

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

Financial Statements

December 31, 2013

(With the Independent Auditor's Report Thereon)



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Independent Auditors' Report

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

We have audited the accompanying financial statements of the Instituto Tecnológico de Santo Domingo (INTEC) (the Institution), which comprise the statements of financial position as at December 31, 2013, statements of activities, other comprehensive income and changes unrestricted net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Basis for an Adverse Opinion

As indicated in note 2.8 to the financial statements, the Company revalued its lands and buildings. The Generally Accepted Accounting Principles in the United States of America require that this type of assets be recorded at historical cost. As a result of this revaluation, as at December 31, 2013 of property, furniture and equipment and the total unrestricted net assets are overstated in approximately US\$21, 400,000 and depreciation expense overstated in US\$332,000.

Adverse Opinion


In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly the financial position of Instituto Tecnológico de Santo Domingo (INTEC) as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles in the United States of America.

Matter of Emphasis

Without further qualifying our opinion, we draw attention to note 2.1 to the financial statements, which describes the accounting basis used for the preparation of the Institutions' financial statements. In addition, as described in note 2.3 to the financial statements, the Institution's functional currency is the Dominican peso. The accompanying financial statements have been prepared in dollars of the United States of America for reporting purposes to the Government of the United States of America and USGAAP. These financial statements were prepared to comply with the requirements of the regulatory authorities, and should be used by the Board of Regents, the manager, the Institution and the government of the United States of America, and it is not meant for or should be used by others than the specific parties.

Other Matters

The financial statements of the Institution as at and for the year ended December 31, 2012, which are presented for comparative purposes, were audited by another auditor who expressed a qualified opinion on these statements on June 15, 2013, due to their disagreement as to the revaluation of the lands and buildings.


May 23, 2014

Santo Domingo,
Dominican Republic

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Statements of Financial Position

December 31, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents (notes 3, 20 and 21)	US\$ 3,199,572	848,230
Accounts receivable, and other receivables net (notes 4 and 21):	4,536,068	2,806,831
Inventories of books and supplies	15,591	30,350
Prepaid expenses (note 7)	299,719	58,313
Investments securities (notes 6 and 20)	<u>1,439,754</u>	<u>655,357</u>
Total current assets	<u>9,490,704</u>	<u>4,399,081</u>
Non current assets:		
Long-term notes receivable, net (notes 5, 20 and 21)	836,241	539,038
Property, furniture and equipment, net (notes 8 and 13)	21,585,961	21,896,140
Other assets, net (note 9)	<u>251,031</u>	<u>245,150</u>
	US\$ <u>32,163,937</u>	<u>27,079,409</u>
<u>Net Liabilities and Assets</u>		
Current liabilities:		
Accounts payable (notes 4, 20 and 21):	5,415,115	1,701,513
Deferred income (note 10)	1,200,268	1,054,297
Accruals and other liabilities (notes 11 and 21)	541,394	197,982
Accounts payable to employees (notes 12 and 21)	<u>443,716</u>	<u>467,291</u>
Total current liabilities	<u>7,600,493</u>	<u>3,421,083</u>
Non current liabilities:		
Long-term debt, (notes 13 and 20)	1,597,299	1,778,165
Provision severance indemnities (note 14)	<u>3,274,331</u>	<u>3,068,962</u>
Total non current liabilities	<u>4,871,630</u>	<u>4,847,127</u>
Total liabilities	<u>12,472,123</u>	<u>8,268,210</u>
Unrestricted net assets (notes 2.8, 8, 14 and 15)	19,691,814	18,811,199
Commitments and contingencies (notes 5, 12, 13, 14 and 19)		
Total net assets and liabilities	US\$ <u>32,163,937</u>	<u>27,079,409</u>

The notes on pages 1 to 24 are an integral part of these financial statements.

INSTITUTO TECNOLOGICO DE SANTO DOMINGO (INTEC)

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

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Changes in unrestricted net assets:		
Unrestricted revenue and gains (notes 10 and 16):		
Enrollment and students services, net	US\$ 16,976,083	15,032,048
Other educational services	429,308	323,900
Educational services offices	698,763	595,684
Interests earned	198,808	219,091
Governmental grants	2,424,641	37,195
Other	<u>2,247,367</u>	<u>1,910,482</u>
Total income unrestricted revenues and grants	<u>22,974,970</u>	<u>18,118,400</u>
Expenses and losses (notes 4, 8, 9, 17, 18 and 19):		
Salaries and personnel compensations	11,415,993	9,846,668
Other general and administrative expenses	7,145,774	6,081,098
Depreciation and amortization	1,402,459	1,080,362
Severance indemnities	587,240	990,514
Interest expenses	319,945	289,833
Loss in exchange rate	<u>126,516</u>	<u>93,452</u>
Total expenses and losses	<u>20,997,927</u>	<u>18,381,927</u>
Increase (decrease) in unresctricted net assets of the period	1,977,043	(263,527)
Other comprehensive income - foreign currency translation adjustment (note 15)	(1,096,428)	(769,021)
Net assets at beginning of year (notes 2.8, 8 and 15)	<u>18,811,199</u>	<u>19,843,747</u>
Net assets at end of year	US\$ <u><u>19,691,814</u></u>	<u><u>18,811,199</u></u>

The notes on pages 1 to 24 are an integral part of these financial statements.

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Statements of Cash Flows

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change net in net unrestricted assets	US\$ <u>1,977,043</u>	<u>(263,527)</u>
Adjustments to reconcile change in net unrestricted assets to cash provided by operating activities:		
Depreciation and amortization	1,402,459	1,080,362
Accrual for severance indemnities	550,318	926,380
Allowance for doubtful notes and accounts receivable	823,969	56,419
Release of allowance for doubtful notes and accounts receivable	(549,901)	(80,066)
Effect of exchange rate fluctuation	52,490	9,722
Write off of property, furniture and equipment	5,806	792,008
Net changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(2,466,177)	(1,328,356)
Inventories of books and supplies	14,759	-
Prepaid expenses	(241,406)	(76,725)
Other assets	(96,674)	77,925
Increase (decrease) in:		
Accounts payable	3,713,602	16,693
Long-term notes receivable	283,013	35,312
Deferred income	343,412	(7,444)
Accruals and other liabilities	(23,575)	7,782
Accounts payable to employees	(344,949)	(20,838)
Provision severance indemnities	<u>145,971</u>	<u>163,949</u>
Net cash provided by operating activities	<u>5,590,160</u>	<u>1,389,596</u>
Cash flows from investing activities:		
Acquisition of investments	(784,397)	(295,698)
Acquisition of property, furniture and equipment	<u>(2,200,386)</u>	<u>(1,528,972)</u>
Net cash flows used in investing activities	(2,984,783)	(1,824,670)
Cash flows from financing activities - long-term debt payments	<u>(206,658)</u>	<u>(17,487)</u>
Net increase (decrease) in cash and cash equivalents	2,398,719	(452,561)
Cash and cash equivalents at beginning of year	848,230	1,353,735
Effect of exchange rate on cash and cash equivalents	<u>(47,377)</u>	<u>(52,944)</u>
Cash and cash equivalents at end of year	<u>US\$ 3,199,572</u>	<u>848,230</u>
Supplementary information of the cash flows statement.		
Interest paid	<u>US\$ 319,945</u>	<u>289,833</u>

The notes on pages 1 to 24 are an integral part of these financial statements.

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

December 31, 2013 and 2012

1 General information

Instituto Tecnológico de Santo Domingo (INTEC) (the Institution) is a not-for profit institution and an independent private university. It was created under Law No. 520 and through Decree No. 2389 on June 15, 1972, subsequently replaced by Law No. 122-05. The Institution initiated its educational activities on October 1972. INTEC purpose is to train capable, honorable and internationally competitive citizens that will contribute to the sustainable development of the society through science and technology.

INTEC main objectives are:

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

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

INTEC has three general governing bodies:

- ♦ The Board of Regents: Is the maximum legal authority and legal administrator of the institutional heritage. The Board consists of 15 members, among which are included the Rector, outstanding people of the national community and college graduates.
- ♦ The Rectory: Is the highest executive authority of INTEC, under the responsibility of the Rector.
- ♦ The Academic Council: In accordance with the guidelines of the Board of Regents, the Academic Council is responsible for planning the academic policy. Its members are: the Rector, who serves as the chair, the Vice-Rectors and Deans of academic areas and divisions.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

2 Summary of significant accounting policies

Following is a summary of the significant accounting policies used by the Institution to record its accounting operations, considered by the administration as the most appropriate in the circumstances, to present the financial situation, the changes in the net assets and cash flows in accordance with the generally accepted accounting principles.

2.1 Basis of presentation

The Company prepares and have issued its financial statements for general purposes and prepares in Dominican Pesos and following the International Financial Reporting Standards.

This accompanying financial statements are prepared according to the generally accepted accounting principles, using the basis of presentation stipulated in the United States of America, ASC 958 "Not-for-profit entities"

For the presentation of its financial statements, the Institution classifies net assets, income and expenses based on the existence or absence of donor restrictions. Accordingly, the net assets of the Institution and changes therein are classified as follows:

Unrestricted net assets - represent net assets that are not subject to external donor-imposed terms and conditions. At December 31, 2013 and 2012, the Institution has unrestricted net assets as the net result of income, costs and expenses resulting from its operation.

Temporarily restricted net assets - represent net assets subject to donor-imposed terms and conditions that shall be met either by actions of the Institution or by the passage of time.

Permanently restricted net assets - represent those net assets subject to donor-imposed terms and conditions that require the net assets to be maintained permanently by the Institution. Generally, the donors of these assets enable the Institution to use all or part of the income generated by these assets in specific activities.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for land and buildings, which are stated at their revaluated amount, and for liabilities arising from the provisions for employee benefits, which are recognized at the present value of the obligations.

2.3 Use of estimates and judgments

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for doubtful accounts; the valuation of fixed assets, investments, notes receivable and reserves for employee benefit obligations and other contingencies.

Estimates and underlying assumptions are reviewed on an ongoing basis and the effects of changes are recognized in the period in which the estimate is revised and in any future period affected.

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

Note 4	Accounts receivable
Note 5	Long-term notes receivable
Note 8	Property, furniture and equipment, net
Note 14	Provision for severance indemnities
Note 19	Commitments and contingencies

2.4 Cash and cash equivalents

The Institutions considers short-term investments with original maturity, of three months or less are be cash equivalents.

2.5 *Accounts receivables, long-term note receivable and other receivables*

Accounts receivable are recorded at the invoiced amount and do not bear interest. Long - term receivables relate to product financing arrangements that exceed one year and bear interest at a market interest rate based on the customer's credit quality.

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

Accounts receivable to student and invoices to institutions are reduced by the amounts of the provision for bad accounts, to reflect the best estimate of the recoverable amount at the financial statements date. Management makes periodic and individual reviews of the whole amount of the accounts receivable.

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

Write-offs for 2013 was approximately US\$118,000.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

The allowance for doubtful accounts is established through a charge to an expense account based on an analysis of individual accounts and payment history.

2.6 Revenue recognition, costs and expenses

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

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

A detail of the specific criteria used by the Institution for the recognition of revenues is summarized as follows:

a) Revenues from educational services

Revenues from educational services is recognized to the extent that the service is provided at the date of the financial statements according to the school curricula

The Institution recognizes revenues from own operations as an increase within unrestricted net assets, using the accrual method. At the end of each accounting period revenues corresponding to billings for educational services not yet provided, are recognized in a liability account called "Deferred Revenue" and are recognized as operating income when the educational services are provided to the students.

b) Operating leases

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

2.7 Investment securities

Investment corresponds to term of deposit issued by local financial institutions, which are stated at cost, without exceeding their estimated realizable value, with original maturity over three months.

2.8 Property, furniture and equipment, net

Except for land and buildings, which are measure at its revaluated amount, property, furniture and equipment are recorded at cost and include all direct costs and certain indirect costs incurred in connection with placing the asset in service. Additions are recorded as construction in progress until they are completed and/or the equipment is placed in service.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

The depreciation method used by the Institutions is the straight-line method, i.e. the uniform distribution of cost over the estimated useful lives of the corresponding assets.

The estimated useful lives for fixed assets at December 31, 2013 and 2012 are as follows:

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

Depreciation expense for the years ended December 31, 2013 and 2012 was US\$1,278,512 and US\$970,812, respectively.

As of December 31, 2006 and 2011, the Institution revaluated its land and buildings. This revaluation was supported by appraisal and made by independent appraisers. The valuation method used for the land was the market value, and buildings were valued by the replacement method, except for the local- office located in the building Caribalico (market value method).

The revaluation surplus were included as a component of the Institution's unrestricted net assets. The amount recognized as revaluation surplus is summarized below:

	<u>Land US\$</u>	<u>Buildings US\$</u>	<u>Total US\$</u>
Revaluation 2006	9,697,171	4,849,303	14,546,474
Revaluation 2011	<u>4,242,157</u>	<u>2,632,418</u>	<u>6,874,575</u>
	<u>13,939,328</u>	<u>7,481,721</u>	<u>21,421,049</u>

Depreciation expense for the years December, 31 2013 and 2012 was US\$332,103 and US\$306,613 respectively recognized on these revaluations.

2.9 Other assets

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

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

2.10 Long-lived assets

Long-lived assets, such as property, furniture and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

2.11 Functional and presentation currency

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

The Instituto Tecnológico de Santo Domingo (INTEC), maintains its figures in Dominican peso (RD\$), which is its functional currency. The figures of the Institution were translated to dollars of the United States of America (US\$) for reporting purposes to the Government of the United States of America. The translation of these figures were conducted in accordance to the guidelines of the US GAAP "Foreign Currency Translation," which establishes the use of the current exchange rate to convert assets and liabilities and the average exchange rate to the income statements.

At December 31, 2013 and 2012, the exchange rates used by the Institution for translating the statements of financial position were RD\$42.79 and RD\$40.40, respectively, per each US\$. The average exchange rates used by the Institution for translating the statements of activities for the years 2013 and 2012 were RD\$41.80 and RD\$39.32, respectively, per each US\$.

Foreign currency translation differences from foreign operation are recognized in other comprehensive income (OCI).

2.12 Foreign currency transactions

Assets and liabilities in foreign currencies are translated into Dominican pesos (RD\$) at the current exchange rate at the date of the financial statements. Income and expenses are translated into Dominican pesos (RD\$) using the current exchange rate at the date of the transaction. Differences arising from the translation of assets and liabilities are recognized as gains or losses in foreign currency in the line item of finance income (costs), net in the accompanying statements of income and other comprehensive income. Therefore, the USD value of these items in the financial statements fluctuates from period to period, depending on the value of the USD against these functional currencies. At December 31, 2013 and 2012, the exchange rates of the Dominican peso (RD\$) against the United States dollar were RD\$42.79 and RD\$40.40 per each US\$1.00, respectively.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

At the same time the exchange rates of the euro were RD\$53.08 and RD\$59.75 per each €1.00, respectively.

2.13 Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigations, fines, penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

2.14 Income (expense) interest, net

Interest expense includes interest income and interest expense and amortization arising from the debt issuance cost.

Interest income is recognized using the effective interest method.

Interest expense represents interest incurred on loans, which are not directly attributable to the acquisition, construction or production of a qualifying asset. This interest is calculated using the effective interest rate and includes the amortization of fees and commission on loan funds and other debt issuance costs.

2.15 Fair value measurements

The Institutions utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following input levels:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting institution at the measurement date.
- Level 2: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

2.16 Recently issued accounting standards

In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an institution is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. ASU 2013-02 does not change the requirements for reporting net income or other comprehensive income in financial statements. The new standard is effective for reporting periods beginning after December 15, 2013.

The FASB issued ASU 2013-04, Liabilities (Topic 405); Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date, in February 2013. ASU 2013-04 requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed as the sum of the amount the entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the entity expects to pay on behalf of its co-obligors. The new standard is effective for fiscal years ending after December 15, 2014 and interim and annual periods thereafter. ASU 2013-04 is to be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements within the Update's scope that exist at the beginning of an entity's fiscal year of adoption.

2.17 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.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to make them suitable for use.

2.18 Employees benefits**2.18.1 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 Company records a provision for these payments as an expense to the extent employment contracts are terminated. For this purpose, a provision is recorded based in the proportion to be received for employees with five years of service is an amount equivalent to 25% of the severance indemnities established by the Labor Law for unjustified dismissal, plus 5% per each additional year of service until 100%, when the employee reaches 20 years of service. on the parameters set by the Labor Code of the Dominican Republic, discounted to its present value using the average interest rate of the marketplace.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

2.18.2 Accounts payable to employees

Corresponds to the debt with the employees of the Institution for the contributions made by employees to the pension plan that previously existed with AFP Caribalico, S. A. The Institution agreed to pay the amount owed to the employees. This account accrues interest at 4% per annum.

2.19 Other Benefit

Other employee benefit obligations 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.

2.20 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.

3 Cash and cash equivalents

A summary of cash and cash equivalents at December 31, 2013 and 2012, is as follows:

		<u>2013</u>	<u>2012</u>
Cash on hand	US\$	26,383	20,438
Deposits in checking and savings accounts (a)		2,642,437	441,918
Term of deposits (b)		<u>530,752</u>	<u>385,874</u>
	US\$	<u>3,199,572</u>	<u>848,230</u>

(a) Correspond to cash deposited in domestic and foreign banks. At December 31, 2013 and 2012, some of these checking and savings accounts generate annual rates between 0.75% and 5% for both years. The interests generated by this concept amounts to US\$6,531 and US\$5,788, respectively, and are included within the line item of finance (costs) income, net in the accompanying statements of activities and other comprehensive income.

(b) Correspond to term deposits with maturity between 30 and 90 days. These certificates generate annual interests rates at 5.25% and 7.5%. The interests received for this concept during the years 2013 and 2012 amounted to US\$27,148 and US\$28,089, respectively, and are included within the line item of finance (costs) income, net in the accompanying statements of activities and other comprehensive income.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

4 Accounts receivable

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

The exposure risk of accounts receivable at December 2013 and 2012, is as follows:

		<u>2013</u>	<u>2012</u>
Students	US\$	2,571,946	1,886,784
Courses and certified courses		1,950,549	771,588
Third party programs		-	123,289
Sponsors		813,751	564,737
Central Bank of the Dominican Republic (note 19)		453,802	382,559
Other accounts receivable		<u>316,168</u>	<u>29,219</u>
		6,106,216	3,758,176
Reserve account receivable		<u>(1,570,148)</u>	<u>(951,345)</u>
	US\$	<u>4,536,068</u>	<u>2,806,831</u>

Impairment losses

The aging of accounts receivable at December 31, 2013 and 2012, is as follows:

		<u>2013</u>		<u>2012</u>	
		<u>Accounts Receivable</u>	<u>Impairment Loss</u>	<u>Accounts Receivable</u>	<u>Impairment Loss</u>
Between 0-90 days (a)	US\$	3,828,519	-	2,514,731	-
Past due:					
91-180 days		346,934	73,671	171,884	17,188
181-360 days		284,727	166,609	150,115	41,930
More than 360 days		<u>1,329,868</u>	<u>1,329,868</u>	<u>892,227</u>	<u>892,227</u>
		5,790,048	1,570,148	3,728,957	951,345
Other receivables		<u>316,168</u>	<u>-</u>	<u>29,219</u>	<u>-</u>
	US\$	<u>6,106,216</u>	<u>1,570,148</u>	<u>3,758,176</u>	<u>951,345</u>

(a) At December 31, 2013 and 2012, includes the amount of US\$260,284 and US\$331,612, correspondent to accounts receivable to the United States of America government for maintenance payment to federal students, subsidized by such country.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

Based on past experience, the Institution believes no impairment allowance is necessary in respect to accounts receivable to the Central Bank of the Dominican Republic, because they will be offset with the use of exchange difference on the loan with the 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.

At December 31, 2013 and 2012, 66% and 67% of outstanding balances of accounts receivable correspond to accounts with historical data of payment with the Institution. The Institution establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures of each loan.

A summary of the allowance for impairment in respect of accounts receivable during the years ended December 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Balances at beginning of year	US\$ 951,345	998,758
Expense for the period	805,990	50,777
Release of provision	-	(72,059)
Write off of accounts receivable	(118,137)	-
Effect of exchange rate fluctuation	<u>(69,050)</u>	<u>(26,131)</u>
Balances at end of year	US\$ <u>1,570,148</u>	<u>951,345</u>

At December 31, 2013 and 2012, the Institution has received advances for US\$4,076,541 and US\$412,211, respectively, represented by cash received from third parties for the service of courses and certified courses. Such amounts are presented as such in the line item of accounts payable in the accompanying statements of financial position of 2013 and 2012.

5 Long-term notes receivable, net

Corresponds to long-term notes receivable from students who have educational loans relating to undergraduate and graduate enrollment, on which the Institution charges interest at an annual rate of 4%. These notes have maturity between three and five years (length of career), and are secured by the sole signature of the student. They are initially recognized at cost and subsequently adjusted to their fair value for the purposes of imputing interest at rates according to the market where these types of instruments are managed. During the years 2013 and 2012, interest earned on these notes amounted to US\$91,486 and US\$127,159, respectively, and are presented as part of finance (costs) income, net in the accompanying statements of activities and other comprehensive income.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

Impairment losses

The ageing of long-term notes receivable at December 31, 2013 and 2012, is as follows:

		2013			2012		
		Long-term Notes Receivable	Long-term Impairment Loss	Long-Term Notes, Net	Notes Receivable	Impairment Loss	Long-Term Notes, Net
Between 0-90 days	US\$	776,072	-	776,072	466,968	-	466,968
Due between:							
91-180 days		58,768	(12,119)	46,649	58,005	(11,601)	46,404
181-360 days		27,073	(13,553)	13,520	51,333	(25,667)	25,666
More than 360 days		<u>479,103</u>	<u>(479,103)</u>	<u>-</u>	<u>1,047,723</u>	<u>(1,047,723)</u>	<u>-</u>
	US\$	<u>1,341,016</u>	<u>(504,775)</u>	<u>836,241</u>	<u>1,624,029</u>	<u>(1,084,991)</u>	<u>539,038</u>

A summary of the allowance for impairment in respect of long-term notes receivable during the years ended December 31, 2013 and 2012, is as follows:

		2013	2012
Balances at beginning of year	US\$	1,084,991	1,117,157
Expense for the period		17,979	5,642
Release of provision		(549,901)	(8,007)
Effect of exchange rate fluctuation		<u>(48,294)</u>	<u>(29,801)</u>
Balances at end of the year	US\$	<u>504,775</u>	<u>1,084,991</u>

In late 2012, the Institution contracted the services of Fundación Apec de Crédito Educativo, INC. (FUNDAPEC), for the collection and administration of the educational loan portfolio. Approximately US\$239,234 was recovered from accounts receivable as part of the management collection in 2013.

6 Investments securities

Correspond to term deposits classified as held to maturity with domestic financial institutions. These certificates generated interest at annual rates between 5.25% and 9% and maturing between 180 and 360 days. Interests received in 2013 and 2012, amounted to US\$73,643 and US\$47,705, respectively, and are included within the line item of finance (costs), income, net in the accompanying statements of activities and other comprehensive income.

At December 31, 2013 and 2012, restricted balances amounted to US\$147,814 and US\$106,202, corresponds to deposits received from third parties to be used in scholarships, grant for the Seed Fund, Knowledge Fund and Graduates Students Funds, which will be available for use in less than a year.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

7 Prepaid expenses

A summary of prepaid expenses at December 31, 2013 and 2012, is as follows:

		<u>2013</u>	<u>2012</u>
Amortization expense - students scholarships (a)	US\$	68,170	-
Insurance		28,300	45,509
Receivable balance from ITBIS		138,712	-
Others		<u>64,537</u>	<u>12,804</u>
	US\$	<u>299,719</u>	<u>58,313</u>

(a) At December 31, 2013 and 2012, correspond to expenditures for scholarships relating to undergraduate, graduate and master's degrees students, which are recognized as operating expenses to the extent that the educational services are provided to the students

8 Property, furniture and equipment, net

A summary of property, furniture and equipment and accumulated depreciation at December 31, 2013 and 2012, is as follows:

		<u>2013</u>	<u>2012</u>
Land	US\$	<u>12,195,238</u>	<u>12,195,238</u>
Buildings and improvements (a)		13,175,556	13,575,316
Furniture and equipments		4,425,190	3,729,265
Literature		904,434	865,295
Vehicles and transportation equipment		<u>197,304</u>	<u>170,621</u>
		18,702,484	18,340,497
Less acumulate depreciation		<u>(9,095,647)</u>	<u>(8,269,541)</u>
		9,606,837	10,070,956
Construction in progress (b)		<u>1,470,289</u>	<u>348,592</u>
		11,077,126	10,419,548
Effect of exchange rate fluctuation		<u>(1,686,403)</u>	<u>(718,646)</u>
	US\$	<u>21,585,961</u>	<u>21,896,140</u>

(a) The operating lease agreement relating to this property is automatically renewed annually for successive periods of one year each prior agreement between the parties. During the years 2013 and 2012, income earned for this concept amounted to US\$82,614 and US\$65,530, respectively, which are included in the line item of other operating income in the accompanying statements of activities and other comprehensive income of 2013 and 2012.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

- (b) At December 31, 2013, construction in progress basically consists of expenditures for the construction of the building that will house the Faculty of Health Sciences.

These leases have a fixed annual rent, which is revised by agreement between the parties. The collection commitment of these operating leases for the year 2014 is approximately US\$71,770.

At December 31, 2013 and 2012, the Institution has in use fully depreciated assets for the approximate amounts of US\$2,653,272 and US\$2,601,752, respectively.

8.1 Collateral

The Institution has an apartment pledge as collateral from the loan received from Bienes Nacionales.

9 Other assets

A summary of other assets at December 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Surety and deposits	US\$ 23,495	14,649
Licenses and software (a)	<u>704,105</u>	<u>641,324</u>
	727,600	655,973
Accumulated amortization	<u>(476,569)</u>	<u>(410,823)</u>
	US\$ <u>251,031</u>	<u>245,150</u>

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

A movement of amortizations during 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Balances at beginning of year	US\$ 410,823	339,263
Amortization of the year	90,793	82,845
Effect of exchange rate fluctuation	<u>(25,047)</u>	<u>(11,285)</u>
Balances at end of year	US\$ <u>476,569</u>	<u>410,823</u>

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

10 Deferred income

At December 31, 2013 and 2012, correspond to advances received for enrollment of students in undergraduate, graduate and master's degrees, which are recognized as income to the extent that the educational services are provided to the students.

11 Accruals and other liabilities

Accruals and other liabilities at December 31, 2013 and 2012, is as follows:

		<u>2013</u>	<u>2012</u>
Taxes on professional fees	US\$	18,299	13,157
Credit union		38,253	22,989
Employee's withholding		55,913	55,206
Withholding Law No. 87-01		139,301	59,822
Withholding of ITBIS		17,535	14,482
ARS withholding Law No. 87-01		-	29,502
Personnel vacations		272,093	-
Other accruals		<u>-</u>	<u>2,824</u>
	US\$	<u>541,394</u>	<u>197,982</u>

12 Accounts payable to employees

At December 31, 2013 and 2012, correspond to accounts payable to employees, for the contributions made by the Institution to the previously pension plan that existed with AFP Caribalico, S. A. This plan was liquidated and the Institution returned the individual contributions the employees had made to the plan, remaining pending the contributions made by the Institution. By Resolution of the Board of Regents, the Institution agreed to pay the amount owed to the employees. This account accrues interest at 4% per annum. The interest earned on this account during the years ended December 31, 2013 and 2012 amounted to US\$17,470 and US\$17,858, respectively, and are included as part of the line item of other general and administrative expenses in the accompanying statements of activities and other comprehensive income of 2013 and 2012.

At December 31, 2013, the Institution's management determined to settle this commitment during 2014, transferring to eligible employees the accrued amount at that date.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

13 Long-term debt

A summary of long-term debt at December 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Corresponds to Loan 681/SF-DR signed with the Inter-American Development Bank (IDB), dated June 3, 1982, for an original amounts of US\$5,400,000 and 181,710,372 pesetas, at an average exchange rate of RD\$3.15 and an interest at an annual rate of 2% and a 0.5% credit commission, received for financing the "Consolidation and Academic Expansion of INTEC," project with a guarantee of the Dominican State and maturity on May 24, 2022. The loan is payable in 60 semi-annual consecutive principal installments plus interests of US\$81,029 and €1,6575 in 2013 and US\$82,413 and €1,905 in 2012. The balance at December 31, 2013 and 2012 consist of US\$1,167,360 and €12,822 and US\$1,315,852 and €349,740, respectively.	US\$ 1,595,203	1,775,362
Loan signed between the Dominican State (through Bienes Nacionales) and the Institution on August 15, 1996, to purchase an apartment at the José Contreras Project; payable in monthly installments of US\$61 for a period of 20 years, maturing in 2016 and secured by properties of the Institution	<u>2,096</u>	<u>2,803</u>
Long-term debt	<u>1,597,299</u>	<u>1,778,165</u>
Current portion of long-term debt	<u>(190,301)</u>	<u>(187,654)</u>
Long-term debt excluding current portion	US\$ <u><u>1,406,998</u></u>	<u><u>1,590,511</u></u>

At December 31, 2013, long-term debt maturities are as follows:

2014	US\$ 190,301
2015	190,122
2016	190,121
2017	190,121
2018 Hereinafter	<u>836,634</u>
	US\$ <u><u>1,597,299</u></u>

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

14 Provision for severance indemnities

At December 31, 2013 and 2012, the Institution has established a provision for the payment of severance indemnities upon termination of employees due to justified cause, provided they have served for five or more consecutive years, have comply with the termination notice and have maintained a satisfactory performance. The proportion to be received for employees with five years of service is an amount equivalent to 25% of the severance indemnities established by the Labor Law for unjustified dismissal, plus 5% per each additional year of service until 100%, when the employee reaches 20 years of service. The movement in the provision for employee benefits during the years ended December 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Balances at January 1 st .	US\$ <u>3,068,962</u>	<u>2,188,184</u>
Included in the statements of activities and other comprehensive income:		
Past service costs	349,279	587,985
Interest costs	201,040	338,394
Effect of exchange rate fluctuation	<u>(12,732)</u>	<u>(24,765)</u>
	537,586	901,614
Others:		
Benefits paid	(164,611)	(21,410)
Effect of exchange rate fluctuation	<u>(167,607)</u>	<u>574</u>
	<u>(332,218)</u>	<u>(20,836)</u>
Employee benefit liability at end of year	US\$ <u>3,274,331</u>	<u>3,068,962</u>

Actuarial assumptions

A summary of the principal actuarial assumptions used by the Institution at December 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Discount rate	4%	4%
Future salary increases	2%	2%
Termination benefits	<u>Media</u>	<u>Media</u>

By the nature of this benefit, where there are no new covered employees and considering the age of the beneficiaries, a decreasing behavior is expected to reach zero.

15 Other comprehensive income

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

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

The Accumulated balances of other comprehensive income are as follows:

Beginning balance, January 1, 2012	US\$ (2,518,253)
Net current period change	<u>(769,021)</u>
Ending balance, December 31, 2012	(3,287,274)
Net current period change	<u>(1,096,428)</u>
Ending balance, December 31, 2013	US\$ <u>(4,383,702)</u>

16 Operating revenues

A summary of unrestricted revenue and grants at December 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Student's enrolment and services, net:		
Undergraduate registration	US\$ 10,845,716	9,732,385
Graduate registration	1,706,787	1,308,805
Laboratory registration	678,317	652,074
Right to register for undergraduate	3,585,946	3,359,866
Right to register for graduate school	<u>673,344</u>	<u>555,607</u>
	17,490,110	15,608,737
Discounts and bonuses (a)	<u>(514,027)</u>	<u>(576,689)</u>
	16,976,083	15,032,048
Other educational services	429,308	323,900
Educational services	698,763	595,684
Interests earned	<u>198,808</u>	<u>219,091</u>
	18,302,962	16,170,723
Government grants (b)	<u>2,424,641</u>	<u>37,195</u>
<u>Other:</u>		
Release of provision on accounts receivable	549,901	80,066
Fines and surcharges	528,215	474,800
Overhead third party programs	459,911	444,898
Technical assistance and advisory	183,285	107,552
Miscellaneous	95,289	291,657
Scholastic aptitude test	55,341	45,060
Sponsorship income	54,029	106,275
Sale of publications	37,847	29,600
Institutional income	36,530	35,726
Donations and foreign contributions	27,302	146,878
Rental of Caribalico premises	82,614	69,663
Other income	<u>137,103</u>	<u>78,307</u>
	<u>2,247,367</u>	<u>1,910,482</u>
	US\$ <u>22,974,970</u>	<u>18,118,400</u>

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

- (a) At December 31, 2013 and 2012, corresponds to cash discounts for early payment and good academic performance index, awarded to students of the Institution.
- (b) Correspond to subsidy allocated by the Dominican Republic State for not-for profit organizations. The amount allocated for both years at December 31, 2013 and 2012 amounted to US\$2,691 per month. In 2013 the Dominican Republic Government allocated an extraordinary grant for the amount of US\$199,362 per month, totaling approximately US\$239,234, which was received in 2013. This allocation was intended for building the Science Health area of this Institution.

17 Salaries and personnel compensation

A summary of salaries and personnel compensation during the years ended December 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Wages and salaries	US\$ 8,130,434	7,458,863
Christmas bonus	626,995	574,822
Vacation	474,759	142,132
Other bonuses	47,100	71,981
Insurance	554,870	502,549
Pension plan Law No. 87-01	531,957	459,448
Professional development	351,104	147,566
Study benefits	111,563	102,755
Per diem	294,769	123,306
Transportation	191,582	134,755
Other benefits	<u>100,860</u>	<u>128,491</u>
	US\$ <u>11,415,993</u>	<u>9,846,668</u>

18 Other general and administrative expenses

A summary of other general and administrative expenses during the years ended December 31, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Electric power	US\$ 752,683	706,970
Surveillance	446,823	380,470
Various supplies	439,961	296,444
Fees	638,330	470,418
Promotion and advertising	199,021	222,774
Fuels and lubricants	220,311	188,801

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

Workshops and conferences expenses	89,310	155,694
Operating lease	218,830	156,040
Student parking	64,834	58,947
Communications	164,762	129,817
Institutional attentions	181,918	117,636
Printing and bindings	112,634	84,363
Photocopies and reproduction	66,105	35,372
General insurance	127,088	107,170
Researches	149,376	93,955
National and international relations	144,301	106,847
Doubtful account receivable expense	823,969	56,419
Maintenance expense and licenses and software renewal	157,351	62,551
Coffee break	140,941	120,315
Water, coffee and garbage	26,698	24,696
Write off of property, furniture and equipment	6,403	709,162
Maintenance and repair	901,497	844,453
Scholarships	830,752	724,512
Others	<u>241,876</u>	<u>227,272</u>
	US\$ <u>7,145,774</u>	<u>6,081,098</u>

19 Commitments and contingencies

Commitments:

- a) In August 1995 the Instituto Tecnológico de Santo Domingo (INTEC) signed a service agreement with the Central Bank of the Dominican Republic, for a three (3) year term, subject to review at the end of such period. Through this agreement the Central Bank of the Dominican Republic assumes the exchange differences that arise among the original foreign exchange rate of Loan No. 681/SF-DR of the Instituto Tecnológico de Santo Domingo (INTEC) with the Inter-American Development Bank (IDB) (RD\$3.15 = US\$1.00) and the exchange rate at the moment of the payment of principal installments plus interests. The Institution is committed to provide scholarships program for Undergraduate, Graduate and Master Degrees, Technical Training Programs and Organizational Support Projects, equivalent to the amount of the debt in Dominican pesos arising from the exchange differences assumed by the Central Bank. At December 31, 2013 and 2012, outstanding receivables amounted to US\$464,550 and US\$393,067, respectively.

(Continues)

INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

- b) On May 2013 the Institution signed with the company Enorden, C. por A., a services agreement for maintenance of the green areas. The agreement is for a one year term and monthly payments amounting to US\$7,154, automatically renewable each year. At December 31, 2013, the Institution incurred in maintenance expenditures of the green areas amounting to US\$82,271, which are included as part of the line item of other general and administrative expenses in the accompanying statements of activities and other comprehensive income of 2013. The estimated payment commitment for 2014 is approximately US\$91,000.
- c) On June 1st, 2006, the Institution signed with the company Enorden, C. por A., an agreement for cleaning and maintenance services of facilities. The agreement is for a one year term and monthly payments amounting to US\$24,031, automatically renewable each year. At December 31, 2013 and 2012, the Institution incurred in expenditures for this concept amounting to US\$273,361 and US\$261,467, respectively, which are included as part of other general and administrative expenses in the accompanying statements of activities and other comprehensive income. The estimated payment commitment for 2014 is approximately US\$288,000.
- d) In February 2013, the Institution signed a lease agreement of premises for providing teaching and administrative areas, for the monthly amount of US\$3,675. This agreement provides a five (5) year term and is automatically renewable upon previous agreement among the parties. At December 31, 2013, expense recognized for this agreement amounted to US\$52,654, and in recognized as other general and administrative expenses in the accompanying statements of activities and other comprehensive income of 2013. The estimated payment commitment for 2014 is approximately US\$57,000.
- e) The Institution has a lease agreement of four (4) apartments, which are used for housing scholarship students. These agreements were signed on August and October 2013, for a monthly payment of US\$458 per apartment. These agreements provide a one year term and are automatically renewable upon previous agreement among the parties. At December 31, 2013, the Institution paid for this concept the amount of US\$7,782, which is included as part of other general and administrative expenses in the accompanying statements of activities and other comprehensive income of 2013. The estimated payment commitment for 2014 is approximately US\$22,000.
- f) At December 31, 2013 and 2012, the Institution has payment commitments for renting a parking space for the monthly amount of US\$5,635. This agreement was signed in April 2004 for a one year term and is automatically renewable upon previous agreement among the parties. In 2013 and 2012, payments for this concept amounted to US\$68,923 and US\$57,715, respectively, which are included as part of other general and administrative expenses in the accompanying statements of activities and other comprehensive income. The estimated payment commitment for 2014 is approximately US\$74,000.

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

- g) 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 established monthly payments of US\$1,520 and US\$42,211, respectively. At December 31, 2013 and 2012, payments for these concepts amounted to US\$16,907 and US\$10,326 and US\$475,006 and US\$380,339, respectively, which are included as part of other general and administrative expenses in the accompanying statements of activities and other comprehensive income. The estimated payment commitments for 2014 is approximately US\$19,000 and US\$507,000, respectively.

Contingencies:

At December 31, 2013 and 2012, there are lawsuits that have been filed against the Institution, for the approximate amount of US\$76,297, arising in the normal course of operations. According to the Institution's external legal advisers, it is very unlikely that these lawsuits result in an adverse decision against the Institution. Therefore, management does not anticipate any material loss as a result of the claims, and has not considered it necessary to recognize a provision for such purposes.

20 Foreign currency

At December 31, 2013 and 2012, the Institution's accounts include the following balances in Dominican pesos translated to dollars of the United States of America:

	2013			
	<u>RD\$</u> <u>US\$</u>	<u>US\$</u> <u>US\$</u>	<u>Euro</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
<u>Financial assets</u>				
Investments securities	1,439,754	-	-	1,439,754
Accounts receivable and others receivables	4,487,960	48,108	-	4,536,068
Long-term notes receivable, net	836,241	-	-	836,241
Cash and equivalents	<u>3,084,313</u>	<u>111,815</u>	<u>3,444</u>	<u>3,199,572</u>
	<u>9,848,268</u>	<u>159,923</u>	<u>3,444</u>	<u>10,011,635</u>
<u>Financial liabilities</u>				
Account payable	(5,415,115)	-	-	(5,415,115)
Note payable and long-term debt	<u>(2,096)</u>	<u>(1,165,264)</u>	<u>(429,939)</u>	<u>(1,597,299)</u>
	<u>(5,417,211)</u>	<u>(1,165,264)</u>	<u>(429,939)</u>	<u>(7,012,414)</u>
Net position	<u>4,431,057</u>	<u>(1,005,341)</u>	<u>(426,495)</u>	<u>2,999,221</u>

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INSTITUTO TECNOLÓGICO DE SANTO DOMINGO (INTEC)

Notes to the Financial Statements

	2012			
	RD\$ US\$	US\$ US\$	Euro US\$	Total US\$
<u>Financial assets</u>				
Investments securities	655,357	-	-	655,357
Accounts receivable and others receivables	2,806,831	-	-	2,806,831
Long- term notes receivable, net	539,038	-	-	539,038
Cash and equivalents	758,508	87,580	2,142	848,230
	4,759,734	87,580	2,142	4,849,456
<u>Financial liabilities</u>				
Accounts payable	(1,701,513)	-	-	(1,701,513)
Note payable and long - term debt	(101,409)	(1,217,246)	(459,510)	(1,778,165)
	(1,802,922)	(1,217,246)	(459,510)	(3,479,678)
Net position	2,956,812	(1,129,666)	(457,368)	1,369,778

As of December 31, 2013 and 2012 the Exchange rates used to covert foreign currency balance into Dominican pesos were the following:

	Average Rate		Spot Rate	
	2013	2012	2013	2012
Equivalent in RD\$	41.80	39.32	42.79	40.40
Equivalent in €	55.67	50.78	58.81	53.08

21 Fair value measurements

The following table presents the carrying amounts and estimated fair values of the Institution's financial instruments at December 31, 2013 and 2012. The fair value of a financial instrument is defined as the amount that would be received when selling an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	US\$ 3,199,572	3,199,572	848,230	848,230
Accounts receivable, net	4,536,068	4,536,068	2,806,831	2,806,831
Long term note receivables	836,241	824,407	539,038	523,983
Financial liabilities:				
Accounts payable	5,415,115	5,415,115	1,701,513	1,701,513
Accruals and other liabilities	541,394	541,394	197,982	197,982
Account payable to employee	443,716	443,716	467,291	467,291

(Continues)

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Notes to the Financial Statements

Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Institution's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Institution's based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- ◆ The fair values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, were determined based on the approximate carrying amounts because of the short-term maturity of these instruments.
- ◆ The fair value of the Company's long-term account receivable is estimated by discounting the future cash flows of each instrument at rates currently offered to the Company for similar debt instruments of comparable maturities by the Institution's bankers. At December 31, 2013, the rate use was 6%.