of society through science and technology.

Its main objectives are:

a) To train high-quality, innovative, critical, and internationally competitive professionals.
b) To promote and strength the relationship between the Institute and sectors that contribute to innovation and sustainable technological development.
c) To increase competitiveness and strengthen international positioning.
d) To strength strategical alliances and agreements with higher education Institutes and research bodies worldwide.
e) To raise the organizational performance bar through the adjustment of processes and the physical infrastructure or structure to ensure the quality of the Institute's services and financial sustainability.

In accordance with article 299, paragraph (d) of the Tax Code of the Dominican Republic (Law 11.92) on non-profit organizations, the Institute is exempted from income tax payments.

The Institute is domiciled in Los Próceres Avenue 809, Ensanche Galá, Santo Domingo, Dominican Republic. It has operations in the country and abroad.

INTEC has three general governing bodies:

- General Meeting: INTEC's supreme authority comprised by founders and members of the Board of Regents. The Board of Regents is made up of 15 members, including the Rector, outstanding people from the local community, and INTEC alumni.

- Rector's Office: The Institute's highest executive authority led by the Rector.

- Academic Board: Office in charge of planning the academic policy per the guidelines provided by the Board of Regents. It is chaired by the Rector and comprised by the assistant rectors and deans from the different academic areas and divisions.

## 2. Basis of preparation and accounting policies applied in the financial statements

The Institute's financial statements as of December 31, 2021 and 2020, and for the years then ended, were prepared in accordance with International Financial Reporting Standards for Small and Medium sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB).

## 2. Basis of preparation and accounting policies applied in the financial statements (continued)

### 2.1 Basis of preparation and presentation currency

The functional currency of the Institution is de Dominican peso. The accompanying financial statements are expressed in U.S. dollars, as a presentation currency. The figures of the financial statements were translated to United States dollars (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 SMEs, Section 30 - Foreign Currency Translation, which sets forth the use of the exchange rates at the reporting 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 rate differences are recognized in other comprehensive income (OCI).

As of December 31, 2021 and 2020, the exchange rates used by the Institution for the translation of the statements of financial position were RD$57.16 and RD$58.34 per each US$1, respectively. The average exchange rates used to translate the statements of activities, changes in net assets and other comprehensive income for the years ended December 31, 2021 and 2020 were RD$57.15 and RD$56.77 per each US$1, respectively. These exchange rates approximate the exchange rates at the date of the transactions.

As of December 31, 2021 and 2020, the conversion effect for the periods then ended were losses of US$351,344 and US$1,614,696, respectively, and are presented as other comprehensive income in the accompanying statements of changes in net asset and other comprehensive income; and the translation reserve as of December 31, 2021 and 2020 were US$9,569,261 and US$9,920,605, respectively, and are presented as such, in the accompanying statements of changes in net asset and other comprehensive income.

The International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) does not have specific standards issued, applicable to non-profit entities regarding the clarification of the structure of financial information and the classification of net assets. Therefore, for such purposes, the specific standards for non-profit entities issued by the Financial Accounting Standards Board (FASB) have been applied. Consequently, the Institute's net assets and their changes are classified as follows:

Assets without donor restrictions: The portion of a non-profit entity's net assets that is not subject to donor restrictions.

Assets with donor restrictions: The portion of a non-profit entity's net assets that is subject to donor restrictions.

### 2.2 Current and non-current classification

The Institute presents classified assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is classified as current when the Institute expects to realize the asset or has the intention to sell or consume it in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realized within twelve (12) months after the reporting period; and it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period. The Institute classifies the rest of its assets as non-current.

## 2. Basis of preparation and accounting policies applied in the financial statements (continued)

### 2.2 Current and non-current classification (continued)

A liability is classified as current when the Institute expects to settle the liability in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve (12) months after the reporting period, or when there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period. The Institute classifies all other liabilities as non-current.

### 2.3 Balances and transactions in foreign currency

Balances and transactions in foreign currency are recorded at the exchange rate in effect on the date of the transaction. In determining its financial situation and income, the Institute appraises and adjusts its assets and liabilities denominated in foreign currency at the exchange rate ruling on the date of this valuation and determination.

Exchange differences that may result from the application of these procedures are recognized in the results of the year in which they occur. Note 17 presents the Institute's net foreign currency position.

### 2.4 Recognition of income, costs and expenses

Revenues are measured at the fair value of the consideration received or receivable, net of discounts. The Institute recognizes revenue when it can be measured at fair value and economic benefits may go to the Institute. Below are the Institute's specific criteria to recognize revenue:

a) Revenue from educational services

Revenue from educational services is recognized to the extent that the service is provided according to the study plan, net of discounts. Discounts derived from the early payments and students' academic achievements. The Institute recognizes revenue from its own operations as an increase of net assets through the accrual method. At the end of each accounting period, revenues from not-offered educational service billing are recorded in a liability account called "Deferred revenue" and are recognized as revenue as long as educational services are provided to students.

b) Revenues from grants

These revenues are from contributions provided by the Dominican Government as support to non-profit organizations. This grant is not conditioned on the Institute's specific future returns.

The Institute recognizes revenues from received grants as an increase of net assets once it receives them or is entitled to their enforcement.

c) Other operating revenue (including operating leases)

*Revenues from commissions on third-party programs (advanced payments for courses and diploma degrees)*

These revenues correspond to commissions earned from the intermediation for courses and diploma services through the Institute's training centers.

**2. Basis of preparation and accounting policies applied in the financial statements (continued)**

**2.4 Recognition of income, costs and expenses (continued)**

The Institute recognizes income from third-party program commissions as the service is provided. First, advanced payments from third parties are recorded as liabilities and disbursed to the different centers as services are provided to users.

Costs and expenses are recognized in the results of each year when they are incurred.

d) Costs and expenses

The Institute grants scholarships to its employees, their family, and low-income people referred by the Ministry of Higher Education, Science and Technology (MESCYT in Spanish) who comply with the Institute's academic requirements. Scholarship costs are recognized as deferred expenses and are amortized and recognized in the accompanying statements of income and changes in net assets as services are provided to students.

**2.5 Employee benefits**

**2.5.1 Short-term benefits**

Obligations from employee short-term benefits are measured on a non-discounted basis and recognized as expenses as related services are provided. An obligation for the amount payable for short-term cash bonus or for employee participation in profit is recognized if the Institute has a current legal or implicit obligation to pay this amount as result of the service provided by the employee in the past, and the obligation can be reliably estimated.

**2.5.2 Severance benefits**

The Labor Code of the Dominican Republic requires employers to provide an advanced notice and severance pay to workers whose employment contracts are terminated without just cause. The Institute recognizes severance payments in its statements when it terminates an employment contract.

Until December 31, 2017, the Institute accumulated severance regardless of whether employees resign or were fired, as long as they comply with some work time and quality requirements.

On July 5, 2018, during the Ordinary Meeting of the Board of Regents, Institute Management approved to discontinue severance payment when an employee resigns.

When there is a modification or decrease of work liability obligations, the resulting modification related to the past service or profit or loss for this reduction is immediately recognized in the year's results. The Institute recognizes gains or losses in the settlement of liability obligations when they are incurred.

**2.5.3 Employment benefits payable**

The Institute has to pay employment benefits to some employees who worked in the Institute and complied with work time and quality requirements when it decided to stop accumulating work liabilities from termination of services. This liability is deducted to determine its present value. The new modifications are recognized in the period in which they occur.

## 2. Basis of preparation and accounting policies applied in the financial statements (continued)

### 2.5 Employee benefits (continued)

#### 2.5.4 Social Security contributions

The Institute recognizes the monthly contributions made to the Dominican Social Security System, as well as employee contributions, as an accumulation until they are deposited in Treasury of Dominican Social Security System.

### 2.6 Financial income and costs

#### 2.6.1 Financial income

Financial income is comprised by interest earned from investments in securities and cash equivalents. Income from earned interest is recognized in the income statement using the effective interest method.

#### 2.6.2 Financial costs

Financial costs are comprised by interest paid for loans, work liability obligations, and gains and losses in foreign currency exchange. All costs from loans are recognized in the results of the year in which they are incurred using the effective interest method.

Losses in foreign currency exchange are recorded by compensating the amounts as financial income or costs, depending on whether balances are in a net loss or gain position.

### 2.7 Income tax

The Institute is exempted from income tax payments since it is a non-profit organization per note 1 of these financial statements.

### 2.8 Property, furniture and equipment

#### 2.8.1 Recognition and measurement

Property, furniture, equipment, and improvements items are measured at cost less the accumulated depreciation and any impairment loss.

The cost includes disbursements directly attributable to the acquisition of the asset. The cost of assets built by the Institute is comprised by:

- The cost of materials and direct labor force.
- Any disbursement directly attributable to the transformation of the asset to be suitable for the intended purpose.

When the Institute has an obligation to withhold the asset or restore the place, it has to calculate dismantling costs, eliminate items, and restore the place where they are located. When portions of property, furniture, and equipment items have different useful lives, they are recorded as separate property, furniture, and equipment items (important components). Gains or losses from the sale of an item of property, furniture, and equipment (calculated as the difference between the value of the provision and the value of the carrying amount of the element) are recognized in the results.

## 2. Basis of preparation and accounting policies applied in the financial statements (continued)

### 2.8 Property, furniture and equipment (continued)

#### 2.8.2 Post-close disbursements

Post-close disbursements are capitalized only when future economic benefits related to the expenses are likely to go to the Institute. Continuous repairs and maintenance are recorded as a variation of net assets.

#### 2.8.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or another amount that replaces the cost less its residual value.

Depreciation is recognized as changes in net assets using the straight-line method over useful lives estimated for each portion of property, furniture, and equipment items since they show a more exact consumption pattern of the future economic benefits related to the asset.

The elements of property, furniture, and equipment are depreciated since the date they are installed and ready to be used. The assets internally built are depreciated since the date when the asset is completed and ready to be used.

The following rates are used for the depreciation of property, furniture, and equipment:

| Type of asset | Years of useful life |
|---|---|
| Improvements to buildings | 5 |
| Buildings | 35 |
| Furniture, office and other equipment | 4-7 |
| Biography | 6.67 |
| Transportation equipment | 4 |

If there are significant changes in the conditions, depreciation methods, the useful life, and the residual value of assets, the Institute reviews the depreciation of that asset prospectively to show the new expectations.

### 2.9 Other assets

#### 2.9.1 Recognition

Other assets are comprised by computer program licenses with limited useful lives and are measured at cost less their accumulated amortization.

#### 2.9.2 Post-close disbursements

Post-close disbursements are capitalized only when future economic benefits incorporated in the asset related to such disbursements increase.

#### 2.9.3 Amortization

Amortization is calculated over the amortized amount, which is the cost of an asset, or another less its residual value. Amortization is recognized as changes in net assets through the straight-line method, i.e. the uniform distribution of the asset cost over the estimated years of the useful life since the date they are available for use. This shows more accurately the consumption pattern of the asset's future economic benefits. The useful life of licenses is nearly 4 years.

## 2. Basis of preparation and accounting policies applied in the financial statements (continued)

### 2.9 Other assets (continued)

#### 2.9.3 Amortization (continued)

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

### 2.10 Financial instruments

#### 2.10.1 Non-derivative financial assets and liabilities - Recognition and derecognition

A financial instrument is any contract that simultaneously results in a financial asset at one institute and a financial liability or equity instrument at another institute. The Institute applies the provisions of Section 11: Basic financial instruments of the IFRS to SMEs to account all its non-derivative financial instruments, if any.

The Institute initially recognizes other basic financial assets and liabilities on the transaction date when it accepts the contractual provisions of the instrument.

The Institute derecognizes a financial asset when the contractual cash flow rights expire, or when it transfers the rights to receive contractual cash flows through a transaction in which all risks and benefits related to the financial asset are substantially transferred. The Institute recognizes as a separate asset or liability all participations in transferred financial assets that it creates or withholds.

Financial assets and liabilities are compensated, and the net amount is recorded in the statements of financial position when the Institute has a legal right to compensate such amounts and intends to settle them on a net basis or simultaneously settle the liability.

The financial assets and liabilities that the Institute withholds are classified as financial instruments which are measured at cost and held until maturity. The financial instruments measured at cost are initially recognized at fair value plus any directly attributable transaction cost. After the initial recognition, they are measured at amortized cost using the effective interest method less losses on impairment.

Below are the non-derivative financial instruments held by the Institute:

**Cash and cash equivalents**

Cash is comprised by cash on hand and on demand deposits with original three-month maturity or less. Bank overdrafts (if any) payable on demand which are an integral part of the Institute's management of cash are considered as components of the statement of cash flow.

## 2. Basis of preparation and accounting policies applied in the financial statements (continued)

## 2.10 Financial instruments (continued)

### 2.10.1 Non-derivative financial assets and liabilities - Recognition and derecognition (continued)

**Accounts and notes receivable**

Revenue from provision of services on credit are measured normally. The amounts of accounts and notes receivable do not generate interest. When the credit is expanded beyond normal credit conditions, accounts and notes receivable are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of notes receivable, trade debtors, and other receivables are reviewed to determine whether there is any objective evidence that they will not be recoverable. If so, an impairment loss is immediately recognized in the income statements.

The Institute determines an estimate for doubtful accounts and notes, which is established through a charge to the expense account for losses on notes and accounts receivable. The amount of the estimate for possible losses is determined by management based on an analysis of the collectability of the accounts taking into consideration the history of the customers, the economy and other factors that affect the industry. The main components of this estimate consist of a specific loss element that relates to the significant individual exposures of each client.

The Institution maintains an agreement with Banco BHD León, for the granting of educational loans, once the students are graduates, Banco BHD León disburses to the Institution the credits consumed by the students. As of December 31, 2021, educational loans under this modality amount to US$2,464,249 (2020: US$1,774,769), which are not subject to loss estimation, given the solvency of the bank.

**Investments in securities**

Investments in securities consist of financial certificates issued by local financial entities, with original maturity greater than three months. Investments in securities are accounted for at cost plus interest earned capitalizable, less any impairment loss.

**Accounts payable**

Accounts payable are obligations based on normal credit conditions and have no interests. After initial recognition, accounts payable are measured at amortized cost using the effective interest method. The amounts of commercial creditors denominated in foreign currency are translated into the functional currency at the exchange rate in effect as of the reporting date.

## 2. Basis of preparation and accounting policies applied in the financial statements (continued)

### 2.10 Financial instruments (continued)

#### 2.10.1 Non-derivative financial assets and liabilities - Recognition and derecognition (continued)

**Notes and loans**

Notes and loans are initially recognized at the transaction price. They are measured at amortized cost using the effective interest method. The Institute recognizes gains or losses in the income statement when the financial liability is derecognized as well as through the amortization process.

Notes and loans 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.

### 2.11 Impairment of assets

#### 2.11.1 Financial assets measured at amortized cost

The Institute considers the evidence of impairment for the financial assets measured at amortized cost, at both an individual and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

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

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are immediately recognized in profit or loss.

When the Institute considers that there are no realistic prospects of recovering the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases, and the decrease is related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

## 2. Basis of preparation and accounting policies applied in the financial statements (continued)

### 2.11 Impairment of assets (continued)

#### 2.11.2 Non-financial assets

At each reporting date, the Institute reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment.

If the fair value minus the selling costs of an asset (or group of assets) is estimated to be less than its carrying amount, the carrying amount of the asset (or group of assets) is reduced to its fair value minus the selling costs. An impairment loss is immediately recognized in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or group of assets) increases until the revised estimate of its fair value less the costs of sell (without exceeding the amount that would have been determined if no loss due to impairment of the asset (or group of assets) had been recognized in previous years). The reversal for the impairment loss is immediately recognized in profit or loss.

For other assets, an impairment loss is reversed only until the carrying value of the asset does not exceed the value that would have been determined, net of depreciation and amortization, if an impairment loss had not been recognized.

### 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 Institute understands will not be used in the operation.

At each reporting date, inventories are reviewed to determine whether there is impairment by comparing the carrying amount of each item of the inventory with the selling price or replacement cost, less the cost to sell them. If the inventories are impaired, the carrying amount is reduced to the selling price or replacement costs less costs to sell and is immediately recognized as a variation in net assets.

### 2.13 Operating lease payments

Payments made under operating leases are recognized in operating results 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 total lease expense during the term of the lease.

### 2.14 Provision

A provision is recognized if, as a result of a past event, the Institute 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 cash flow required to settle the liability.

*(Amounts in United States dollars - US$)*

## 2. Basis of preparation and accounting policies applied in the financial statements (continued)

### 2.15 Key assumptions of uncertainty in the estimate

The Institute's financial statement preparation requires Management to make key judgments on the uncertainty of the estimates affecting the reported amounts of revenue, expenses, assets and liabilities as of the reporting date.

The main assumptions related to future events and other sources of estimates subject to variations as of the reporting date, which due to their nature carry a high risk of causing significant adjustments to the asset and liability amounts in next year's financial statements, are presented below:

*Operating leases*

The Institute includes the lease of certain property and equipment to third parties in its commercial activities. Based on the assessment of terms and conditions of lease contracts signed, it determined that it withholds risks and rights over leased property and equipment; therefore, it classifies these contracts as operating leases.

*Impairment of non-financial assets*

The Institute estimates that there are no indicators of impairment for any of its non-financial assets as of the reporting date.

## 3. Cash and cash equivalents

The breakdown of cash and cash equivalents as of December 31, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Cash on hand | 37,571 | 34,314 |
| Deposits in accounts (a) | 309,653 | 233,954 |
| Financial certificates (b) | 254,316 | 205,690 |
| | **601,540** | **473,958** |

(a) Corresponds to cash at local and foreign banks. As of December 31, 2021, some of these current and savings accounts generate annual interest between 0.10% and 1% (2020: 0.10% and 0.25%).

(b) As of December 31, 2021, corresponds to certificate of deposit under the Trust Financial Instrument opened in June 2021, with an annual rate of 5.45%, payable at maturity. As of December 31, 2020, it corresponds to a financial certificate with a maturity less than ninety (90) days. This certificate generates an interest of 2.85% per year.

*(Amounts in United States dollars - US$)*

## 4. Accounts receivable

Accounts receivable arise primarily from tuition, diploma degrees, seminars, among others. The credit risk which the Institute is exposed to is defined mainly by the individual characteristics of each student. As of December 31, 2021 and 2020, approximately 98% of the Institute's incomes and accounts receivable by geographic area is concentrated in students, end-users of the local market.

The exposure risk of accounts receivable as at December 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Students | 2,332,967 | 2,212,340 |
| Courses and diplomats | 412,176 | 505,625 |
| Third-party programs (a) | 104,889 | 78,366 |
| Sponsors (b) | 1,830,700 | 1,620,927 |
| Other accounts receivable | 173,322 | 169,611 |
| | **4,854,054** | **4,586,869** |

(a) These accounts derived from courses and diplomas provided by the Institute to third parties. As of December 31, 2021, the Institute has received advances to cover these services for US$1,224,465 (2020: US$1,026,096), presented as advanced payments for courses and diplomas in the accounts payable line of the accompanying statements of financial position.

(b) As of December 31, 2021, they include US$3,948 (2020: US$3,827), corresponding to accounts receivable from the Government of the United States of America, for the enrollment and maintenance of federal students, subsidized by said country.

### Impairment losses

As of December 31, 2021 and 2020, the aging of accounts receivable and impairment allowance is as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Accounts receivable** | **Impairment allowance** | **Accounts receivable** | **Impairment allowance** |
| 0 to 90 days | 1,208,998 | - | 1,132,012 | - |
| 91 to 180 days | 377,540 | - | 582,982 | - |
| 181 to 360 days | 972,445 | - | 933,203 | - |
| More than 361 days | 2,121,749 | - | 1,769,061 | - |
| | 4,680,732 | 1,339,392 | 4,417,258 | 1,196,287 |
| Other accounts receivable | 173,322 | - | 169,611 | - |
| | **4,854,054** | **1,339,392** | **4,586,869** | **1,196,287** |

*(Amounts in United States dollars - US$)*

## 4. Accounts receivable (continued)

Based on past experience, the Institute believes no impairment allowance is necessary in respect to accounts receivable from 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). This compensation is derived from the difference between the fixed exchange rate of RD$3.15 for the capital quotas and interest, and the amount deducted from the debt at the exchange rate as of the date of such payments [see notes 12 and 16 (a)].

As of December 31, 2021 and 2020, most of the outstanding receivables consist of accounts with favorable historical trend of payment with the Institute. The Institute establishes an allowance for impairment representing its best estimate of incurred losses in respect of receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures of each credit.

A summary of the movement of the impairment allowance of accounts receivable during the years ended December 31, 2021 and 2020, is as follows:

| | 2021 | 2020 |
|---|---|---|
| Balance at beginning of the year | 1,196,287 | 1,417,447 |
| Expense for the year (a) | 164,196 | 580,783 |
| Write off of accounts receivable | (45,787) | (721,411) |
| Effect of exchange rate fluctuation | 24,696 | (80,532) |
| **Balance at end of the year** | **1,339,392** | **1,196,287** |

(a) Its included as part of the other general and administrative expenses in the accompanying statement statements of activities, change in net assets and other comprehensive income.

## 5. Long-term notes receivable

They correspond to long-term notes receivable from students who have student loans relating to graduate and postgraduate enrollment. These notes mature between four and five years (the length of a college program) and are initially recognized at cost. These long-term notes receivable do not generate interest.

A summary of long-term notes receivable including current portion according to their aging and impairment allowance as of December 31, 2021 and 2020, is as follows:

| 2021 | Long-term notes receivable (including a current portion) | Current portion | Long-term notes receivable (excluding a current portion) | Impairment allowance |
|---|---|---|---|---|
| Expired from: | | | | |
| 0 to 90 days | 161,529 | - | 161,529 | - |
| 91 to 180 days | - | - | - | - |
| 181 to 360 days | 489,798 | - | 489,798 | - |
| More than 360 days | 2,040,606 | 231,421 | 1,809,185 | 241,217 |
| | 2,691,933 | 231,421 | 2,460,512 | 241,217 |

*(Amounts in United States dollars - US$)*

**5. Long-term notes receivable (continued)**

| 2020 | Long-term notes receivable (including a current portion) | Current portion | Long-term notes receivable (excluding a current portion) | Impairment allowance |
|---|---|---|---|---|
| Expired from: | | | | |
| 0 to 90 days | 264,799 | - | 264,799 | - |
| 91 to 180 days | 240,193 | - | 240,193 | - |
| 181 to 360 days | 394,111 | - | 394,111 | - |
| More than 360 days | 1,112,004 | 190,351 | 921,653 | 237,090 |
| | **2,011,107** | **190,351** | **1,820,756** | **237,090** |

A summary of the movement of the impairment allowance of long-term notes receivable during the years ended December 31, 2021 and 2020, is as follows:

| | 2021 | 2020 |
|---|---|---|
| Balance at beginning of the year | 237,090 | 274,246 |
| Write off | (768) | (12,775) |
| Effect of exchange rate fluctuation | 4,895 | (24,381) |
| **Balance at end of the year** | **241,217** | **237,090** |

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

| | |
|---|---|
| 2022 | 231,421 |
| 2023 and beyond | 2,460,512 |
| | **2,691,933** |

As of December 31, 2021 and 2020, the Institute maintains a service agreement with Fundación Apec de Crédito Educativo, INC. (FUNDAPEC) for the collection and administration of a portion of the educational loan portfolio for US$4,041 (2020: US$4,559), respectively. As of December 31, 2020, as part of collection management effort, accounts receivable was recovered for approximately US$612 (2020: US$769). The Institute paid about 12% and 15% of commission for each collection process achieved as of those dates.

During the year ended December 31, 2021, commissions paid amounted to US$24 (2020: US$92) and are presented as part of other general and administrative expenses in the accompanying statement statements of activities, change in net assets and other comprehensive income.

The Institute and the BHD León Bank agreed to support each other on the development of an educational financing program designed for students who meet the academic requirements expected by INTEC.

**5. Long-term notes receivable (continued)**

The agreement establishes that INTEC will offer these students an interest-free financing for all tuition fees for the undergraduate program they selected. Likewise, the Bank, on behalf of the Institute, will create the loan portfolio and will maintain the documents until the student completed the undergraduate program. After carrying out the corresponding depuration and credit analysis, it will directly grant a credit to the student to settle the debt loan with the Institute. As of December 31, 2021, there are 308 (2020: 308) students under this educational financing program. As of December 31, 2021, the Institute has granted loans to students under this modality for US$2,464,249 (2020: US$1,774,769).

The agreement establishes a credit line to cover these financing for US$1,399,580, of which the amount of US$1,335,047 (2020: US$685,636) has been used as of December 31, 2021.

**6. Securities investments**

As of December 31, 2021 and 2020, they consist of certificates of deposit held to maturity with foreign financial institutions. Certificates in United States dollars generated annual interest of 1.50% and 0.55%, respectively, with maturities of 360 days. This investment is in guarantee on a loan with a foreign financial institution. In the year ended December 31, 2021, interests received amounted to US$24,645 (2020: US$37,745) and are presented as part of interest income in the financial costs, net in the accompanying statement statements of activities, change in net assets and other comprehensive income.

**7. Prepaid expenses**

A summary of prepaid expenses as of December 31, 2021 and 2020 is as follows:

| | **2021** | **2020** |
|---|---|---|
| Amortization expenses from student scholarships (note 16) (a) | 134,573 | 129,734 |
| Insurance | 97,855 | 103,258 |
| Maintenance and other computer expenses | 289,325 | 189,696 |
| Other | 22,774 | 37,038 |
| | **544,527** | **459,726** |

(a) As of December 31, 2021 and 2020, correspond to expenses for scholarships relating to undergraduate, graduate and master's degrees, which are recognized as operating expenses to the extent that the educational services are provided to the students. In the year ended December 31, 2021, these expenses amounted to US$1,603,399 (2020: US$1,481,362) and are presented as part of other general and administrative expenses in the accompanying statement statements of activities, change in net assets and other comprehensive income.

*(Amounts in United States dollars - US$)*

## 8. Property, furniture and equipment, net

The movement of property, furniture and equipment and accumulated depreciation during the year ended December 31, 2021 and 2020 is as follows:

| | Lands | Buildings and improvements | Furniture and equipment | Bibliography | Transportation fleet and equipment | Furniture and equipment in transit (a) | Construction in progress (b) | Total |
|---|---|---|---|---|---|---|---|---|
| **Historical cost:** | | | | | | | | |
| Balance as of January 1, 2020 | 9,313,563 | 19,698,487 | 8,165,258 | 758,209 | 303,824 | 89,188 | 3,369,328 | 41,697,857 |
| Additions | - | 15,199 | 132,034 | 945 | 16,970 | 304,430 | 1,625,434 | 2,095,012 |
| Transfer | - | 73,451 | 315,679 | - | - | (282,513) | (106,617) | - |
| Disposals and derecognitions | - | - | (25,164) | - | - | (8,181) | - | (33,345) |
| Effect of exchange rate fluctuation | (868,456) | (1,836,814) | (761,381) | (70,700) | (28,330) | (8,316) | (314,178) | (3,888,175) |
| Balances as of December 31, 2020 | 8,445,107 | 17,950,323 | 7,826,426 | 688,454 | 292,464 | 94,608 | 4,573,967 | 39,871,349 |
| Additions | - | 45,399 | 234,612 | 213 | - | 236,202 | 1,072,593 | 1,589,019 |
| Transfer | - | 20,132 | 176,469 | 1,969 | - | (178,179) | (20,391) | - |
| Other | - | - | - | - | - | (32,950) | - | (32,950) |
| Disposals and derecognitions | - | - | (229,693) | - | - | (5,919) | 8,329 | (227,283) |
| Effect of exchange rate fluctuation | 174,339 | 370,559 | 161,577 | 14,211 | 6,037 | 1,989 | 94,427 | 823,139 |
| Balances as of December 31, 2021 | 8,619,446 | 18,386,413 | 8,169,391 | 704,847 | 298,501 | 115,751 | 5,728,925 | 42,023,274 |
| **Depreciation:** | | | | | | | | |
| Balance as of January 1, 2020 | - | (8,463,957) | (5,985,125) | (733,267) | (212,331) | - | - | (15,394,680) |
| Depreciation for the year | - | (757,288) | (729,505) | (11,226) | (36,276) | - | - | (1,534,295) |
| Disposals and derecognitions | - | - | 20,222 | - | - | - | - | 20,222 |
| Effect of exchange rate fluctuation | - | 809,613 | 577,179 | 68,676 | 20,773 | - | - | 1,476,241 |
| Balances as of December 31, 2020 | - | (8,411,632) | (6,117,229) | (675,817) | (227,834) | - | - | (15,432,512) |
| Depreciation for the year | - | (446,963) | (665,460) | (5,987) | (36,756) | | | (1,155,166) |
| Disposals and derecognitions | - | - | 221,555 | - | - | - | - | 221,555 |
| Effect of exchange rate fluctuation | - | (173,569) | (126,205) | (13,950) | (4,697) | - | - | (318,421) |
| Balances as of December 31, 2021 | - | (9,032,164) | (6,687,339) | (695,754) | (269,287) | - | - | (16,684,544) |
| **Net book value:** | | | | | | | | |
| **As of December 31, 2021** | **8,619,446** | **9,354,249** | **1,482,052** | **9,093** | **29,214** | **115,751** | **5,728,925** | **25,338,730** |
| As of December 31, 2020 | 8,445,107 | 9,538,691 | 1,709,197 | 12,637 | 64,630 | 94,608 | 4,573,967 | 24,438,837 |

*(Amounts in United States dollars - US$)*

**8. Property, plant and equipment, net (continued)**

(a) Corresponds to advances made to the Institute's suppliers for the acquisition of student furniture and equipment.

(b) As of December 31, 2021, the construction in process consists of disbursements for the construction of the school of engineering.

As of December 31, 2021, the Institute keeps using fully depreciated assets for approximately US$10,513,159 (2020: US$8,350,000).

**9. Other assets, net**

The summary of other assets, net as of December 31, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Deposits and bonds | 25,046 | 21,984 |
| Computer licenses and programs (a) | 899,450 | 845,878 |
| Accumulated amortization (b) | (847,307) | (790,803) |
| | 52,143 | 55,075 |
| | **77,189** | **77,059** |

(a) They correspond to computer program licenses and maintenance, valid for four years.

(b) The activity of amortization in 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Balances at beginning of year | 790,803 | 803,821 |
| Charges for the year | 40,186 | 63,648 |
| Effect of exchange rate fluctuation | 16,318 | (76,666) |
| **Balances at year end** | **847,307** | **790,803** |

**10. Deferred revenue**

As of December 31, 2021 and 2020, they correspond to the deferred revenue of the first month of the following quarter generated by the academic load, the student tuition billing, the educational services provided to students and professionals from different academic areas (undergraduate and graduate degrees), which are recognized as income as services are offered to students. These revenues are charged in two halves: 50% of the total selected credits during the fourth week and 50% during the eighth week of classes each quarter.

As of December 31, 2021 and 2020, the deferred revenues from the contract signed with the National Institute for Teaching Training (INAFOCAM) are also included to implement the School-Based Continuous Training Strategy (EFCCE). These revenues are recognized every month depending on the contract term or the delivery of services of works performed. The overhead associated to this contract ranges between 20% and 30% of the total amount. (See note 16)

*(Amounts in United States dollars - US$)*

## 11. Accruals payable and other liabilities

The accruals payable and other liabilities as of December 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Employee taxes | 123,618 | 90,191 |
| Social Security withholding (Law 87-01) | 202,726 | 170,282 |
| Employee vacation | 247,056 | 258,039 |
| Other accruals | 155,795 | 76,600 |
| | **729,195** | **595,112** |

## 12. Long-term debt

The summary of the long-term debt as of December 31, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Unsecured loan 681/SF-DR signed with the Inter-American Development Bank (IDB), on 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; the excess in differences will be assumed by the Central Bank of the Dominican Republic to be used in scholarships for its employees. The loan generates 2% annual interest and a 0.5% credit commission, which was received to finance the "Consolidation and Academic Expansion of INTEC" project with a joint and several guarantee of the Dominican State, and a maturity date of May 24, 2022. The loan is payable in 60 semi-annual installments of principal plus interest of approximately US$79,644 and €23,700 for both years. | 90,856 | 273,177 |
| Unsecured loan with a local financial Institute for RD$40,000,000 with an annual interest rate of 13%, payable in 90 interest and principal installments, maturing in January 2023. | 179,269 | 291,980 |
| Unsecured loan with a local financial institution for RD$40,000,000 with 10% annual interest, payable in 54 installments of principal and interest, and with a grace period of six months. | 699,790 | - |
| Credit line with a foreign financial Institute for US$51,739 with an annual interest rate of 1.50%, maturing in December 2020, annually renewed, and with guarantee on investments in securities with the same financial Institute for US$111,000 approximately. | 73,477 | 33,509 |
| Unsecured loan with a local financial Institute for RD$100,000,000 with an annual interest rate of 9.75%, payable in 60 interest and principal installments, maturing in July 2022. | 609,982 | 904,888 |
| Unsecured credit line issued by Banco de Reservas for RD$50,000,000 with 8.50% annual interest, payable in 60 monthly installments of principal and interest, and maturing in October 2024. | 524,843 | - |

*(Amounts in United States dollars - US$)*

## 12. Long-term debt (continued)

| | 2021 | 2020 |
|---|---|---|
| Unsecured credit line granted by Banco BHD León for an amount of RD$48,000,000, with an annual interest rate of 11%, with a maturity of 5 years. The values used in this credit line will be payable within 12 months from the date of disbursement. As of December 31, 2020, the balances used have a maturity in June 2020. As a consequence of the signed loan contract, the Institution has to comply with certain obligations, including compliance with financial ratios to maintain the line of credit with the agreed maturity. As of December 31, 2021, the Institution was in compliance with those ratios. | 1,334,570 | 685,636 |
| Unsecured loan signed with Banco BHD León, for an amount of RD$100,000,000, with an annual interest rate of 8%, payable in 36 monthly installments of capital and interest and maturing in October 2023. | 1,118,134 | 1,629,235 |
| Unsecured loan with a local financial institution for an amount of RD$60,000,000, with an annual interest rate of 8%, payable in 33 principal and interest installments and maturing in June 2023. | 599,464 | 942,637 |
| Unsecured loan with a local financial institution for an amount of RD$10,000,000, with an annual interest rate of 8%, payable in 12 installments of principal and interest and maturity in May 2021. | - | 171,409 |
| Unsecured credit line granted by Banco Popular Dominicano for RD$25,000,000 with an annual interest rate of 11%, payable in 60 monthly interest and principal installments, maturing in May 2024. | 740,355 | 411,382 |
| Total long-term debt | 5,970,740 | 5,343,853 |
| Current portion of long-term debt | (1,925,046) | (1,559,985) |
| **Long term debt, excluding a current portion** | **4,045,694** | **3,783,868** |

The maturity of the long-term debt is as follows:

| | Amount |
|---|---|
| 2022 | 1,925,046 |
| 2023 | 3,495,927 |
| 2024 | 549,767 |
| | **5,970,740** |

As of December 31, 2021, interests accrued by the long-term debt amount to US$451,939 (2020: US$451,116) and are presented as part of interest expense in the financial cost, net in the accompanying statement statements of activities, change in net assets and other comprehensive income.

*(Amounts in United States dollars - US$)*

## 12. Long-term debt (continued)

In the year ended December 31, 2021 and 2020, the reconciliation between the movement of liabilities and cash flows from financing activities is as follows:

| | Long-term debt | |
|---|---|---|
| | **2021** | **2020** |
| Balance as of January 1: | 5,343,853 | 5,615,852 |
| Changes in cash flows from financing activities: | | |
| Loans obtained | 1,574,803 | 2,819,149 |
| Loans paid | (1,058,144) | (2,560,529) |
| Total changes in cash flows from financing activities | 516,659 | 258,620 |
| Other changes: | | |
| Interest expense | 451,939 | 451,116 |
| Interest paid | (451,939) | (451,116) |
| Total changes | - | - |
| Effect of the translation of foreign currency | 110,228 | (530,619) |
| **Balance as of December 31:** | **5,970,740** | **5,343,853** |

As of December 31, 2021, the Institute continues using current credit cards from local financial entities for approximately US$129,400 (2020: US$213,000). In addition, as of December 31, 2021, it has unused credit lines for US$1,039,141 (2020: US$411,300).

## 13. Labor benefit liability

Until December 31, 2017, the Institute accumulated liabilities to cover severance for terminated employees as long as they comply with some work time and quality requirements.

On July 5, 2018, during the Ordinary Meeting of the Board of Regents, Institute Management approved to discontinue the accumulation of liabilities for severance once the employee quits. In addition, payment until December 31, 2017 to eligible employees was approved. These payments will be made on a scheduled basis within a period of no more than five years. As of January 1, 2018, this account accumulates an annual 3% interest rate. In the year ended December 31, 2021, interest accrued amounted to US$49,592 (2020: US$62,246) are presented as part of interest expense in the financial cost, net in the accompanying statement statements of activities, change in net assets and other comprehensive income.

As of December 31, 2021, the Institute paid US$469,841 (2020: US$391,526) for labor benefits.

*(Amounts in United States dollars - US$)*

## 14. Operating revenue

The itemization of operating revenue for the years ended December 31, 2021 and 2020 is as follows:

| | **2021** | **2020** |
|---|---|---|
| Tuition and student services: | | |
| Undergraduate tuition | 14,229,033 | 13,304,902 |
| Graduate tuition | 2,291,150 | 1,828,994 |
| Laboratory tuition | 797,608 | 363,409 |
| Undergraduate subscription right | 3,551,700 | 3,659,405 |
| Graduate subscription right | 762,199 | 246,771 |
| | 21,631,690 | 19,403,481 |
| Discounts and bonuses (a) | (855,420) | (937,854) |
| | 20,776,270 | 18,465,627 |
| Other educational services | 719,340 | 554,005 |
| Educational department services | 634,167 | 635,230 |
| Subtotal | 22,129,777 | 19,654,862 |
| Government grants (b) | 23,622 | 19,817 |
| Other income: | | |
| Fines and surcharges (c) | 724,849 | 149,573 |
| Third-party program overhead [note 16(g)] | 156,361 | 1,517,390 |
| Technical assistance and advisory | 845,031 | 1,058,193 |
| Various | 373,416 | 863,191 |
| Sponsorship revenue | 8,591 | 15,402 |
| Revenue from academic and related activities | 43,323 | 55,184 |
| Donations and external contributions | 349,233 | 585,153 |
| Other revenue (d) | 1,380,100 | 1,278,241 |
| Subtotal | 3,880,904 | 5,522,327 |
| **Total operating revenue, net** | **26,034,303** | **25,197,006** |

(a) As of December 31, 2021 and 2020, it corresponds to discounts for early payment and good academic score achieved, granted to the Institute students.

(b) Corresponds to an ordinary subsidy assigned by the Dominican State. The amount assigned as of December 31, 2021 amounted to US$23,622 (2020: US$19,817) and received through monthly drafts of US$1,969 (2020: US$1,929), during 2021 only ten (10) drafts were received. During the year ended December 31, 2021, this allocation was earmarked for scholarship applications.

(c) Corresponds to surcharges generated by delays in student enrollment payments and services offered in the fourth and eighth week of the quarter.

(d) In 2021 include US$893,515 (2020: US$975,240) for income, credits for undergraduate and postgraduate laboratories.

*(Amounts in United States dollars - US$)*

## 15. Operating costs and expenses

The itemization of operating costs and expenses for the years ended December 31, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Employee benefits (a) | 14,785,632 | 13,458,904 |
| Electricity | 435,182 | 449,891 |
| Surveillance | 332,533 | 289,500 |
| Other materials | 250,939 | 218,044 |
| Professional fees | 745,296 | 753,304 |
| Promotion and publicity | 244,964 | 207,588 |
| Fuel and lubricants | 110,582 | 93,680 |
| Workshops and seminars | 167,823 | 174,608 |
| Rentals | 74,629 | 92,826 |
| Student parking spaces | - | 12,159 |
| Communication | 22,972 | 49,524 |
| Institute services | 18,862 | 18,148 |
| Shipping | 40,192 | 11,016 |
| Other tax expenses | 108,009 | 57,050 |
| Professional fees | 50,681 | 7,742 |
| Other expenses | 158,953 | 77,633 |
| Printing and binding | 91,921 | 66,499 |
| Photocopies and reproduction | 2,583 | 2,261 |
| General insurance | 135,240 | 146,143 |
| Investigations | 90,459 | 88,536 |
| National and international relations | 81,368 | 80,369 |
| Uncollectible account expenses (note 4) | 164,225 | 580,783 |
| Maintenance expenses and computer program and licenses renewal | 429,760 | 450,129 |
| Depreciation and amortization (Notes 8 and 9) | 1,195,291 | 1,597,943 |
| Snacks | 25,134 | 23,646 |
| Water, coffee, and garbage | 16,259 | 21,634 |
| Cleaning and gardening | 282,852 | 302,728 |
| Maintenance and repairs | 356,730 | 258,041 |
| Scholarships (b) (note 7) | 1,603,399 | 1,481,362 |
| Institute and scientific publications | 29,040 | 32,585 |
| Special events | 363,803 | 168,165 |
| Organization and project development | 115,637 | 114,326 |
| Hospital services | 26,804 | 13,178 |
| Unforeseen expenses | 160,555 | 59,610 |
| Expenses from portfolio management | 410 | 1,495 |
| Transportation | 40,227 | 22,150 |
| Travel expenses | 55,783 | 50,238 |
| Other | 870,456 | 1,155,989 |
| | **23,685,185** | **22,689,427** |

*(Amounts in United States dollars - US$)*

**15. Operating costs and expenses (continued)**

(a) As of December 31, 2021, an approximate total of approximately US$825,800 (2020: US$769,000) corresponds to compensation of managing personnel (vice president and higher positions). As of December 31, 2021, the Institute has 1,222 employees (2020: 1,210). The itemization of employee benefits for the years ended December 31, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Wages and salaries | 11,364,342 | 10,577,084 |
| Christmas bonus | 870,096 | 864,201 |
| Vacation bonus | 341,497 | 135,958 |
| Other benefits | 1,137 | 4,941 |
| Employment benefits | 384,899 | 262,320 |
| Insurance | 711,344 | 659,148 |
| Pension plan Law 87-01 | 805,585 | 717,760 |
| Professional development | 7,842 | 28,710 |
| Study benefits | - | 5,029 |
| Other benefits | 298,890 | 203,753 |
| | **14,785,632** | **13,458,904** |

(b) Corresponds to scholarships granted to employees, their family, and low-income people referred by the Ministry of Higher Education, Science and Technology (MESCYT in Spanish) who comply with the Institute academic requirements. The cost for these scholarships is recognized in the statements of activities, changes in net assets and other comprehensive income as the service is offered. The portion that is not offered is recognized as amortization expenses from student grants as part of the expenses paid in advance in the accompanying statements of financial position.

**16. Commitments and contingencies**

**Commitments**

a) On August 1, 1995, Instituto Technologic 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 be reviewed by the parties at the termination thereof and renewable upon mutual agreement. Through this agreement, the Central Bank assumes the exchange rate differences that arise between the original foreign exchange rate of Loan No. 681/SF-DR subscribed by INTEC with the Inter-American Development Bank (IDB) (RD$3.15 per each US$1.00) and the exchange rate at the time of the payment of principal installments plus interests. The Institute is committed to provide a scholarship program to students from undergraduate, graduate, and master's degrees, technical training programs, and organizational support projects, equivalent to the debt in Dominican pesos (RD$) resulting from the exchange rate differences assumed by the Central Bank. As of December 31, 2021, the Institution has balances to be compensated with the billings or services of the next year for US$288,176 (2020: balances receivable for US$170,784), because the difference in exchange was greater than the services provided ( 2020: derived from granting greater services in scholarships) to the personnel of the Central Bank, than those covered under this agreement; which are presented as part of accounts receivable in the statements of financial position as of those dates that are attached.

**16. Commitments and contingencies (continued)**

**Commitments (continued)**

b) On May 14, 2018, the Institute signed a cleaning and maintenance agreement with Enorden, C. por A. for its facilities and green areas. The agreement is for a one year, establishes a monthly payment of US$37,833 and is automatically renewable each year. As of December 31, 2021, the Institute incurred in cleaning expenditures that amounted to US$282,852 (2020: US$302,728), which are presented as part of other general and administrative expenses in the accompanying statement statements of activities, change in net assets and other comprehensive income. The estimated fee commitment for 2021 is nearly US$384,885.

c) In February 2013, the Institute signed a lease agreement for facilities for academic teaching and administrative offices for a monthly payment of US$4,375. This agreement is for five (5) years and is automatically renewable upon previous agreement among the parties. As of December 31, 2020, the expense recognized for this agreement amounted to US$15,599, which are presented as part of other general and administrative expenses in the accompanying statement statements of activities, change in net assets and other comprehensive income. During 2020, the contract was canceled, and the property was delivered.

d) As of December 31, 2020, the Institute has payment commitments for the rental of a parking lot for US$6,818 per month. The agreement was signed in April 2004 for one year and is automatically renewable prior agreement upon the parties. Payments in the year ended December 31, 2020 amounted to US$44,178, which are presented as part of other general and administrative expenses in the accompanying statement statements of activities, change in net assets and other comprehensive income. During 2020, the contract was canceled, and the property was delivered.

e) The Institute contracted the transportation and protection services of Thormann Peralta Security, S. A. for all its facilities and surroundings. These agreements were signed in May 2006 and February 2007, respectively, for monthly payments of approximately US$2,705 and US$40,671, respectively. In the year ended December 31, 2020, these expenses amounted to US$332,533 (2020: US$289,500), which are presented as part of other general and administrative and expenses in the accompanying statement statements of activities, change in net assets and other comprehensive income. The estimated fee commitment for 2022 is nearly US$367,390.

f) As of December 31, 2021, the Institute has several educational service contracts with third parties for US$13,681,624 (2020: US$12,398,503) of which US$2,535,726 were pending of execution (2020: US$3,495,660). These contracts have a date of service termination between two and three years from the signing of the contracts and different maturing dates.

g) Revenues from commissions of third-party programs income are recognized as services are provided for the projects. As of December 31, 2021, total income recognized under these contracts amounted to US$156,361 (2020: US$1,515,750) and are presented as other revenue in the operating revenue line in the accompanying statement statements of activities, change in net assets and other comprehensive income.

*(Amounts in United States dollars - US$)*

## 16. Commitments and contingencies (continued)

### Commitments (continued)

h) As of December 31, 2021, the Institute received deposits for US$1,119,577 (2020: US$1,026,097) as part of the obligations established in the service contracts, which are determined based on 10% and 20% of the amount budgeted in the contracts of each project. These deposits are offset against future billings to customers and are included as advances received for other educational services in the accompanying statements of financial position.

### Contingencies

As of December 31, 2021, there are lawsuits that have been filed against the Institute, arising in the normal course of activities. According to the Institute's external legal advisers, it is very unlikely that these lawsuits result in an adverse decision against the Institute. Therefore, management does not anticipate any material loss as a result of the claims and has not considered necessary to recognize a provision for such purposes.

## 17. 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$).

As of December 31, 2021 and 2020, the statements of financial position include the following balances in Dominican pesos and Euros, translated to United States dollars (US$):

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | RD$ | € | RD$ | € |
| Cash and cash equivalents | 30,780,676 | 10,787 | 26,464,270 | 25,554 |
| Accounts receivable | 215,716,914 | - | 215,691,134 | - |
| Long-term notes receivable | 140,082,911 | - | 103,496,149 | - |
| Securities investments | 37,568,410 | - | 14,065,043 | - |
| Accounts payable to vendors | (232,947,839) | - | (249,543,973) | - |
| Accrual payable and other liabilities | (41,680,790) | - | (34,718,849) | - |
| Long-term debt | (331,926,452) | - | (293,914,197) | - |
| Labor benefit liability | (101,507,409) | - | (125,524,685) | - |
| **Exposure of the statement of financial position, net - Asset (Liability)** | **(283,913,579)** | **10,787** | **(343,985,108)** | **25,554** |

*(Amounts in United States dollars - US$)*

## 18. Third party project with Funds from the Inter-American Development Bank, the World Bank (WB) and the Critical Ecosystem Partnership Fund (CEPF)

The funds provided to INTEC by the Inter-American Development Bank for agreement ATN/ME -16516-DR with a budget of US$815,000, the Conservation International Foundation for agreement CEPF-111512 with a budget of US$500,000 and the World Bank/GPSA (Global Partnership for Social Accountability) for agreement TF0B5264 with a budget of US$500,000, for the period from January 1, 2021 to December 31, 2021, are as follows:

a) As of December 31, 2021, the itemization of accounts payable derived from the Technical Cooperation agreement financed with the Multilateral Investment Fund (BID Lab or FOMIN) for the creation of the Laboratory of Innovation and Territorial Intelligence for Dominican Cities is provided below:

Accumulated execution as of December 31, 2021

| Components per Contract/Agreement | IDB US$ | Local contribution RD$ |
|---|---|---|
| Diagnosis of the situation and analysis of capabilities and resources for the undertaking | 68,030 | 3,634,464 |
| Promotion of entrepreneurial open data and innovation culture | 70,157 | 3,748,125 |
| Value creation and acceleration of ventures | 58,526 | 3,126,723 |
| Communication and strategic agreements for replication and escalation of the laboratory | 34,772 | 1,857,687 |
| Management of operations | 80,615 | 4,306,848 |
| Institutional strengthening | 4,320 | 230,794 |
| **Total** | **316,420** | **16,904,641** |

| Movements | Amount US$ |
|---|---|
| Balance at beginning of year | 17,141 |
| Revenue received in 2021 | - |
| Disbursements for payments made in 2021 | (17,141) |
| **Final balance of the year December 31, 2021** | **-** |

*(Amounts in United States dollars - US$)*

## 18. Proyecto de terceros con Fondos del Banco Interamericano de Desarrollo (BID), Banco Mundial (BM) y Critical Ecosystem Partnership Fund (CEPF) (continuación)

a) As of December 31, 2021, the breakdown of accounts payable for the project financed by the World Bank/GPSA (Global Partnership for Social Accountability) Collaborative Social Accountability for Improved Governance in Protecting Biodiversity Hotspots Project, with agreement number TF0B5264 is provided below:

Accumulated execution as of December 31, 2021

| Components per agreement/contract | GPSA US$ | GPSA RD$ |
|---|---|---|
| Salaries and benefits | 10,841 | 623,330 |
| Direct contracts: [Integrated Health Outreach (IHO)] | 40,000 | 2,300,000 |
| **Total** | **50,841** | **2,923,330** |

| Movements | Amount US$ |
|---|---|
| Balance at beginning of year | - |
| Revenue received 2021 | 220,000 |
| Disbursements for payments made 2021 | (50,841) |
| **Balance at year end** | **169,159** |

b) As of December 31, 2021, the breakdown of accounts payable for the project financed by Conservation International Foundation: Promoting Collaborative Social Accountability in the Caribbean Islands Biodiversity Hotspot, por agreement CEPF-111512 is as follows:

Accumulated execution as of December 31, 2021

| Components per agreement/contract | CEPF US$ | CEPF RD$ |
|---|---|---|
| Salaries and benefits | 11,032 | 623,330 |
| Consultations and professional fees | 12,668 | 715,761 |
| **Total** | **23,700** | **1,339,091** |

| Movements | Amount US$ |
|---|---|
| Balance at beginning of year | - |
| Revenue received 2021 | 48,434 |
| Disbursements for payments made 2021 | (23,700) |
| **Balance at year end** | **24,734** |

Unused funds are included in the statement of financial position in the item advances received for courses and diploma degrees.

## 19. Approval of the financial statements

Institute Management and the General Assembly conformed by the Board of Regents and founders authorized the issue of the financial statements on May 23, 2022