Financial Statements

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

December 31, 2019
(Together with the Independent Auditor's Report)

CONTENTS

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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, 2019, 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, 2019, 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.

Other Matters

The Institute's financial statements as of December 31, 2018 and for the year then ended were audited by other auditors, who expressed an unqualified opinion in their report dated March 28, 2019.

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.

Auditor's responsibility regarding the audit of the financial statements (continued)

- 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 11, 2020
Santo Domingo,
Dominican Republic

STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018
(Amounts in United States dollars (US$)

	Notes	2019	2018
Assets:			
Current assets:			
Cash and cash equivalents	3	391,720	1,362,465
Accounts receivable:	4		
Students, third-party programs and other		3,789,722	3,868,649
Other accounts receivable		34,828	29,253
		3,824,550	3,897,902
Impairment allowance of notes and accounts receivable	4	(1,417,447)	(1,390,617)
Accounts receivable, net		2,407,103	2,507,285
Current portion of long-term notes receivable	5	2,528	5,757
Inventories of books and supplies	2.12	136,145	95,960
Securities investments	6	810,641	110,234
Prepaid expenses	7	404,439	571,138
Total current assets		4,152,576	4,652,839
Non-current assets:			
Long-term notes receivable (excluding a current portion)	5	1,240,576	670,397
Impairment allowance of long-term notes receivable	5	(274,246)	(300,899)
Long-term notes receivable, net		966,330	369,498
Property, furniture and equipment, net	8	26,303,177	26,638,167
Other assets, net	9	153,106	199,974
		31,575,189	**31,860,478**
Net liabilities and assets:			
Current liabilities:			
Current portion of long-term debt	12	2,427,331	1,220,031
Accounts payable:	16		
Vendors		1,929,490	1,969,101
Advanced payments for courses and diploma degrees		906,467	863,316
Other accounts payable		1,237,934	1,070,782
Total accounts payable		4,073,891	3,903,199
Deferred revenue	10	1,704,695	1,721,970
Accruals payable and other liabilities	11	678,936	921,368
Total current liabilities		8,884,853	7,766,568
Non-current liabilities:			
Long-term debt, excluding a current portion	12	3,188,521	3,442,606
Labor benefit liability	13	2,726,236	2,963,111
Total non-current liabilities		5,914,757	6,405,717
Total liabilities		14,799,610	14,172,285
Net assets		16,775,579	17,688,193
		31,575,189	**31,860,478**

See accompanying notes to the financial statements.

STATEMENTS OF ACTIVITIES, CHANGES IN NET ASSETS AND OTHER COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018
(Amounts in United States dollars (US$)

	Notes	2019	2018
Operating revenue:	14 and 16		
Educational services:			
Enrollment and student services, net		19,506,841	18,409,658
Other educational services		813,442	795,335
Educational department services		806,505	680,066
		21,126,788	19,885,059
Government grants		1,970,257	2,047,061
Other revenue		5,675,391	6,034,205
Total operating revenue		28,772,436	27,966,325
Operating costs and expenses:	15 and 16		
Employee benefits		(15,642,260)	(14,533,662)
Other general and administrative and expenses		(12,618,325)	(12,495,663)
Total operating costs and expenses:		(28,260,585)	(27,029,325)
Operating result		511,851	937,000
Financial income (costs), net:			
Interest income	3 and 6	45,051	119,457
Interest expense	12 and 13	(554,054)	(579,457)
Loss on foreign exchange rate		(12,941)	(17,007)
Financial costs, net		(521,944)	(477,007)
Increase (decrease) in net assets of the year		(10,093)	459,993
Other comprehensive income – items that are or may be reclassified to changes in net assets – foreign currency translation adjustment		(902,521)	(725,174)
Total comprehensive income for the year		**(912,614)**	**(265,181)**

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN NET ASSETS AND OTHER COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018
(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, 2018		24,631,588	(6,678,214)	17,953,374
Comprehensive income for the year:				
Increase of the year in net assets		459,993	-	459,993
Other comprehensive income Exchange difference on translation	2.1	-	(725,174)	(725,174)
Total comprehensive income for the year		459,993	(725,174)	(265,181)
Balances as at December 31, 2018		25,091,581	(7,403,388)	17,688,193
Comprehensive income for the year:				
Increase of the year in net assets		(10,093)	-	(10,093)
Other comprehensive income – Exchange differences on translation	2.1	-	(902,521)	(902,521)
Total comprehensive income for the year		(10,093)	(902,521)	(912,614)
Balances as at December 31, 2019		**25,081,488**	**(8,305,909)**	**16,775,579**

See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOW
For the years ended December 31, 2019 and 2018
(Amounts in United States dollars (US$)

	Notes	2019	2018
Cash flows from operating activities:			
Increase (decrease) in net assets of the year		(10,093)	459,993
Adjustments for:			
Depreciation and amortization	8 and 9	1,780,237	1,810,562
Reduction of employment benefits payable	13	-	(801,948)
Impairment allowance of notes and accounts receivable	4 and 5	175,467	811,928
Loss from discharge of accounts receivable	4	-	212,401
Loss on discharge of property, furniture and equipment	8	12,362	108,577
Scholarship expenses	7	116,553	125,371
Accrued deferred revenue		(1,721,970)	(1,810,295)
Financial costs	12 and 13	509,003	460,000
		861,559	1,376,589
Net changes in assets and liabilities:			
Notes and accounts receivable, short-term and long-term		(593,603)	446,053
Inventories of books and supplies		(40,185)	(24,963)
Prepaid expenses		50,146	(290,092)
Other assets		46,868	17,962
Accounts payable		170,692	1,115,991
Deferred revenue		1,704,695	1,721,970
Accruals payable and other liabilities		(242,432)	210,628
Labor benefit liability		(236,875)	(775,835)
Cash from operations		1,720,865	3,798,303
Interest Income		45,051	119,457
Interest paid	12	(470,264)	(486,842)
Cash flow provided by operating activities		1,295,652	3,430,918
Cash flows from investment activities:			
Increase of investments		(700,407)	541
Acquisition of property, plant and equipment	8	(2,693,998)	(2,439,170)
Cash flow used in investment activities		(3,394,405)	(2,438,629)
Cash flow used in financing activities:			
Loans obtained	12	1,839,510	561,344
Loans paid		(886,295)	(1,832,860)
Net cash flows (used in) provided by financing activities		953,215	(1,271,516)
Effect of exchange rate on cash and cash equivalents		174,793	266,163
Decrease in cash and cash equivalents		(1,145,538)	(279,227)
Cash and cash equivalents at the beginning of the year		1,362,465	1,375,529
Cash and cash equivalents at year end		**391,720**	**1,362,465**

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, 2019 and 2018, 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, 2019 and 2018, the exchange rates used by the Institution for the translation of the statements of financial position were RD$52.90 and RD$50.20 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, 2019 and 2018 were RD$51.44 and RD$49.51 per each US$1, respectively. These exchange rates approximate the exchange rates at the date of the transactions.

As of December 31, 2019 and 2018, the conversion effect for the periods then ended were losses of US$902,521 and US$725,174, 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, 2019 and 2018 were US$8,305,909 and US$7,403,388, respectively, and are presented as such, in the accompanying statements of changes in net asset and other comprehensive income.

Consequently, the Institute's net assets and their changes are classified as follows:

<u>Unrestricted net assets</u>: These assets are not subject to stipulations established by external donors. As of December 31, 2019 and 2018, the Institute maintains the net result of operating income, costs, and expenses as unrestricted net assets.

<u>Temporarily restricted net assets</u>: These assets are subject to stipulations established by donors that can be complied with through the Institute's actions over time. As of December 31, 2019 and 2018, the Institute does not maintain this type of net assets.

<u>Permanently restricted net assets</u>: These assets are subject to stipulations established by donors that the Institute must permanently maintain. Usually, the donors of these assets allow the Institute to use all or part of the income generated by these assets in specific activities. As of December 31, 2019 and 2018, the Institute does not maintain this type of net assets.

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)

2.5.4 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

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 cash flow statement.

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 fair values of long-term notes receivables from students were determined using a discount rate of 6.03 % based on investments in financial certificates in Dominican pesos (RD$), with maturity of two to five years, which the Institute has access to.

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)

Obligations payable (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, 2019 and 2018 is as follows:

	2019	2018
Cash on hand	33,922	31,114
Deposits in accounts (a)	357,798	465,341
Financial certificates (b)	-	866,010
	391,720	**1,362,465**

(a) Corresponds to cash at local and foreign banks. As of December 31, 2019, some of these current and savings accounts generate annual interest between 0.10% and 0.25% (2018: 0.02% and 2.50%).

(b) As of December 31, 2018, they corresponded to financial certificates expiring between 30 and 120 days. These certificates generate annual interests between 2% and 9.25%. The interest generated in 2018 amounted to US$115,020, which is included 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.

(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, 2019 and 2018, 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 2019 and 2018 is as follows:

	2019	2018
Students	2,079,968	1,832,518
Courses and diplomats	493,599	581,329
Third-party programs (a)	119,552	221,534
Sponsors (b)	1,096,603	1,147,437
Central Bank of the Dominican Republic (note 16)	-	85,830
Other accounts receivable	34,828	29,254
	3,824,550	**3,897,902**

(a) These accounts derived from courses and diplomas provided by the Institute to third parties. As of December 31, 2019, the Institute has received advances to cover these services for US$906,467 (2018: US$863,316), 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, 2018, US$207 is included as accounts receivable from the United States of America government for enrollment and living allowance of federal students subsidized by such country.

Impairment losses

As of December 31, 2019 and 2018, the aging of accounts receivable and impairment allowance is as follows:

	2019		2018	
	Accounts receivable	**Impairment allowance**	**Accounts receivable**	**Impairment allowance**
0 to 90 days	646,359	-	756,837	-
91 to 180 days	505,275	-	445,713	-
181 to 360 days	542,226	-	852,612	-
More than 361 days	2,095,862	1,417,447	1,813,486	1,390,617
	3,789,722	1,417,447	3,868,648	1,390,617
Other accounts receivable	34,828	-	29,254	-
	3,824,550	**1,417,447**	**3,897,902**	**1,390,617**

(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, 2019 and 2018, 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, 2019 and 2018, is as follows:

	2019	2018
Balance at beginning of the year	1,319,640	1,095,467
Expense for the year (a)	175,467	698,405
Write off of accounts receivable	(72,817)	(354,668)
Effect of exchange rate fluctuation	(4,843)	(48,587)
Balance at end of the year	**1,417,447**	**1,390,617**

(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, 2019 and 2018, is as follows:

2019	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	197,603	-	197,603	-
91 to 180 days	161,844	-	161,844	-
181 to 360 days	242,242	-	242,242	-
More than 360 days	641,415	2,528	638,887	274,246
	1,243,104	**2,528**	**1,240,576**	**274,246**

(Amounts in United States dollars - US$)

5. Long-term notes receivable

2018	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	369,498	-	369,498	-
91 to 180 days	-	-	-	-
181 to 360 days	-	-	-	-
More than 360 days	306,656	5,757	300,899	300,899
	676,154	**5,757**	**670,397**	**300,899**

A summary of the movement of the impairment allowance of long-term notes receivable during the years ended December 31, 2019 and 2018, is as follows:

	2019	2018
Balance at beginning of the year	300,899	234,135
Expense of the year	-	113,523
Write off	(11,295)	(36,324)
Effect of exchange rate fluctuation	(15,358)	(10,435)
Balance at end of the year	**274,246**	**300,899**

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

2020	2,528
2021 and beyond	1,240,576
	1,243,104

As of December 31, 2019 and 2018, 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$309,577 (2018: US$81,695), respectively. As of December 31, 2019, as part of collection management effort, accounts receivable was recovered for approximately US$4,581 (2018: US$8,263). The Institute paid about 12% and 15% of commission for each collection process achieved as of those dates.

During the year ended December 31, 2019, commissions paid amounted to US$872 (2018: US$8,049) 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, 2019, there are 133 students under this educational financing program. As of December 31, 2019, the Institute has granted loans to students under this modality for US$964,983 (2018: US$369,398).

This agreement establishes a line of credit to cover these financing for US$907,000, which has not been used as of December 31, 2019 (2018: US$199,203).

6. Securities investments

As of December 31, 2019 and 2018, 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, 2019, interests received amounted to US$43,171 (2018: US$670) 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, 2019 and 2018 is as follows:

	2019	2018
Amortization expenses from student scholarships (note 16) (a)	139,356	122,822
Insurance	111,817	115,833
Maintenance and other computer expenses	153,266	329,093
Other	-	3,390
	404,439	**571,138**

(a) As of December 31, 2019 and 2018, they 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, 2019, these expenses amounted to US$1,570,212 (2018: US$1,539,091) and are presented as part of other general and administrative expenses i 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, 2019 and 2018 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, 2018	10,223,854	21,106,378	7,157,354	821,342	179,702	354,199	757,544	40,600,373
Additions	-	180,884	366,962	7,073	134,936	-	1,749,315	2,439,170
Transfer	-	40,250	681,745	-	12,722	(244,228)	(490,489)	-
Disposals and derecognitions	-	-	(135,330)	-	-	(95,789)	(7,091)	(238,210)
Effect of exchange rate fluctuation	(409,362)	(845,097)	(286,580)	(32,887)	(7,195)	(14,182)	(30,331)	(1,625,634)
Balances as of December 31, 2018	9,814,492	20,482,415	7,784,151	795,528	320,165	-	1,978,948	41,175,699
Additions	-	64,706	366,989	2,610	-	407,499	1,852,194	2,693,998
Transfer	-	196,782	468,362	674	-	(306,320)	(359,498)	-
Disposals and derecognitions	-	-	(56,943)	-	-	(11,991)	(1,310)	(70,244)
Effect of exchange rate fluctuation	(500,929)	(1,045,416)	(397,301)	(40,603)	(16,341)	-	(101,006)	(2,101,596)
Balances as of December 31, 2019	9,313,563	19,698,487	8,165,258	758,209	303,824	89,188	3,369,328	41,697,857
Depreciation:								
Balance as of January 1, 2018	-	(7,609,650)	(4,972,569)	(758,077)	(172,855)	-	-	(13,513,151)
Depreciation for the year	-	(800,335)	(873,557)	(25,280)	(19,531)	-	-	(1,718,703)
Disposals and derecognitions	-	-	129,633	-	-	-	-	129,633
Effect of exchange rate fluctuation	-	315,690	211,108	30,700	7,191	-	-	564,689
Balances as of December 31, 2018	-	(8,094,295)	(5,505,385)	(752,657)	(185,195)	-	-	(14,537,532)
Depreciation for the year	-	(805,010)	(840,187)	(19,585)	(37,628)	-	-	(1,702,410)
Disposals and derecognitions	-	-	57,862	19	-	-	-	57,881
Effect of exchange rate fluctuation	-	435,348	302,585	38,956	10,492	-	-	787,381
Balances as of December 31, 2019	-	(8,463,957)	(5,985,125)	(733,267)	(212,331)	-	-	(15,394,680)
Net book value:								
As of December 31, 2019	**9,313,563**	**11,234,530**	**2,180,133**	**24,942**	**91,493**	**89,188**	**3,369,328**	**26,303,177**
As of December 31, 2018	9,814,492	12,388,120	2,278,766	42,871	134,970	-	1,978,948	26,638,167

(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, 2019, the construction in process consists of disbursements for the construction of the school of engineering and the parking building.

As of December 31, 2019, the Institute keeps using fully depreciated assets for approximately US$7,550,000 (2018: US$7,500,000).

9. Other assets, net

The summary of other assets, net as of December 31, 2019 and 2018 is as follows:

	2019	2018
Deposits and bonds	24,063	19,683
Computer licenses and programs (a)	932,864	947,597
Accumulated amortization (b)	(803,821)	(767,306)
	129,043	180,291
	153,106	**199,974**

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

(b) The activity of amortization in 2019 and 2018 is as follows:

	2019	2018
Balances at beginning of year	767,306	704,934
Charges for the year	77,827	91,859
Effect of exchange rate fluctuation	(41,312)	(29,487)
Balances at year end	**803,821**	**767,306**

10. Deferred revenue

As of December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018 are as follows:

	2019	2018
Employee taxes	132,101	127,282
Social Security withholding (Law 87-01)	215,826	195,199
Employee vacation	276,278	380,136
Other accruals	54,731	218,751
	678,936	**921,368**

12. Long-term debt

The summary of the long-term debt as of December 31, 2019 and 2018 is as follows:

	2019	2018
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 3.15 per each United States dollar; 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 2% interest annually and a 0.5% credit commission, which was received to finance 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 installments of principal plus interest of approximately US$79,644 and €23,700 for both years.	454,457	632,376
Unsecured loan with a local financial Institute for RD$35,000,000 with an annual interest rate of 13.02%, payable in 60 interest and principal installments, maturing in July 2021.	252,374	410,340
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.	409,376	540,821
Unsecured loan with a local financial Institute for RD$100,000,000 with an annual interest rate of 12.5%, payable in 60 interest and principal installments, maturing in June 2022.	1,076,189	1,502,966
Credit line with a foreign financial Institute for US$51,739 with an annual interest rate of 1.50%, maturing in December 2019, annually renewed, and with guarantee on investments in securities with the same financial Institute for US$111,000 approximately.	30,343	51,791
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.	1,092,166	1,524,343
Unsecured loan with Banco BHD León for RD$50,000,000 with an annual interest rate of 10.50%, payable in 60 monthly interest and principal installments, maturing in October 2024.	920,984	-

(Amounts in United States dollars - US$)

12. Long-term debt (continued)

	2019	2018
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, 2019, 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, 2019, the Institution was in non-compliance with those ratios.	907,372	-
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.	472,591	-
Total long-term debt	5,615,852	4,662,637
Current portion of long-term debt	(2,427,331)	(1,220,031)
Long term debt, excluding a current portion	**3,188,521**	**3,442,606**

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

2019	-	1,220,031
2020	2,427,331	1,296,741
2021	1,557,985	1,366,303
2022	1,036,549	765,451
2023	305,759	14,111
2024 onwards	288,228	-
	5,615,852	**4,662,637**

As of December 31, 2019, interests accrued by the long-term debt amount to US$470,264 (2018: US$486,842) 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, 2019 and 2018, the reconciliation between the movement of liabilities and cash flows from financing activities is as follows:

	Long-term debt	
	2019	**2018**
Balance as of January 1:	4,662,637	5,915,252
Changes in cash flows from financing activities:		
Loans obtained	1,839,510	561,344
Loans paid	(886,295)	(1,832,860)
Total changes in cash flows from financing activities	953,215	(1,271,516)
Other changes:		
Interest expense	470,264	486,842
Interest paid	(470,264)	(486,842)
Total changes	-	-
Effect of the translation of foreign currency		18,901
Balance as of December 31:	**5,615,852**	**4,662,637**

As of December 31, 2019, the Institute continues using current credit cards from local financial entities for approximately US$176,000 (2018: US$183,500). In addition, as of December 31, 2019, it has unused credit lines for US$283,000.

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, 2019, interest accrued amounted to US$83,791 (2018: US$92,615) 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, 2018, Institute Management, considering the decision to reduce labor benefits liability, conducted an analysis to determine which employees were eligible for this benefit, resulting in a reduction of the obligation for US$801,948, which is presented as part of other income, in the line of operating revenue in the accompanying statement statements of activities, change in net assets and other comprehensive income.

As of December 31, 2019, the Institute paid US$171,860 (2018: US$615,943) for labor benefits.

(Amounts in United States dollars - US$)

14. Operating revenue

The itemization of operating revenue for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Tuition and student services:		
Undergraduate tuition	13,322,964	13,042,564
Graduate tuition	1,930,585	1,438,835
Laboratory tuition	799,741	660,404
Undergraduate subscription right	3,567,845	3,386,842
Graduate subscription right	404,198	455,359
	20,025,333	18,984,004
Discounts and bonuses (a)	(518,492)	(574,346)
	19,506,841	18,409,658
Other educational services	813,442	795,335
Educational department services	806,505	680,066
Subtotal	21,126,788	19,885,059
Government grants (b)	1,970,257	2,047,061
Other income:		
Fines and surcharges (c)	637,029	576,550
Third-party program overhead (note 16(g))	1,258,676	2,406,999
Technical assistance and advisory	1,299,804	830,996
Various	586,285	213,714
Sponsorship revenue	64,414	48,719
Revenue from academic and related activities	38,270	6,424
Donations and external contributions	507,769	645,777
Other revenue (d)	1,283,144	1,305,026
Subtotal	5,675,391	6,034,205
Total operating revenue, net	**28,772,436**	**27,966,325**

(a) As of December 31, 2019 and 2018, it corresponds to discounts for early payment and good academic score achieved, granted to the Institute students.

(b) Corresponds to an ordinary grant assigned by the Dominican Republic Government. The amounts assigned as of December 31, 2019 amounted to US$1,970,000 (2018: US$2,047,061), and US$162,000 and US$2,200 per month, respectively, for both years. In the years ended December 31, 2019 and 2018, this grant was used for the construction of the Engineering building and scholarships.

(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 2019, include revenues for an amount of US$791,112 from undergraduate and graduate laboratories. In 2018, include revenues for an amount of US$801,948 for the reduction of obligations from work liability.

(Amounts in United States dollars - US$)

15. Operating costs and expenses

The itemization of operating costs and expenses for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Employee benefits (a)	15,642,260	14,533,662
Electricity	769,514	807,941
Surveillance	567,779	575,095
Other materials	472,796	436,351
Professional fees	881,377	500,657
Promotion and publicity	244,513	250,358
Fuel and lubricants	285,968	313,190
Workshops and seminars	291,921	231,620
Rentals	244,471	187,526
Student parking spaces	11,102	6,188
Communication	71,151	92,021
Institute services	50,063	41,870
Shipping	33,588	38,997
Other tax expenses	110,798	74,647
Professional fees	53,828	82,748
Other expenses	162,520	196,632
Printing and binding	72,726	106,824
Photocopies and reproduction	35,984	23,158
General insurance	160,491	144,391
Investigations	250,593	184,915
National and international relations	79,012	144,501
Uncollectible account expenses (notes 4 and 5)	175,467	811,928
Maintenance expenses and computer program and licenses renewal	553,384	388,780
Depreciation and amortization (Notes 8 and 9)	1,780,237	1,810,562
Snacks	82,460	87,057
Water, coffee, and garbage	35,115	25,990
Cleaning and gardening	613,166	555,447
Maintenance and repairs	634,920	620,280
Scholarships (b) (note 7)	1,570,212	1,539,091
Institute and scientific publications	70,660	71,155
Special events	457,271	420,538
Organization and project development	224,236	145,550
Hospital services	44,478	36,192
Unforeseen expenses	46,584	29,808
Expenses from portfolio management	897	8,049
Loss from discharge of accounts receivable (note 4)	-	212,401
Transportation	234,849	190,845
Travel expenses	283,331	269,444
Other	960,863	832,916
	28,260,585	**27,029,325**

(Amounts in United States dollars - US$)

15. Operating costs and expenses (continued)

(a) As of December 31, 2019, an approximate total of approximately US$876,000 (2018: US$540,000) corresponds to compensation of managing personnel (vice president and higher positions). As of December 31, 2019, the Institute has 1.109 employees (2018: 1.118). The itemization of employee benefits for the years ended December 31, 2019 and 2018 is as follows:

	2019	**2018**
Wages and salaries	12,027,231	10,981,596
Christmas bonus	965,000	879,872
Vacation bonus	365,708	435,886
Other benefits	24,701	46,029
Employment benefits	280,430	286,225
Insurance	792,235	714,932
Pension plan Law 87-01	885,138	798,547
Professional development	75,549	63,838
Study benefits	2,021	2,585
Other benefits	224,247	324,152
	15,642,260	**14,533,662**

(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 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 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, 2019, the Institute has balances to be compensated with next year's invoices or services for US$11,195 (2018: balances receivable for US$85,830) because the difference in exchange was greater than the services provided (2018: derived from granting greater services in scholarships) to the staff of the Central Bank than those covered under this agreement, which are presented as part of the accounts receivable in the accompanying statements of financial position.

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$40,600 and is automatically renewable each year. As of December 31, 2019, the Institute incurred in cleaning expenditures that amounted to US$613,166 (2018: US$561,835), 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 2020 is nearly US$604,000.

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, 2019, the expense recognized for this agreement amounted to US$63,934 (2018: US$61,875), 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 2020 is nearly US$66,900.

d) As of December 31, 2019 and 2018, 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, 2019 amounted to US$104,029 (2018: US$94,099), 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 2020 is nearly US$123,500.

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$3,187. In the year ended December 31, 2019, these expenses amounted to US$555,974 (2018: US$575,095), 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 2020 is nearly US$566,400.

f) As of December 31, 2019, the Institute has several educational service contracts with third parties for US$10,410,081 (2018: US$12,463,685) of which US$5,102,671 were pending of execution (2018: US$6,747,281). These contracts have a date of service termination between two and three years from the signing of the contracts and different maturing dates.

Revenues from commissions of third-party programs income are recognized as services are provided for the projects. As of December 31, 2019, total income recognized under these contracts amounted to US$1,258,676 (2018: US$2,406,999) 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.

As of December 31, 2019, the Institute received deposits for US$932,196 (2018: US$863,316) 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.

(Amounts in United States dollars - US$)

16. Commitments and contingencies (continued)

Contingencies

As of December 31, 2019, there are lawsuits that have been filed against the Institute for US$1,944, arising in the normal course of operations (2018: US$550,000). 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, 2019 and 2018, the statements of financial position include the following balances in Dominican pesos and Euros, translated to United States dollars (US$):

	2019		2018	
	RD$	€	RD$	€
Cash and cash equivalents	16,960,411	10,884	9,144,382	15,019
Accounts receivable	157,047,163	2,000	34,365,213	-
Long-term notes receivable	65,760,235	-	33,942,923	-
Securities investments	23,703,821	-	5,533,751	-
Accounts payable to vendors	(209,535,372)	-	(8,143,795)	-
Long-term debt	(271,433,706)	-	(24,336,355)	(128,851)
Labor benefit liability	(144,217,901)	-	(148,748,156)	-
Exposure of the statement of financial position, net - Asset (Liability)	**(361,715,349)**	**12,884**	**(98,242,037)**	**(113,832)**

18. Subsequent events

On March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. In March 2020, the Dominican Republic identified the virus outbreak, which may decrease the economic activity of the country. The extent to which coronavirus will affect companies' results in the Dominican Republic will depend on future developments, which are highly uncertain and cannot be predicted. On March 19, 2020, through Decree No. 134-20, the Dominican Republic government declared a state of emergency for 25 days. Then on April 13, 2020, through Decree No. 148-20, the national emergency was extended until April 30, 2020. Then on April 30, 2020, through Decree No. 153-20, the national emergency was extended until May 17, 2020.

The Institute's Management believes that this situation does not imply changes or adjustments to the financial statements as of December 31, 2019 and the year then ended.

18. Subsequent events (continued)

Due to the complexity and rapid evolution of this situation, as of the date of approval of the issuance of the financial statements, it is not practicable to reliably make a quantified estimate of the potential impact on the Institute. Management is performing the proper procedures to face the situation and minimize its impact.

Except for the previous statement, Management has no knowledge of any subsequent events, occurring between the reporting date and the date of authorization of the financial statements, that would require modification of the figures presented in the authorized financial statements or disclosure in the notes.

19. Approval of the financial statements

Institute Management authorized the issue of the financial statements on May 11, 2020. These financial statements must be presented to the Board of Regents for definite approval. It is expected that they will be approved without changes.