INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Financial Statements

December 31, 2017

(With Independent Auditors' Report Thereon)

KPMG

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Instituto Tecnológico de Santo Domingo (INTEC) (the Institution), which comprise the statement of financial position as at December 31, 2017, the statements of activities, changes in net assets and other comprehensive income and cash flows 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 INTEC as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Institution in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) in conjunction with the ethical requirements issued by the Institute of Authorized Public Accountants of Dominican Republic (ICPARD per its Spanish acronyms) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Functional and presentation currency and restriction on use

We draw attention to Note 3 to the financial statements, which describes that the Institution's functional currency is the Dominican peso. The accompanying financial statements have been prepared in United States dollars for reporting purposes to the Government of the United States of America. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Board of Regents, management, the Institution and the Government of the United States of America, and should not be used by parties other than the Institution or the Government of the United States of America. Our opinion is not modified in respect of this matter.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institution's ability to continue as a 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 Institution or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institution financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Institution to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

March 20, 2018

Santo Domingo,
Dominican Republic

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Statements of Financial Position

December 31, 2017 and 2016

Amounts in United States dollars (US$)

Assets	Note	2017	2016
Current assets:			
Cash and cash equivalents	7, 23	1,375,529	278,393
Notes and accounts receivable:	8, 9, 21, 22, 23		
Students, third-party programs and others		5,014,609	5,924,795
Other receivables net		207,036	131,558
		5,221,645	6,056,353
Current portion of long-term notes receivable		167,722	109,934
Allowance for impairment		(1,095,467)	(1,174,493)
Accounts receivable, net		4,293,900	4,991,794
Inventories of books and supplies		70,997	43,671
Investments in securities	10, 23	110,775	155,221
Prepaid expenses	11	406,417	480,736
Total current assets		6,257,618	5,949,815
Non current assets:			
Long-term notes receivable, excluding current portion	9	234,135	461,165
Allowance for impairment	9	(234,135)	(461,165)
Long-term notes receivable, net		-	-
Property, furniture and equipment, net	12	27,087,222	28,718,610
Other assets, net	13	280,308	294,354
		33,625,148	**34,962,779**

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The notes on pages 1 to 30 are an integral part of these financial statements.

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Statements of Financial Position (Continued)

December 31, 2017 and 2016

Amounts in United States dollars (US$)

Liabilities and total net assets	Note	2017	2016
Current liabilities:			
Current portion of long-term debt	18, 23	1,133,852	397,279
Notes payable	17, 23	-	2,382,990
Accounts payable:	8, 22, 23		
Suppliers		1,361,555	2,943,209
Advances received for other educational services		604,675	565,146
Other payables		820,978	1,277,719
Total accounts payable		2,787,208	4,786,074
Deferred income	14	1,810,295	1,284,705
Accruals and other liabilities	15	710,740	625,991
Accounts payable to employees	16	-	110,089
Total current liabilities		6,442,095	9,587,128
Non current liabilities:			
Long-term debt, excluding current portion	18, 23	4,781,400	2,044,677
Provision for severance indemnities	19	4,448,279	3,653,897
Total non current liabilities		9,229,679	5,698,574
Total liabilities		15,671,774	15,285,702
Total net assets		17,953,374	19,677,077
		33,625,148	**34,962,779**

The notes on pages 1 to 30 are an integral part of these financial statements.

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

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

Years ended December 31, 2017 and 2016

Amounts in United States dollars (US$)

	Note	2017	2016
Operating income:	20, 22		
Educational services:			
Tuition fees and education services, net		18,349,183	18,862,371
Other educational services		829,443	620,502
Educational departments		679,637	479,049
		19,858,263	19,961,922
Government grants		2,134,134	2,195,624
Other income		4,051,055	3,917,669
Total operating income		26,043,452	26,075,215
Operating costs and expenses:	12, 13, 21, 22		
Salaries and personnel compensations		15,659,334	13,952,959
Other costs and general and administrative expenses		10,901,120	10,839,122
Total operating costs and expenses		26,560,454	24,792,081
Operating result		(517,002)	1,283,134
		26,560,454	24,792,081
Financial income (costs):	7, 10, 16, 17, 18, 23		
Interests income		62,597	44,671
Interest expense		(585,721)	(281,810)
Foreign exchange difference, net		(58,468)	(16,637)
Financial costs, net		(581,592)	(253,776)
Increase (decrease) of the year in net assets		(1,098,594)	1,029,358
Other comprehensive income - items that are or may be reclassified to changes in net assets - foreign currency translation adjustment		(625,109)	(482,040)
Total comprehensive income for the year		**(1,723,703)**	**547,318**

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INSTITUTO TECNOLOGICO DE SANTO DOMINGO (INTEC)

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

December 31, 2017 and 2016

Amounts in United States dollars (US$)

	Note	Net assets	Translation reserve	Total changes in net assets and other comprehensive income
Beginning balances as at January 1st., 2016		24,700,824	(5,571,065)	19,129,759
Comprehensive income for the year				
Increase of the year in net assets		1,029,358	-	1,029,358
Other comprehensive income - exchange differences on translation	3	-	(482,040)	(482,040)
Total comprehensive income for the year		1,029,358	(482,040)	547,318
Balances as at December 31, 2016		25,730,182	(6,053,105)	19,677,077
Comprehensive income for the year				
Increase of the year in net assets		(1,098,594)	-	(1,098,594)
Other comprehensive income - exchange differences on translation		-	(625,109)	(625,109)
Total comprehensive income for the year		(1,098,594)	(625,109)	(1,723,703)
Balances as at December 31, 2017		**24,631,588**	**(6,678,214)**	**17,953,374**

The notes on pages 1 to 30 are an integral part of these financial statements.

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Statements of Cash Flows

Years ended December 31, 2017 and 2016

Amounts in United States dollars (US$)

	Note	2017	2016
Cash flows from operating activities:			
Increase (decrease) of the year in net assets		(1,098,594)	1,029,358
Adjustments to:			
Depreciation and amortization	12, 13, 21	1,880,696	1,638,984
Provision for severance indemnities	19	1,160,353	81,660
Allowance for impairment of receivables	8, 9	265,146	169,600
Accounts receivable loss	8, 21	-	93,881
Effect of exchange rate fluctuation	3	625,109	482,040
Disposal of property, furniture and equipment	12	97,297	56,456
Deferred scholarship expenses	11	125,886	110,357
Deferred income		(1,284,705)	(1,802,767)
Financial income (costs), net		523,124	237,139
		2,294,312	2,096,708
Net changes in assets and liabilities:			
Decrease (increase) in:			
Accounts receivable		528,199	(88,442)
Inventories of books and supplies		(27,326)	(27,437)
Prepaid expenses		(51,567)	163,109
Other assets		(62,561)	(64,133)
Long-term notes receivable		(57,788)	(198,421)
Accounts payable		(1,998,866)	(1,393,550)
Deferred income		1,810,295	1,284,705
Accruals and other liabilites		84,749	(103,193)
Accounts payable to employees		(110,089)	(94,576)
Provision for severance indemnities		(365,971)	(331,516)
Cash generated by operations		2,043,387	1,243,254
Interest received		62,597	44,671
Interest paid		(585,721)	(281,810)
Net cash provided by from by operating activities		1,520,263	1,006,115
Cash flows from investing activities:			
Decrease (increase) of investment in securities		44,446	(155,221)
Payments made to acquired property, furniture and equipment	12	(1,195,376)	(3,065,183)
Net cash used in from investing activities		(1,150,930)	(3,220,404)

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Statements of Cash Flows (Continued)

Years ended December 31, 2017 and 2016

Amounts in United States dollar (US$)

		2017	2016
Cash flows from financing activities:	18		
Proceeds from loans		4,211,413	4,895,756
Payments of loans		(3,121,107)	(3,671,853)
Net cash provided by financing activities		1,090,306	1,223,903
Net increase (decrease) in cash and cash equivalents		1,459,639	(990,386)
Cash and cash equivalents at beginning of year		278,393	1,321,594
Effect of exchange rate on cash and cash equivalents		(362,503)	(52,815)
Cash and cash equivalents at end of year		**1,375,529**	**278,393**

The notes on pages 1 to 30 are an integral part of these financial statements.

1 Reporting entities

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

INTEC's main objectives are:

a. Educate high quality, innovative and internationally competitive professionals with critical thinking.

b. Promote and strength the links of the Institution with sectors contributing to innovation and sustainable technological development.

c. Enhance competitiveness and strengthening INTEC's international position.

d. Strength INTEC's partnership and strategic agreements with educational institutions and research organizations worldwide.

e. Raise organizational performance levels through the improvement of processes and the physical infrastructure to ensure the Institution's service quality and financial sustainability.

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

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

INTEC has three general governing bodies:

- The General Assembly: Is INTEC's supreme governing body, which consist of founding members and members of the Board of Regents. The Board has 15 members, among which are included the Rector, prominent people of the national community and college graduates from INTEC.

- The Rectory: Is INTEC's highest executive authority, under the responsibility of the Rector.

1 Reporting entities (continued)

- The Academic Council: In accordance with the guidelines of the Board of Regents, is responsible for planning the academic policy. Its members are: the Rector, who serves as the chairman, the Vice-Rectors and Deans of academic areas and divisions.

2 Basis of accounting

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

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

Unrestricted net assets - represent net assets that are not subject to the regulations established by an external donor. At December 31, 2017 and 2016, the Institution presents as unrestricted net assets the net result of income, costs and expenses resulting from its operation.

Temporarily restricted net assets - net assets subject to regulations established by donors that may or will be met by actions of the Institution through time. During the years ended December 31 2017 and 2016, the Institution received extraordinary donations from the Dominican Government amounting to approximately US$2,200,000 for both years, to be used in the expansion of facilities and for the operation of the Institution.

Permanently restricted net assets - represent those net assets subject to regulations established by donors that require these net assets to be maintained permanently by the Institution. Generally, the donors of these assets enable the Institution to use all or part of the income generated by the assets in specific activities. At December 31, 2017 and 2016, the Institution has no permanently restricted net assets.

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

The final issue of the financial statements was authorized by the Institution's Board of Regents on March 20, 2018 and must be submitted for final approval to the Board of Regents.

3 Functional and presentation currency

The functional currency of the Institution is the 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 SMSs, 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).

At December 31, 2017 and 2016, the exchange rates used by the Institution for the translation of the statements of financial position were RD$48.19 and RD$46.62 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, 2017 and 2016 were RD$47.49 and RD$46.16 per each US$1, respectively. These exchange rates approximate the exchange rates at the date of the transactions.

At December 31, 2017 and 2016, the conversion effect for the periods then ended were losses of US$625,109 and US$482,040, respectively, and are presented as other comprehensive income in the accompanying statements of changes in net asset and other comprehensive income; and the cumulative translation effects as at December 31, 2017 and 2016 were US$6,678,214 and US$6,053,105, respectively, and are presented as such, in the accompanying statements of changes in net asset and other comprehensive income.

4 Use of estimates and judgments

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

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

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements is included in the following notes:

Notes 8 and 9 - Accounts receivable and long-term notes receivable: key assumptions to determine the recoverable amount of these assets.

4 Use of estimates and judgments (continued)

Note 19 - Provision for severance indemnities: Estimation of the present value of the obligations at the reporting date.

5 Basis of measurement

The financial statements have been prepared on the historical cost basis, expect for liabilities arising from the obligation for labor liabilities, which are recognized at their net present value, as explained in note 6.3.2 to the financial statements.

6 Significant accounting policies

The Institution has consistently applied the following accounting policies to all periods presented in these financial statements.

6.1 Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated into Dominican pesos (RD$) at the exchange rate at the reporting date. Income and expenses are translated into Dominican pesos (RD$) using the exchange rate at the dates of the transactions. Differences arising from the translation of assets and liabilities are recognized as gain or losses in foreign currency are presented as finance income (costs) in the accompanying statements of activities, changes in net assets and other comprehensive income.

6.2 Recognition of income, costs and expenses

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

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

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

a) Income from tuitions and educational services

   Income from tuitions and educational services are recognized to the extent that the services are provided according to the school curricula, net of any discount granted. Discounts granted arise from student´s timely payments and academic achievements.

   The Institution recognizes income from its own operations as an increase of the net assets in proportion to the stage of completion of the transactions at the reporting date. At the end of each accounting period, income corresponding to tuitions for educational services not yet provided, are presented as deferred income and are recognized as operating income when the educational services are provided to the students.

6 Significant accounting policies (continued)

6.2 Recognition of income, costs and expenses (continued)

b) Government grants

Correspond to contributions received from the Dominican State, as a governmental support to not-for-profit organizations. These grants do not impose to the Institution a specific condition of future returns.

The Institution recognizes income from government grants received as an increase of net assets, when they are received or have the enforceable right thereof.

c) Other operating income (includes operating leases)

Commissions from third party programs (advances received for courses and certificated courses)

Correspond to commissions received as a result of the intermediation in courses and certificate courses provided through the Institution's training centers.

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

Income from operating leases

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

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

d) Costs and expenses

Costs and expenses are recognized in operating result of each period as incurred.

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

6 Significant accounting policies (continued)

6.3 Employees Benefits

6.3.1 Short-term employee benefits

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

6.3.2 Severance indemnities

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

The Institution has the policy to pay severance indemnities independently whether the employee is dismissed or resigns, provided that employees comply with certain requirements. At December 31, 2017 and 2016, the Institution has 651 and 638 active eligible employees, respectively. The Institution recognizes a provision for labor liabilities and other benefits for employees, based on actuarial calculation performed by a qualified actuary, assuming an annual average rate of 6 % of salary increase, discounted at its present value using the prevailing interest rate for bonds of the the Dominican Government.

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

6.3.3 Contributions to the Social Security

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

6.4 Finance income and costs

6.4.1 Finance income

Finance income includes interest earned on funds invested in securities and cash equivalents. Interest income are recognized in profit or loss, using the effective interest method.

6.4.2 Finance costs

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

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

6 Significant accounting policies (continued)

6.5 Tax Income

The Institution is exempt from the payment of income tax for being a not-for-profit entity, as indicated in note 1 to these financial statements.

6.6 Property, furniture and equipment

6.6.1 Recognition and measurement

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

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

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

- Cost of materials and direct labor.
- Any other costs directly attributable to bringing the assets to a working condition for their intended use.

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

When parts of an item of property, furniture and equipment have different useful lives, they are accounted for as separate items (major components) of property, furniture and equipment. Any gain or loss on disposal of an item of property, furniture and equipment (calculated as the difference between the price obtained from the disposal and the carrying amount of the item) is recognized in operating results.

6.6.2 Subsequent expenditures

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

6.6.3 Depreciation

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

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

6 Significant accounting policies (continued)

6.6 Property, furniture and equipment (continued)

6.6.3 Depreciation (continued)

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

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

Type of asset	Useful life in years
Buildings improvements	5
Buildings	35
Furniture and office equipment	4
Literature	6.67
Transportation equipment	5

6.7 Other assets

6.7.1 Recognition

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

6.7.2 Subsequent expenditures

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

6.7.3 Amortization

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

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

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

6 Significant accounting policies (continued)

6.8 Financial instruments

6.8.1 Non-derivative assets and liabilities

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

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

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

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when the Institution currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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

The Institution has the following non derivative financial instruments:

6.8.1.1 Cash and cash equivalent

Cash and cash equivalents consists of cash in hand and time deposits with original maturities of three months or less. Bank overdrafts, if any, which are payable on demand and are an integral part of the Institution's cash management, are considered as a component of cash for the purpose of the statement of cash flows.

6.8.1.2 Notes and accounts receivable

The proceeds from rendering services are made under normal credit conditions and the amounts of receivable generate interests. When credit is extended beyond normal credit conditions, accounts receivables are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of notes and accounts receivable and other receivables are reviewed to determine if there is any objective evidence that these are not recoverable. If so, an impairment loss is immediately recognized in operating results.

6 Significant accounting policies (continued)

6.8 Financial instruments (continued)

6.8.1.2 Notes and accounts receivable (continued)

The Institution determines an estimate for doubtful accounts, 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.

6.8.1.3 Investments in securities

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

6.8.1.4 Accounts payable

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

6.8.1.5 Long-term debt (note payable and loans)

Notes payable and loans are initially measured at fair value less directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Notes payable 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.

6.8.1.6 Accounts payable to employees

Correspond to the obligation the Institution has with its employees for contributions made at the time of closure of the pension plan. The Institution agreed to pay the amount owed to the employees during 2016.

6 Significant accounting policies (continued)

6.9 Impairment

6.9.1 Financial assets measured at cost or at amortized cost

The Institution will assess whether there is objective evidence of impairment of financial assets measured at cost or amortized cost (loans and accounts receivables) both at specific and collective level. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified.

Assets that are not individually significant are collectively assessed for impairment by grouping assets with similar risk characteristics.

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

An impairment loss, related to a financial asset measured at amortized cost, is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. Impairment losses are recognized in operating results and are reflected in a valuation account of notes and accounts receivable. Interest on the impaired asset continues to be recognized through the reverse of the discount. When a subsequent event causes the amount of the impairment loss to decrease, this decrease is reversed in operating results.

6.9.2 Non-financial assets

The carrying amount of non-financial assets of the Institution, other than inventories, is reviewed at each reporting date to determine if there is any indication that the assets have suffered an impairment loss. If such evidence exists, the recoverable amount of any affected asset (or group of related assets) is estimated. If carrying amount exceeds the estimated recoverable, the carrying amount is reduced to the estimated recoverable amount and an impairment loss is recognized as a change in net assets.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable value less costs to sell, without exceeding the amount that would have been determined had there not been recognized any impairment loss on the asset (or group of related assets) in prior years. The reversal of an impairment loss is recognized immediately as a change in net assets.

For other assets, an impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Amounts in United States dollars (US$)

6 Significant accounting policies (continued)

6.10 Inventories of books and supplies

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

Estimation for inventories' obsolescence is recognized based on a technical analysis of the inventory items that the Institution understands will not be used in the operation.

At each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price or replacement costs less costs of completion and sell. If the inventories are impaired, the carrying amount is reduced to the selling price or replacement costs less costs to complete and sell; and an impairment loss is recognized immediately as a change in net assets.

6.11 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, over the term of the lease.

6.12 Provisions

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

7 Cash and cash equivalents

A summary of cash and cash equivalents as of December 31, 2017 and 2016, is as follows:

	2017	2016
Cash on hand	18,779	15,742
Deposits in checking and saving accounts (a)	160,492	28,270
Time deposits (b)	1,196,258	234,381
	1,375,529	**278,393**

Amounts in United States dollars (US$)

7 Cash and cash equivalents (continued)

(a) Correspond to cash deposited in domestic and foreign banks. As at December 31, 2017, some of these checking and savings accounts generate annual interest between 0.02 % and 2.50 % and 0.75 % and 1.5 %, respectively. The interest generated during 2017 and 2016 amounted to US$3,118 and US$2,935, respectively, and are included as part of financial income (costs), in the accompanying statements of activities, changes in net assets and other comprehensive income.

(b) Correspond to certificates of deposit with a maturity between 30 and 90 days. These certificates generate annual interests between 4 % and 9.25 %. The interest received during 2017 and 2016 amounted to US$58,704 y US$28,776, respectively, and are included as part of finance income (costs), in the accompanying statements of activities, changes in net assets and other comprehensive income.

8 Accounts receivable

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

As of December 31, 2017 and 2016, approximately 98 % of the Institution's incomes and accounts receivable by geographic area are concentrated in students, end-users of the local market.

The exposure risk of accounts receivable as at December 2017 and 2016, is as follows:

	2017	2016
Students	1,769,764	2,036,948
Courses and diplomaeds	601,239	288,592
Third party programs (a)	381,309	1,969,407
Sponsors	2,082,299	1,365,757
Central Bank of the Dominican Republic (note 22)	179,998	264,091
Other accounts receivable	207,036	131,558
	5,221,645	**6,056,353**

(a) As of December 31, 2017 and 2016, the Institution has received advances for US$604,675 and US$565,146, respectively, represented by cash received from third parties for the service of courses and certified courses. Such amounts are presented as advances received for courses and diplomaeds as part of accounts payable in the accompanying statements of financial position.

Amounts in United States dollars (US$)

8 Accounts receivable (continued)

8.1 Impairment losses

The aging of accounts receivable as of December 31, 2017 and 2016, is as follows:

	2017		2016	
	Accounts Receivable (i)	Impairment loss	Accounts receivable	Impairment loss
Non due 0-90 days	2,145,912	-	3,080,616	-
Past due:				
91 and 180 days	31,125	-	426,594	-
181 and 360 days	394,380	-	444,818	-
More than 361 days	2,443,192	1,095,467	1,972,767	1,174,493
	5,014,609	1,095,467	5,924,795	1,174,493
Other receivables	207,036	-	131,558	-
	5,221,645	**1,095,467**	**6,056,353**	**1,174,493**

(i) As at December 31, 2017, includes US$646,051 and US$391,043, respectively, due from the United States of America government for tuitions and living allowance of federal students subsidized by such country.

Based on past experience, the Institution 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), which establishes a fixed exchange rate of RD$3.15, regardless of the prevailing exchange rate at the time of paying the installments of principal and interest (see notes 18 and 22).

As of December 31, 2017 and 2016, most of the outstanding receivables consist of accounts with favorable historical trend of payment with the Institution. The Institution establishes an allowance for impairment representing its best estimate of incurred losses in respect of 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 allowance for impairment of accounts receivable during the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Balances at beginning of the year	1,174,493	1,246,994
Expense for the period	265,146	88,341
Write off of accounts receivable	(306,509)	(130,498)
Effect of exchange rate fluctuation	(37,663)	(30,344)
Balances at end of the year	**1,095,467**	**1,174,493**

Amounts in United States dollars (US$)

8 Accounts receivable (continued)

8.1 Impairment losses (continued)

As at December 31, 2016, the Institution derecognized accounts receivable of customers for US$93,881, directly charged to other costs and general and administrative expenses in the accompanying statement of activities, changes in net assets and other comprehensive income of 2016 (see note 21).

9 Long-term notes receivable

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

9.1 Impairment losses

A summary of long-term notes receivable including current portion according to their ageing and impairment estimate as of December 31, 2017 and 2016, is as follows:

	Long-term notes receivable including current portion	Current portion	Long-term notes receivable excluding current portion	Impairment loss
2017				
Between 0 and 90 days	167,722	167,722	-	-
Due between:				
181 and 360 days	-	-	-	-
More than 361 days	234,135	-	234,135	234,135
	401,857	**167,722**	**234,135**	**234,135**
2016				
Between 0 and 90 days	83,355	83,355	-	-
Due between:				
181 and 360 days	26,579	26,579	-	13,290
More than 361 days	461,165	-	461,165	461,165
	571,099	**109,934**	**461,165**	**474,455**

9 Long-term notes receivable (continued)

9.1 Impairment losses (continued)

A summary of the movement of the allowance for impairment in respect of long-term notes receivable during the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Balances at beginning of the year	474,455	403,962
Charge of the year	-	81,259
Write off	(228,177)	-
Effect of exchange rate fluctuation	(12,143)	(10,766)
Balances at end of the year (a)	**234,135**	**474,455**

(a) As at December 31, 2017 2016, the current portion of long-term receivables is presented net of impairment of US$13,290.

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

2018	167,722
2019	234,135
	401,857

The Institution maintains a service agreement with Apec Foundation for Educational Credit, INC. (FUNDAPEC) for the collection and administration of a portion of the educational loan portfolio for US$115,937 and US$302,563, as at December 31, 2017 and 2016, respectively. During the years 2017 and 2016, as part of collection management effort, accounts receivable were recovered for approximately US$65,783 and US$144,771, respectively. The Institution paid about 12 % and 15 % of commission for each collection process achieved, as at December 31, 2017 and 2016, respectively.

During the years ended December 31, 2017 and 2016, commissions paid amounted to US$12,571 and US$22,133, respectively, and is included as part of other general and administrative costs and expenses in the accompanying statements of activities, changes in net assets and other comprehensive income.

10 Investments in securities

As at December 31, 2017, consist of certificates of deposit held to maturity with domestic financial institutions. Certificates in United States dollars generated anual interest of 0.55 % and those in Dominican pesos between 6 % and 7 %, with maturities between 180 and 360 days. During the years 2017 and 2016 interest received amounted to US$775 and US$12,960, respectively, and is included as part of financial income (costs), in the accompanying statements of activities, changes in net assets and other comprehensive income of those years.

Amounts in United States dollars (US$)

11 Prepaid expenses

A summary of prepaid expenses as of December 31, 2017 and 2016, is as follows:

	2017	2016
Amortizable expenses - students' scholarships (note 21) (a)	125,371	125,886
Insurance	116,726	118,047
Recoverable tax on sale	10,173	63,728
Software maintenance	153,941	172,629
Others	206	446
	406,417	**480,736**

(a) Correspond to expenses for scholarships relating to students tuitions, which are recognized as operating expenses to the extent that the educational services are provided to the students. During the years ended December 31, 2017 and 2016, expenses amounted to US$1,465,770 and US$1,258,224, respectively, are presented as part of other costs and general and administrative expenses in the accompanying statements of activities, changes in net assets and other comprehensive income.

12 Property, furniture and equipment, net

A movement of property, furniture and equipment and accumulated depreciation during the year ended December 31, 2017, is as follows:

Costs:	Land	Buildings and improvements	Furniture and equipment	Literature	Vehicles and transportation equipment	Furniture and equipment in transit (a)	Construction in progress (b)	Total
Balances at beginning	10,568,158	18,666,042	6,708,863	848,551	193,583	-	3,944,307	40,929,504
Additions	-	61,716	278,139	443	-	359,420	495,658	1,195,376
Transfers	-	3,031,682	477,543	-	-	-	(3,509,225)	-
Depreciation:								
Disposals	-	-	(78,788)	-	(7,686)	-	(89,772)	(176,246)
Effect of exchange rate fluctuation	(344,304)	(653,062)	(228,403)	(27,652)	(6,195)	(5,221)	(83,424)	(1,348,261)
Balances at end of year	10,223,854	21,106,378	7,157,354	821,342	179,702	354,199	757,544	40,600,373

Amounts in United States dollars (US$)

12 Property, furniture and equipment, net (continued)

Costs:	Land	Buildings and improvements	Furniture and equipment	Literature	Vehicles and transportation equipment	Furniture and equipment in transit (a)	Construction in progress (b)	Total
Balances at Beginning	-	(7,002,361)	(4,283,377)	(747,013)	(178,143)	-	-	(12,210,894)
Charges of the period	-	(847,736)	(912,221)	(35,923)	(8,209)	-	-	(1,804,089)
Disposals	-	-	71,263	-	7,686	-	-	78,949
Effect of exchange rate fluctuation	-	240,447	151,766	24,859	5,811	-	-	422,883
Balances at end of year	-	(7,609,650)	(4,972,569)	(758,077)	(172,855)	-	-	(13,513,151)
Property, furniture and equipment, net	10,223,854	13,496,728	2,184,785	63,265	6,847	354,199	757,544	27,087,222

(a) Corresponds to advances of funds delivered to suppliers of the Institution for the acquisition of furniture.

(b) As at December 31, 2017, the construction in process consists of disbursements made for the construction of the parking lot. At December 31, 2016, the construction in process consisted of disbursements made for the construction of the building of the faculty of engineering and the building for postgraduate studies.

As of December 2017, and 2016, the Institution has in use fully depreciated assets with an original cost amounting approximatly US$7,400,000 and US$6,400,000, respectively.

13 Other assets

A summary of other assets as of December 31, 2017 and 2016, is as follows:

	2017	2016
Surety and deposits	20,504	22,359
Educational software under development	-	145,724
	20,504	168,083

Amounts in United States dollars (US$)

13 Other assets (continued)

	2017	2016
Licenses and software (a)	964,738	776,908
Accumulated amortization (b)	(704,934)	(650,637)
	259,804	126,271
	280,308	**294,354**

(a) Correspond to agreements with terms between one and five years.

(b) A movement of amortizations during the year ended Decembrer 2017 and 2016, is as follows:

	2017	2016
Balances at beginning of the year	650,637	599,980
Charges for the year	76,607	66,110
Effect of exchange rate fluctuation	(22,310)	(15,453)
Balances at end of the year	**704,934**	**650,637**

14 Deferred income

As of December 31, 2017 and 2016, correspond to advances received for tuitions of students in undergraduate, graduate and master degree' programs, which are recognized as income to the extent that the educational services are provided to the students.

15 Accruals and other liabilities

Accruals and other liabilities as of December 31, 2017 and 2016, are as follows:

	2017	2016
Taxes withheld to employees	101,771	162,516
Social security (Law No. 87-01)	184,198	113,344
Vacations	314,133	322,701
Other accruals	110,638	27,430
	710,740	**625,991**

Amounts in United States dollars (US$)

16 Accounts payable to employees

As at December 31, 2016, consist of accounts payable to employees, for the contributions made by the Institution to the pension plan that existed with AFP Caribálico, S. A. The plan was liquidated and the Institution returned the individual contributions employees had made to the plan, remaining pending the contributions made by the Institution. By Resolution of the Board of Regents, the Institution agreed to pay the amount owed to the employees. This account accrued interest at 6 %. The interest incurred on this account during the years ended December 31, 2017 and 2016, amounted to US$1,076 and US$26,621, respectively, and is included as part of other costs and general and administrative expenses in the accompanying statements of activities, changes in net assets and other comprehensive income.

17 Notes payable

As at December 31, 2016 consist of borrowing granted by local banks, under a line of credit modality, amounting to US$2,382,990, with annual interest rates between 11.5 %, 13 % and 10.5 %, respectively, and maturity in July 2017, respectively.

During the years ended December 31, 2017 and 2016, interest accrued for short-term notes payable amounted to US$3,668 and US$86,549, and is presented within the line item of financial income (costs), in the accompanying statements of activities, changes in net assets and other comprehensive income.

18 Long-term debt

A summary of long-term debt as of December 31, 2017 and 2016, is as follows:

	2017	2016
Unsecured loan 681/SF-DR signed with the Inter-American Development Bank (IDB), dated June 3, 1982, for an original amount of US$5,400,000 and 181,710,372 pesetas, payable at an average exchange rate of RD$3.15 per each United State 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 interest at 2 % anually and a 0.5 % credit commission; 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 consecutive installments of principal plus interest of approximately US$79,600 and €23,700.	822,001	958,001

Amounts in United States dollars (US$)

18 Long-term debt (continued)

	2017	2016
Unsecured loans with Banco BHD León, S. A. for an amount of RD$35,000,000 with an annual interest rate of 13.02 %, payable in 60 equal interest installments with a maturity in the month of July 2021.	564,339	703,810
Unsecured loans with Banco BHD León, S. A. for an amount of RD$40,000,000, with an annual interest rate of 13 %, payable in 90 equal and consecutive capital and interest installments with a maturity in the month of January 2023.	668,079	780,145
Unsecured loans with Banco BHD León, S. A. for an amount of RD$100,000,000, with an annual interest rate of 12.5 %, payable in 60 equal and consecutive capital and interest installments with a maturity in the month of June 2022.	1,917,731	-
Unsecured loans with Banco BHD León, S. A. for an amount of RD$100,000,000, with an annual interest rate of 9.75 %, payable in 60 equal and consecutive capital and interest installments and with a maturity in the month of July 2022.	1,943,102	-
Long-term debt	5,915,252	2,441,956
Current portion of long-term debt	(1,133,852)	(397,279)
Long-term debt excluding current portion	**4,781,400**	**2,044,677**

As at December 31, 2017, long-term debt maturities are as follows:

2018	1,133,852
2019	1,233,396
2020	1,342,830
2021	1,384,909
2022 hereinafter	820,265
	5,915,252

During the years ended as of December 31, 2017 and 2016, interest incurred for long-term debt amounts to US$580,977 and US$168,640, respectively, and is included as part of financial income (costs), in the accompanying statements of activities, changes in net assets and other comprehensive income.

Amounts in United States dollars (US$)

18 Long-term debt (continued)

During the year ended December 31, 2017, a reconciliation between the movement of liabilities, in relation to cash flows from financing activities, is as follows:

	Liabilities		
	Note payable	Long-term debt	Total
Balance at January 1st, 2017	2,382,990	2,441,956	4,824,946
Changes from financing cash flows:			
Proceeds from loans	-	4,211,413	4,211,413
Payments of loans	(2,339,334)	(781,773)	(3,121,107)
Total changes from financing cash flows	(2,339,334)	3,429,640	1,090,306
Effect of exchange rate fluctuation	(43,656)	43,656	-
Balance at December 31, 2017	-	**5,915,252**	**5,915,252**

As at December 31, 2017 and 2016, the Institution maintains approved and unused credit cards with local financial institutions for approximately US$190,000.

19 Provision for severance indemnities

As of December 31, 2017 and 2016, the Institution has established a provision for the payment of severance indemnities upon termination of the employees' contract, provided they have served for five or more consecutive years, have comply with the termination notice and have maintained a satisfactory performance. The calculation of the provision is performed annually by a qualified actuary, assuming an annual average of 6 % y 2 % salary increase and discounted at its present value using the current interest rate for the Dominican Government bonds.

The movement in the provision for employee benefits during the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Balances at begining of the year.	3,653,897	3,903,753
Included in the statements of activities, changes in net assets and other comprehensive income:		
Interest cost	359,651	416,279
Service cost	543,724	291,056

Amounts in United States dollars (US$)

19 Provision for severance indemnities (continued)

	2017	2016
Actuarial gains (losses) by effect of change in discount rate	256,978	(625,675)
	1,160,353	81,660
Other - paid benefits	(233,465)	(236,751)
Effect of exchange rate fluctuation	(132,506)	(94,765)
Balances at end of the year	**4,448,279**	**3,653,897**

19.1 Actuarial assumptions

A summary of the main actuarial assumptions used by the Institution as of December 31, 2017 and 2016, is as follows:

	2017	2016
Discount rate	10.24 %	11.50 %
Mortality table	GAM-94	GAM-94
Future salary increases	6 %	2 %
Termination benefits	Media	Media

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

A summary of the number of beneficiaries and the amount of current pensions as of December 31, 2017 and 2016, is as follows:

	2017	2016
Number of employees	651	638
Average monthly salary	1,489	1,339
Monthly payroll	969,339	854,282

Age distribution for the years 2017 and 2016:

	2017	2016
Under 35 years old	256	256
Between 36 and 45 years old	116	104
Between 46 and 65 years old	214	200
Over 66 years old	65	78

Amounts in United States dollars (US$)

19.2 Sensitivity analysis

On the basis of actual severance indemnities obligation at December 31, 2017 and assuming that all other actuarial assumptions remain constant, a possible change of 10 %, in the discount rate, would generate a change in the obligation as detailed below:

Actuarial assumption	Provision for employee benefits increase/(decrease)
Average interest rate projected for bonuses of the Dominican Government (10 %)	**448,828**

20 Operating income

A summary of operating income for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Student's tuition and services:		
Undergraduate students	12,590,698	12,052,377
Postgraduate students	1,662,603	2,638,117
Laboratory registration	658,237	626,057
Undergraduate students registration	3,425,730	3,335,737
Postgraduate students registration	524,305	910,013
	18,861,573	19,562,301
Discounts and bonuses (a)	(512,390)	(699,930)
	18,349,183	18,862,371
Other educational services	829,443	620,502
Educational services	679,637	479,049
	19,858,263	19,961,922
Government grants (b)	2,134,134	2,195,624
Other:		
Fines and surcharges	582,396	476,712
Overhead of third party programs (note 22(g))	1,213,925	1,640,122

Amounts in United States dollars (US$)

20 Operating income (continued)

	2017	2016
Technical assistance and advisory	725,967	864,462
Sponsorship income	41,016	43,767
Sale of publications	-	278
Income from academic and related activities	33,065	100,456
Donations and foreign contributions	147,399	146,182
Other	1,307,287	645,690
	4,051,055	3,917,669
	26,043,452	**26,075,215**

(a) As of December 31, 2017 and 2016, correspond to cash discounts for early payment and good academic score achieved, granted to students of the Institution.

(b) Correspond to an ordinary grant assigned by the Dominican Republic Government for not-for-profit organizations. The amounts assigned during the years ended December 31, 2017 and 2016, amounted to US$2,369 and US$2,437 per month, respectively. In 2017 and 2016 the Dominican Republic Government allocated an extraordinary grant for the amount of US$2,105,706 and US$2,166,378, respectively. The allocation was intended for the construction of the Institution's Science Health and Engineering area.

21 Operating costs and expenses

A summary of operating costs and expenses during the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Salaries and compensations to personnel (a)	15,659,334	13,952,959
Electric power	826,651	788,641
Surveillance	576,851	565,310
Various supplies	415,984	550,159
Fees	474,546	579,324
Promotion and advertising	266,114	352,522
Fuels and lubricants	239,836	219,663
Workshops and conferences	124,424	305,538
Operating lease	228,162	262,426
Students parking	28,950	53,518
Communications	114,986	284,355
Institutional attentions	40,295	78,433
Shipping	26,166	36,217
Other taxes	96,804	33,407
Professional fees	86,475	88,326

Amounts in United States dollars (US$)

21 Operating costs and expenses (continued)

	2017	2016
Miscellaneous expenses	66,408	103,155
Printing and bindings	65,212	67,454
Photocopies and reproduction	35,636	58,395
General insurance	153,509	145,507
Researches	121,123	146,571
National and international relations	175,616	89,951
Doubtful accounts	265,146	169,600
Maintenance expense and renewal licenses and software	375,247	253,524
Depreciation and amortization (notes 12 and 13)	1,880,696	1,638,984
Coffee break	123,056	183,592
Water, coffee and garbage	9,592	7,001
Cleaning and gardening	464,717	427,481
Maintenance and repair	599,102	719,948
Scholarships (*)	1,465,770	1,258,224
Scientific and institutional publications	97,206	51,206
Special events	349,003	350,430
Organizations and development of projects	220,179	156,573
Hospitals services	30,902	24,480
Incidentals	47,071	20,984
Portfolio management fees	12,571	22,133
Loss for account receivable discharge	-	93,881
Others	797,114	652,209
	26,560,454	**24,792,081**

(*) Correspond to scholarships granted to employees of the Institution and their close relatives; as well as people of low income referred by the Ministerio de Educación Superior, Ciencia y Tecnología (MESCYT), who meet the academic requirements of the Institution.

(a) A summary of salaries and personnel compensation during the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Wages and salaries	10,747,680	10,312,426
Christmas bonus	857,417	785,088
Vacation	337,399	313,361
Other bonuses	76,844	32,456
Severance indemnities	1,541,168	316,384
Insurance	687,505	540,274
Pension plan Law No. 87-01	785,191	729,210

Amounts in United States dollars (US$)

21 Operating costs and expenses (continued)

	2017	2016
Professional development	25,121	53,093
Study benefits	22,614	51,167
Per diem	175,549	280,417
Transportation	154,971	216,759
Other benefits	247,875	322,324
	15,659,334	**13,952,959**

As of December 31, 2017 and 2016, approximately US$800,000 and US$840,000, respectively, correspond to top management compensation, which are defined as those occupying vice-presidents positions an above. As at December 31, 2017 and 2016, the Institution has 1,072 and 1,131 employees, respectively.

22 Commitments and contingencies

Commitments

a) On August 1st, 1995, the Instituto Tecnológico de Santo Domingo (INTEC), entered into a service agreement with the Central Bank of the Dominican Republic (Central Bank), for an original three-year term, subject to review from the parties at the termination thereof and renewable upon mutual agreement. Through this agreement the Central Bank assumes the exchange differences that arise between the original foreign exchange rate of Loan No. 681/SF-DR suscribed 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 interest. The Institution is committed to provide scholarships program for undergraduate and postgraduate, technical training programs and organizational support projects, equivalent to the amount of the debt in Dominican pesos resulting from the exchange differences assumed by the Central Bank. As of December 31, 2017 and 2016, the Institution maintains balances receivable amounting to US$179,998 and US$264,091, respectively, derived from granting scholarship services to the Central Bank staff, more than those covered under this agreement, and recognized as accounts receivable in the accompanying statements of financial position.

b) On May 2013 the Institution subscribed with Enorden, C. por A., a services agreement for maintenance of the green areas. The agreement is for a one year term, establishes a monthly payment of US$9,606, automatically renewable each year. As of December 31, 2017 and 2016, the Institution incurred in maintenance expenditures of the green areas amounting to US$92,554 and US$132,689, respectively, which are included as part of other costs and general and administrative expenses in the accompanying statements of activities, changes in net assets and other comprehensive income. The estimated fee commitment for 2018 approximates US$101,000.

22 Commitments and contingencies (continued)

c) On June 1st, 2006, the Institution subscribed with Enorden, C. por A., an agreement for cleaning and maintenance services of the facilities. The agreement is for a one year term, establishes a monthly payment of US$19,048, automatically renewable each year. At December 31, 2017 and 2016, the Institution incurred in cleaning expenditures amounting to US$252,990 and US$228,574, respectively, which are included as part of other costs and general and administrative expenses in the accompanying statements of activities, changes in net assets and other comprehensive income. As of May 2016, the Institution began to use the cleaning and maintenance services for the parking lot and the medical building, which are not stipulated in the contract, so it is paid based on monthly invoicing according to the services received during each month. During the year 2016, the Institution incurred expenses for this concept amounting to US$23,102. The estimated payment commitment for this concept for 2018, considering the contractual inclusion of the new medical building is approximately US$278,000.

d) In February 2013, the Institution subscribed a lease agreement for facilities for academic teaching and administrative areas, for a monthly payment of US$3,850. This agreement has a five year term and is automatically renewable upon previous agreement among the parties. As of December 31, 2017 and 2016, expense recognized for this agreement amounted to US$50,335 and US$46,117, respectively, and are recognized as other general and administrative expenses in the accompanying statements of activities, changes in net assets and other costs and comprehensive income. The estimated payment commitment for 2018 approximates US$59,000.

e) As of December 31, 2017 and 2016, the Institution holds commitment for the rental of a parking lot for the amount of US$6,199 per month. The agreement was subscribed in April 2004, with a one year term and automatically renewable prior agreement upon the parties. Payments during the years ended December 31, 2017 and 2016, amount to US$80,935 and US$70,339, respectively, which are included as part of other costs and general and administrative costs and expenses in the accompanying statements of activities, changes in net assets and other comprehensive income. The estimated commitment fee for 2018 approximates US$93,000.

f) The Institution has contracted the services of the company Thormann Peralta Security, S. A., for transportation services and protection of all the Institutions' facilities and surroundings. These agreements were executed in May 2006 and February 2007, respectively, and establishes monthly payments of US$3,322 and US$44,871, respectively, for a one year term and is automatically renewable upon previous agreement among the parties. During the years ended December 31, 2017 and 2016, payments for these concepts amounted to US$9,967 and US$553,962, respectively and US$39,869 and US$499,081, respectively, which are included as part of other costs and general and administrative expenses in the accompanying statements of activities, changes in net assets and other comprehensive income. The estimated payment commitments for 2018 approximates US$564,000.

Amounts in United States dollars (US$)

22 Commitments and contingencies (continued)

g) As at December 31, 2017 and 2016, the Institution maintains several contracts with third parties to provide educational services for the amount of US$13,278,500 and US$11,366,241, respectively, of which US$7,007,676 and US$3,052,899, respectively, were pending of execution. These contracts establish a date of termination of the service that oscillates between two and three years from the suscriptions of the contracts and they mature in several dates.

Overhead of third party programs income is recognized as the service is provided. As at December 31, 2017 and 2016, total income recognized under these contracts amounted to US$1,213,925 and US$1,640,122, respectively, and are included as other income within the line of operating income in the accompanying statements of activities and changes in net assets and other comprehensive income.

As of December 31, 2017 and 2016, the Institution received deposits amounting to US$604,675 and US$565,146, respectively, as part of the obligations established in the service contracts, which are determined on the basis of 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, 2017 and 2016, there are lawsuits that have been filed against the Institution, for the approximate amount of US$2,000 and US$17,000, respectively, arising in the normal course of operations. According to the Institution’s external legal advisers, it is very unlikely that these lawsuits result in an adverse decision against the Institution. Therefore, management does not anticipate any material loss as a result of the claims, and has not considered necessary to recognize a provision for such purposes.

23 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, 2017 and 2016, the statements of financial position include the following balances in Dominican pesos and Euros, translated to American dollars:

	RD$	US$	€	Total
2017				
Cash and cash equivalents	2,217,077	46,007	19,741	2,282,825
Notes and accounts receivable	54,049,085	1,121,583	-	55,170,668
Investments in securities	5,338,247	110,775	-	5,449,022

Amounts in United States dollars (US$)

23 Balances in foreign currency (continued)

	RD$	US$	€	Total
2017				
Accounts payable	(5,534,670)	(114,851)	-	(5,649,521)
Long-term debt	(30,036,731)	(623,298)	(165,666)	(30,825,695)
Net monetary position	**26,033,008**	**540,216**	**(145,925)**	**26,427,299**
2016				
Cash and cash equivalents	258,685	11,683	8,025	278,393
Notes and accounts receivable	5,113,647	940,706	2,000	6,056,353
Investments in securities	45,221	110,000	-	155,221
Accounts payable	(4,734,927)	(51,147)	-	(4,786,074)
Note payable	(2,273,890)	(109,100)	-	(2,382,990)
Long-term debt	(1,477,667)	(761,809)	(202,481)	(2,441,957)
Net monetary position	**(3,068,931)**	**140,333**	**(192,456)**	**(3,121,054)**

In 2017 and 2016, the foreign exchange rates per US$1 and €1 used by the Institution were as follows:

	Average rate		Spot rate	
	2017	2016	2017	2016
Equivalent in RD$	47.49	46.16	48.19	46.62
Equivalent in €	54.01	50.87	57.80	49.14