

Financial Statements

Confederación Norte, Centroamericana y
del Caribe de Voleibol, Norceca

December 31, 2016 and 2015
(With the Independent Auditors' Report)

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca

Financial Statements

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Independent Auditors' Report

To the Board of Directors of
Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca

Opinion

We have audited the financial statements of Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca (hereinafter "the Confederation"), which comprise the statement of financial position as of December 31, 2016, and the income statement and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of the main accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca as of December 31, 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Responsibilities of Management and Those in charge of Corporate Governance on Financial Statements

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

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

Those charged with the Confederation's Corporate Governance are responsible for the oversight of the Confederation's financial information process.

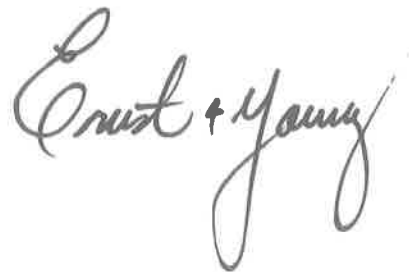
Auditor's Responsibility for the Audit of Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and apply audit procedures to respond 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 due to fraud is higher than in the case of a material misstatement due to error as fraud may imply collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain a sufficient understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Confederation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and disclosures conducted by Management.
- 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 Confederation's ability to continue as a going concern. If we conclude that a material uncertainty exists, it is required to draw attention in our audit report on the corresponding disclosures in the financial statements or, if these disclosures are appropriate or not, provide a modified opinion. Our conclusions are based on the audit evidence obtained as of our audit reporting date. However, future facts or conditions can cause the Confederation not to continue as a going concern.
- We evaluate the global 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 responsible for the Confederation's Management in relation, among other matters, the scope and opportunity of our audit and the significant findings including any significant weaknesses in the internal control that we have identified during our audit.

May 31, 2017
Santo Domingo,
Dominican Republic



Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca
Financial Statements

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

(Amounts in Dominican pesos - RD\$)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Current assets:			
Cash on hand and in banks	7	5,757,236	4,276,245
Accounts receivable from affiliates	8	45,696,886	74,445,186
Other accounts receivable	9	389,048	446,613
Prepaid expenses		-	871,098
Inventory of volleyball equipment	10	<u>24,428,515</u>	<u>27,495,817</u>
Total current assets		<u>76,271,685</u>	<u>107,534,959</u>
Furniture and equipment	11	<u>1,332,455</u>	<u>1,682,639</u>
Total assets		<u>77,604,140</u>	<u>109,217,598</u>
NET ASSETS AND LIABILITIES			
Current liabilities:			
Notes payable	8 and 13	-	13,629,633
Accounts payable to vendors and others	14	1,780,597	13,438,094
Accounts payables to affiliates and directors	8	5,328,688	10,429,951
Accruals and withholdings payable		<u>1,549,540</u>	<u>834,933</u>
Total liabilities		<u>8,658,825</u>	<u>38,332,611</u>
Unrestricted net assets		<u>68,945,315</u>	<u>70,884,987</u>
Total net assets and liabilities		<u>77,604,140</u>	<u>109,217,598</u>

See accompanying notes to the financial statements.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca
Financial Statements

INCOME STATEMENTS

For the years ended December 31, 2016 and 2015

(Amounts expressed in Dominican pesos - RD\$)

		<u>2016</u>	<u>2015</u>
	<u>Notes</u>		
Unrestricted revenues:			
Economic contributions	8	55,401,058	73,216,445
Events and activities	8	50,701,628	33,971,228
Advertising exchange for sporting goods	12	20,239,850	20,425,334
Membership fees	8	712,296	697,944
Other income	8	6,005,864	3,619,083
Total unrestricted revenues		<u>133,060,696</u>	<u>131,930,034</u>
Expenses:			
Personnel expenses	15	(9,956,936)	(10,541,235)
Professional fees		(1,519,440)	(1,505,640)
Commission meetings	16	(5,625,806)	(10,691,358)
Events and championships	17	(11,993,416)	(24,715,645)
Telephone services		(483,160)	(572,869)
Depreciation	11	(425,421)	(505,023)
Donation of volleyball equipment	8	(23,736,927)	(18,047,703)
Economic contributions	8	(66,213,033)	(43,352,883)
Accommodation, travel expenses and meals	8	(3,211,620)	(6,212,465)
Regional Volleyball Development Centres	18	(3,351,343)	(3,597,229)
Airline tickets	8	(142,104)	(169,135)
Office supplies		(298,213)	(642,549)
Representation expenses	8	(673,829)	(213,654)
Repair and maintenance expenses		(29,965)	-
Loss on disposal of furniture and equipment		-	(17,295)
Loss due inventory obsolescence	10	(572,354)	(2,664,303)
Financial expenses	13	(1,554,102)	(1,405,752)
Other expenses	19	(6,148,119)	(6,511,334)
Gain on foreign exchange, net		935,420	1,192,552
Total		<u>(135,000,368)</u>	<u>(130,173,520)</u>
Changes in unrestricted net assets in the year		(1,939,672)	1,756,514
Unrestricted net assets at beginning of year		<u>70,884,987</u>	<u>69,128,473</u>
Unrestricted net assets at year-end		<u>68,945,315</u>	<u>70,884,987</u>

See accompanying notes to the financial statements.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca
Financial Statements

STATEMENTS OF CASH FLOWS

For the years ended December 31st, 2016 and 2015

(Amounts expressed in Dominican pesos - RD\$)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Operating activities:			
Changes in unrestricted net assets		(1,939,672)	1,756,514
Depreciation expense	11	425,421	505,023
Loss on disposal of furniture and equipment	11	-	17,295
Effect of exchange rate variation of foreign currency in the estimated doubtful accounts loss	8	95,479	-
Estimated loss due to inventory obsolescence	10	572,354	2,664,303
Inventory received as advertising exchange	12	(20,239,850)	(20,425,334)
Interest expenses	13	1,554,102	1,405,752
Changes in assets and liabilities:			
Decrease (increase) in assets:			
Accounts receivable from affiliates		28,652,823	(20,678,282)
Other accounts receivable		57,566	5,145,288
Prepaid expenses		871,098	(209,086)
Inventory of volleyball equipment		22,734,798	17,707,122
Increase (decrease) in liabilities:			
Accounts payable to vendors and others		(11,639,872)	10,122,749
Accounts payables to affiliates and directors		(5,101,263)	(10,617,931)
Accruals and withholdings payable		696,979	(898,172)
Net cash provided by (used in) operating activities		<u>16,739,963</u>	<u>(13,504,759)</u>
Investing activities:			
Acquisition of furniture and equipment	11	<u>(75,237)</u>	<u>(1,527,594)</u>
Net cash used in investing activities		<u>(75,237)</u>	<u>(1,527,594)</u>
Financing activities:			
Acquisition of notes payable	13	-	22,585,000
Payment of notes payable	13	(13,629,633)	(8,955,367)
Interest paid		<u>(1,554,102)</u>	<u>(1,405,752)</u>
Net cash provided by (used in) financing activities		<u>(15,183,735)</u>	<u>12,223,881</u>
Net increase (decrease) in cash on hand and in banks		1,480,991	(2,808,472)
Cash on hand and in banks at beginning of year		<u>4,276,245</u>	<u>7,084,717</u>
Cash on hand and in banks at year-end		<u>5,757,236</u>	<u>4,276,245</u>

See accompanying notes to the financial statements.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Amounts in Dominican pesos - RD\$)

1. Corporate information

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca (hereinafter "Norceca" or the "Confederation") is a non-profit organization, which was organized and based in the city of Santo Domingo, Dominican Republic as of November 1, 2001. Norceca operates in the Dominican Republic under the figure of a non-profit organization since 2007, as an entity affiliated to the Fédération Internationale de Volleyball (FIVB). The objective of the Confederation is to manage, organize, represent, regulate, control and evaluate the activities of volleyball and beach volleyball in his region, as well as to support and facilitate the development of the affiliated federations and monitor respect for the rules of the FIVB.

The purpose of the FIVB is to manage the sport of volleyball and beach volleyball at a global level for which it currently has 220 affiliated federations in different countries and/or territories. The FIVB headquarters are located in the city of Luasanne, Switzerland.

The Fédération Internationale de Volleyball (FIVB) has geographically organized its affiliated federations in the following five confederations:

- The African Confederation
- The Asian Confederation
- The European Confederation
- The North, Central America and Caribbean Confederation (NORCECA)
- The South American Confederation

The economic resources of the Confederation come mainly from the annual contribution it receives from the FIVB, as well as the organization of competitions and events, marketing and advertising rights and membership fees from the federations under its management. As of December 31, 2016 and 2015, the Confederation has 41 affiliated national federations and regional members.

The Confederation offices are located in the facilities of the Volleyball Hall of the Juan Pablo Duarte Olympic Center in Santo Domingo, Dominican Republic.

The financial statements as of December 31, 2016 were approved for issue by the Confederation's Management on May 31, 2017.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca
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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Amounts in Dominican pesos - RD\$)

2. Basis of preparation of financial statements

2.1 Basis of preparation

The Confederation's financial statements as of December 31, 2016 and 2015 were prepared in accordance with International Financial Reporting Standards (IFRS), adopted by the International Accounting Standards Board (IASB).

2.2 Basis of valuation and presentation currency

The Confederation's financial statements as of December 31, 2016 and 2015 were prepared on a historical cost basis except for certain items that were measured under the valuation methods indicated in Note 4. The financial statements are stated in Dominican pesos (RD\$), which has been defined as the Confederation's functional and presentation currency.

The International Financial Reporting Standards have not issued specific standards applicable to non-profit entities in regards to the classification of the financial information structure and net asset classifications. Therefore, for such purposes the specific rules for non-profit entities issued by the Financial Accounting Standards Board (FASB) have been applied. Under this standards the net assets, revenue and expenses, increases and decreases in net assets are classified as follows:

Classification of net assets

Unrestricted net assets:

It corresponds to assets that are not subject to provisions imposed by the entities that make contributions.

Temporary unrestricted net assets

Assets subject to provisions imposed by entities making contributions which may be given or fulfilled through shares over the time.

Permanent unrestricted net assets

Assets subject to provisions imposed by entities making contributions which may be held permanently. Usually, the donors of these assets allow the use of all or part of the income generated by these assets in specific activities.

The net assets of the Confederation are comprised only by unrestricted assets as there are no restrictions on them.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Amounts in Dominican pesos - RD\$)

3. Changes in accounting policies and disclosures

The accounting policies applied by the Confederation to prepare its financial statements as of December 31, 2016 are consistent with those used for the preparation of its financial statements as of December 31, 2015.

The following amendments to International Financial Reporting Standards and new Interpretations entered into effect as of January 1st, 2016. These amendments and new interpretations have not had a significant effect on the Confederation's financial statements, required certain additional disclosures, and in some cases the revision of certain accounting policies.

Amendments to IAS 1 Presentation of Financial Statements.

Amendments to IAS 1 Presentation of Financial Statements provide clarity rather than changing significantly the existing requirements of IAS 1. The amendment clarifies: (a) The materiality requirements in IAS 1, (b) that certain items in the income statement, other comprehensive income and the statement of financial position may be broken down, (c) that entities have flexibility in the order that notes to the financial statements are presented, (d) that the proportion of other comprehensive income of associates and joint ventures represented by the equity method should be presented jointly as a single item and classified among items that will be reclassified or not later in the results. In addition, the amendments clarify the requirements that apply when additional subtotals in the statement of financial position, the income statement and other comprehensive income are presented.

IFRS annual improvements – cycle 2012 - 2014

IFRS 7 Financial Instruments: Disclosures

Service Contracts: The amendment clarifies that a service contract that include fees may constitute the continuous participation in a financial asset. An entity must assess the nature of the fees and provision against the guidance for the continuous participation in IFRS 7 in order to assess whether the disclosures are required. The assessment of which service contracts constitute a continuous participation must be conducted retrospectively. However, the disclosures required for any period that begins before the annual period in which the entity applies the amendments for the first time would not need to be provided.

Applicability of the amendments to IFRS 7 to condensed interim financial statements: The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca
Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies

4.1 Balances and transactions in foreign currency

The accompanying financial statements have been prepared in Dominican pesos (RD\$), which has been defined as the Confederation's functional and presentation currency. Transactions in foreign currency are initially recorded at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated again at the functional currency prevailing on the date of the statement of financial position. These differences are recognized in income or expenses in the accompanying income statement as foreign exchange gain, net.

As of December 31, 2016, the exchange rate used to translate balances in foreign currency to Dominican pesos was RD\$46.62 (2015: RD\$45.47) against the US dollar and RD\$45.82 (2015: RD\$45.91) against the Swiss franc. Information related to balances in foreign currency are presented in Note 6 to the financial statements.

4.2 Current and non-current classification

Norceca presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when Norceca expects to realize the asset or has the intention to sell or consume it in the normal operating cycle; when it is held primarily for the purpose of trading; when it is expected to be realized within twelve months after the reporting period; and when the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Norceca classifies all other assets as non-current.

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

4.3 Cash on hand and in banks

Cash in the statement of financial position is comprised of cash on hand and deposits in banks accounts. For purposes of the cash flow statement, cash is presented by the Confederation net of bank overdrafts, should there be any.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca
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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.4 Financial instruments

The valuation of the Company's financial instruments is determined using the fair value or amortized cost, as defined below:

Fair value - The fair value of an investment negotiated in an organized financial market is determined using as reference the prices quoted in that financial market for negotiations performed as of the date of the statement of financial position. For investments for which there is no active financial market, the fair value is determined using valuation techniques.

These techniques include recent market transactions between interested, fully informed parties who act independently; references to the fair value of another substantially similar financial instrument; and discounted cash flows or other valuation models.

Amortized cost - The amortized cost is calculated using the effective interest method less any allowance for impairment. The calculation takes into consideration any award or discount in the acquisition and includes the transaction costs and fees which are an integral part of the effective interest rate.

4.5 Financial assets

Financial assets within the scope of the International Accounting Standard No. 39 Financial Instruments: Recognition and Measurement, are classified as financial assets at fair value through profit or loss, as appropriate. The Confederation determines the classification of its financial assets at initial recognition.

The Confederation initially recognizes all of its financial assets at fair value plus costs directly attributable to the transaction, except for financial assets valued at fair value through changes in profit or loss in which these costs are not considered.

The Confederation recognizes the purchase or sale of financial assets on the date of each transaction, which is the date on which the Confederation commits to buy or sell a financial asset.

The Confederation's financial assets include cash on hand and at banks and accounts receivable.

Accounts receivable

Accounts receivable are recognized for the amount of invoices of the membership fees of federations and the economic allocation fees of the FIVB. The recoverability is analyzed periodically and an impairment allowance is recorded for those accounts classified as doubtful with the corresponding charge to the period results.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca
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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.5 Financial assets (continued)

Impairment of financial assets

At each reporting date, the Confederation assesses whether there is any objective evidence that a financial asset or group of assets could be impaired.

A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the financial asset and that loss event detected has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where information indicates that there is a measurable decrease in the Company' cash flows due to defaults.

Derecognition of financial assets

Financial assets are derecognized by the Confederation when the rights to receive cash flows from the asset have expired, or when the financial asset is transferred along with its inherent risks and benefits and contractual rights to receive cash flows from the asset are surrendered.

4.6 Inventory of volleyball equipment

Inventory is valued at the lower of cost and net realizable value, and are for internal use in the operations of the Confederation. Cost is determined using the first-in, first-out (FIFO) method.

Inventory consists of volleyball equipment received in exchange for advertising and direct purchases, which are recognized at fair value at the time of operation. The fair value corresponds to the cost established by the procuring entity with reference to the values of market sales as of the date of delivery of the volleyball equipment. These inventories are in turn used to be distributed to the different federations that form the Confederation.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.7 Furniture and equipment

Furniture and equipment are recorded at acquisition cost less accumulated depreciation and accumulated impairment losses, if any.

Disbursements for repairs and maintenance that do not qualify for recognition as an asset and depreciation are recognized as expenses in the year they are incurred.

The method used by the Confederation is the straight line method on the estimated useful life of each asset, which was estimated at an annual 25% and 15%. The estimated useful life and depreciation methods are annually reviewed by Management and adjusted when necessary, at the end of each financial year.

A component of plant and equipment is discharged when it is sold or when the Confederation does not expect future economic benefits from its use. Any loss or gain from the asset's disposal, calculated as the difference between the net carrying amount and the sales proceeds, is recognized in the activities of the year in which the transaction occurs.

4.8 Impairment of non-financial assets

The Confederation assesses the carrying amounts of its non-financial assets at each reporting date to determine reductions in value when events or circumstances indicate that recorded values may not be recovered. If any indication exists, and the carrying amount exceeds the recoverable amount, the Confederation measures the assets at their recoverable amounts, defined as the higher of fair value less costs to sell and its value in use. Resulting adjustments are recorded in the results of the year in which they are determined.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Confederation re-estimates the asset's recoverable amount and if necessary, reverses the loss increasing the asset until its new recoverable amount, which will not exceed the asset's net carrying amount prior to recognizing the original impairment loss, recognizing the credit in the income statement.

During the years ended December 31, 2016 and 2015, no losses from impairment in the value of non-financial assets were recorded.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca
Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.9 Financial liabilities

The Confederation initially recognizes its financial liabilities at fair value plus costs directly attributable to the transaction. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Gains or losses are recognized by the Confederation in the income statement when the financial liability is discharged, as well as through the amortization process.

The financial liabilities of the Confederation correspond to accounts payable to vendors and others, notes payable, accounts payable to affiliates and directors.

Accounts payable

Accounts payable are initially recognized at fair value on the corresponding date of each transaction, including attributable transaction costs. After initial recognition, short-term accounts payable that do not bear interest are measured at invoice value. The Confederation measures long term accounts payable that do not bear interest at amortized cost using the effective interest rate method. Gains or losses are recognized by the Confederation in the income statement when the financial liability is discharged, as well as through the amortization process.

Notes payable

Notes payable are initially recognized at fair value on the respective contract dates, including costs directly attributable to the transaction. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method. Gains or losses are recognized by the Confederation in the income statement when the financial liability is discharged, as well as through the amortization process.

Derecognition of financial liabilities

Financial liabilities are derecognized by the Confederations when the obligation has been paid, canceled or expires. When a financial liability is replaced by another, the Confederation discharged the original and recognizes a new financial liability. Differences that may result from these financial liability replacements are recognized through income or loss when incurred.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca
Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.10 Revenue recognition

The income of the Confederation is recognized as such when the contribution can be measured reliably and it is probable to receive economic benefits from these economic contributions, events, activities and membership fees, which are recognized in the period in which the activity is performed and when the contributions of the Fédération Internationale de Volleyball, as well as the membership fees of affiliated agencies are accrued.

In the event of donations of sporting goods received, they are recognized at the fair value of the contributions when received.

4.11 Recognition of costs and expenses

Expenses are recognized in income statements when incurred.

4.12 Income tax

The Confederation is exempt from the payment of income tax due to its nature as it is a non-profit organization; however, this condition does not relieve it from the payment of the withholding tax on wages and third parties. As such, it shall serve as a withholding agent for the income tax on salaries paid to employees, which are within the levels established by Act 11-92, as well those taxable services provided to the Confederation by third parties.

4.13 Cost of employee benefits

Pension plan

From the entry into force of Law 87-01, which establishes the Dominican Social Security System (SDSS, *Sistema Dominicano de Seguridad Social*), the Confederation recognizes as an expense the monthly contributions made to the pension system to be deposited in the individual capitalization accounts of employees, as well as employee contributions, as an accumulation until they are deposited at the beginning of the month immediately following in financial entities authorized by the Superintendence of Pensions of the Dominican Republic, for subsequent transfer to the individual accounts in the pension fund administrators.

In the year ended December 31, 2016, the Confederation made contributions for this item amounting to approximately RD\$499,000 (2015: RD\$518,000), which is included in personnel expenses in the accompanying income statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.13 Cost of employee benefits (continued)

Severance

The Labor Code of the Dominican Republic requires employers to pay employee benefits to employees who are terminated without just cause. The value of this benefit is recognized in income at the time it is incurred or when it is effectively known that the employment relationship will terminate and there is no possibility of changing this decision.

Other benefits

The Confederation provides benefits to its employees, such as vacation and Christmas bonus, according to the provisions of Dominican labor laws.

For these benefits the Confederation recognizes a liability taking as a parameter the amount earned by employees based on labor agreements. As of December 31, 2016 and 2015, for the vacations benefit there is a liability recognized in accruals and withholdings payable in the accompanying statements of financial position.

4.14 Significant accounting estimates and assumptions

Financial statement preparation requires Management to make estimates, and use assumptions affecting reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities as of the reporting date. Because of the uncertainty of these assumptions and estimates, these could cause material adjustments to the reported values of assets and liabilities in the future.

Estimates and assumptions

The main assumption regarding future events and other sources of the estimates prone to variations, as of the reporting date, and which due to their nature have a high risk of causing adjustments of relative importance to the figures of assets and liabilities in next year's financial statements is presented below:

Impairment of non-financial assets

The Confederation evaluates, as of each reporting date, whether there is any indication that a non-financial asset may be impaired. Non-financial assets are assessed for impairment when there are indications that the carrying amount may not be recoverable.

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5. Future changes in accounting policies

International Financial Reporting Standards or their interpretations issued but not yet effective as of the date of issue of the Confederation's financial statements are listed below. The standards or interpretations described are only those that, per Management's belief, may have a significant effect on the Confederation's disclosures, position or financial performance when they are applied at a future date. The Confederation intends to adopt these standards or interpretations when they enter into effect.

IFRS 9 Financial Instruments

In July 2014, IASB published the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for the classification and measurement, impairment and hedge accounting. IFRS 9 becomes effective for annual periods beginning on or after January 01st, 2018, earlier application is allowed. It requires retrospective application, but comparative information is not mandatory. Except for hedge accounting, retrospective application is required with certain limitations, but comparative information is not mandatory.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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5. Future changes in accounting policies (continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after of January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after January 1st 2017, with early application permitted.

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6. Balances in foreign currency

Below is a summary of financial assets and liabilities denominated in foreign currency, expressed in US dollars and Swiss franc, included in the various items at their equivalent in Dominican pesos in the statement of financial statement:

		<u>2016</u>	<u>2015</u>
US dollars:			
<i>Assets:</i>			
Cash on hand and at banks	US\$	109,726	86,733
Accounts receivable from affiliates		259,779	895,012
Other accounts receivable		5,138	4,656
Total assets		<u>374,643</u>	<u>986,401</u>
<i>Liabilities:</i>			
Notes payable		-	(299,750)
Accounts payable to vendors and others		(29,281)	(98,825)
Accounts payables to affiliates and directors		(114,300)	(229,380)
Accruals and withholdings payable		(29,035)	(14,542)
Total liabilities		<u>(172,616)</u>	<u>(642,497)</u>
Net position in dollars – assets (liabilities)	US\$	<u>202,027</u>	<u>343,904</u>
		<u>2016</u>	<u>2015</u>
Swiss francs:			
<i>Assets:</i>			
Accounts receivable from affiliates	CHF	<u>750,000</u>	<u>750,000</u>
<i>Liabilities:</i>			
Accounts payables to affiliates and directors		<u>(50,000)</u>	<u>(50,000)</u>
Net position in swiss francs - assets	CHF	<u>700,000</u>	<u>700,000</u>

7. Cash on hand and at banks

A breakdown of cash on hand and at banks is as follows:

	<u>2016</u>	<u>2015</u>
Petty cash	37,972	10,000
Deposits in banks (a)	<u>5,719,264</u>	<u>4,266,245</u>
	<u>5,757,236</u>	<u>4,276,245</u>

(a) As of December 31, 2016, this amount includes US\$109,726 (2015: US\$86,733) which correspond to bank deposits in bank accounts in the Dominican Republic. These accounts accrue annual interest rates between 0.35% and 1% (2015: 0.35% and 1%) of the available balance. During the year ended as of December 31, 2016, these accounts generated interest for RD\$27,187 (2015: RD\$29,115), which are included as other income in the accompanying income statements.

As of December 31, 2016 and 2015, there was no difference between the recorded values and fair values of these financial assets. As of the reporting date, there were no restrictions on the use of cash at bank balances.

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8. Balances and transactions with affiliates and directors

The main transactions with affiliates and directors correspond to economic contributions, payments and collections of affiliation fees, payments and collections of registration fees in sporting events and expenses covered by managers on behalf of the Confederation.

Balances:

The breakdown of accounts receivable from affiliates as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Fédération Internationale de Volleyball (FIVB) (a)	36,696,000	72,354,480
Affiliated federations (b):		
Federación Peruana de Voleibol	149,184	-
ECVA-EASTERN Caribbean Volleyball Assoc.	78,517	-
Canada Volleyball Association	-	834,602
Regional Volleyball Development Centre Tijuana	1,864,800	
Jamaica Volleyball Association	779,001	870,050
Trinidad & Tobago Volleyball Federation	-	23,826
Antigua and Barbuda Volleyball Association	-	7,011
Federación Nacional de Voleibol de Honduras	65,268	45,470
British Virgin Islands Association	-	7,011
Federación Puertorriqueña de Voleibol	834,731	750,482
Montserrat Volleyball Association	-	25,199
Saba Volleyball Association	-	7,010
Federación Mexicana de Voleibol	5,989,738	88,667
Federación Panameña de Voleibol	18,648	-
Cayman Islands Volleyball Federation	-	15,050
St. Vincent Volleyball Association	-	7,011
Grenada Volleyball Association	-	7,011
St. Lucia Amateur Volleyball Association	-	7,011
French St. Martin Volleyball Association	-	7,011
Dutch St. Maarten Volleyball Association	-	7,011
St. Eustatius Volleyball Association	-	39,748
Turk and Caicos Volleyball Association	-	4,014
Dominica Amateur Volleyball Association	-	7,011
Anguila Amateur Volleyball Federation	-	7,011
St. Kitts Amateur Volleyball Association	-	7,011
Sub-total	<u>46,475,887</u>	<u>75,128,708</u>
Estimated doubtful accounts loss (c)	<u>(779,001)</u>	<u>(683,522)</u>
Total Accounts Receivable from Affiliates	<u>45,696,886</u>	<u>74,445,186</u>

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8. Balances and transactions with affiliates and directors (continued)

- (a) Accounts receivable from the FIVB is basically denominated in Swiss francs (CHF) and corresponds mainly to the economic contribution that this institution annually contributes to Norceca. In the year ended December 31, 2016, revenue recognized for this item amounted to CHF 750,000 equivalent to RD\$34,365,000 (2015: RD\$34,432,500).

In addition, The FIVB accounts receivable include the contribution for the celebration of the sports management seminar in an amount of US \$ 50,000 equivalent to RD \$ 2,331,000 (2015: contribution is included for the development plan and to assist high performance coaches in the amount of US \$ 834,000 equivalent to RD \$ 37,921,980).

- (b) Balances receivable from affiliated federations are derived from annual affiliation fees, rights for the grant of locations for the various championships held by the Confederation, team registration fees, advertising rights, fines for non-compliance with the sporting regulations of championships, among others. These accounts are mainly denominated in US dollars and have no specific maturity and are equivalent to US\$169,779 in 2016 (2015: US\$61,012).
- (c) The activity during the years ended December 31 for estimated doubtful accounts loss is as follows:

	<u>2016</u>	<u>2015</u>
Balance at the beginning of year	(683,522)	(683,522)
Reserve increase	<u>(95,479)</u>	<u>-</u>
Balance at the end of the year	<u>(779,001)</u>	<u>(683,522)</u>

The composition of accounts receivables from affiliates as of December 31 is as follows:

	Not past due	Past due but not impaired			Impaired	Total
		From 30 to 60 days	From 61 to 90 days	Over 90 days	Over 91 days	
2016	<u>38,919,037</u>	<u>2,097,900</u>	<u>-</u>	<u>5,458,950</u>	<u>-</u>	<u>46,475,887</u>
2015	<u>70,372,378</u>	<u>-</u>	<u>157,963</u>	<u>3,914,845</u>	<u>683,522</u>	<u>75,128,708</u>

The Breakdown of accounts payable to affiliates and directors as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Fédération Internationale de Volleyball (FIVB) (d)	(1,983,127)	(1,939,576)
USA Volleyball (e)	(466,200)	(454,700)
Federación Puertorriqueña de Voleibol (f)	(79,737)	(93,911)
Curacao Volleyball Association (g)	(13,054)	(12,732)
ECVA Economic Assistance (h)	(251,748)	(245,538)
Canada Volleyball Association (i)	(82,984)	-
Bonaire Volleyball Association (j)	-	(172,786)

Continued:

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8. Balances and transactions with affiliates and directors (continued)

	<u>2016</u>	<u>2015</u>
Ligue Guadeloupenne de Volleyball (k)	(139,860)	(136,410)
Barbados Volleyball Federation (l)	(20,978)	(20,461)
Cristóbal Marte Hoffiz - President of the Confederation (m)	(2,291,000)	(7,262,897)
AFECAVOL Economic Assistance (h)	-	(90,940)
	<u>(5,328,688)</u>	<u>(10,429,951)</u>
Notes payable (Note 13)	<u>-</u>	<u>(13,629,633)</u>

- (d) As of December 31, 2016, it corresponds to the payment for the International transfer Certificate (ITC) for US\$37,838 (2015: US\$33,256) and the membership payment corresponding to FIVB for US\$4,700 (2015: US\$4,700).
- (e) As of December 31, 2016, it corresponds to the prize for being the winner of Norceca Tour in the male and female branch 2016 for US\$10,000 (2015: US\$10,000).
- (f) As of December 31, 2016, it corresponds to the remaining payment of 10% of fees for the International Transfer Certificate (ITC), season 2012-2013 and 2016-2017 for US\$ 1,710 (2015: US\$1,710).
- (g) As of December 31, 2016 and 2015, it corresponds to registration in the second round of the World Cup Qualification Tournament, Men's L Group 2013 for US\$280.
- (h) As of December 31, 2016, it corresponds to travel expenses for coach Joao Campos Morales for technical assistance in his visit to St. Kitts for US\$5,400 (2015: US\$5,400).
- (i) As of December 31, 2016, it corresponds to the registration to the 7th stage of Beach Volleyball for US\$1,780.
- (j) As of December 31, 2015, it corresponds to the obligation of airplane tickets, meals and accommodation of the referee to participate in the Women's World Championship Qualification Tournament Group G amounting to US\$3,800.

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8. Balances and transactions with affiliates and directors (continued)

- (k) As of December 31, 2016 and 2015, it corresponds to the registration of the participating teams in the 2nd. Round of the Men's World Championship Qualification Tournament Group N 2013 for US\$3,000.
- (l) As of December 31, 2016 and 2015, these correspond to the balance pending of payment for return 50% of the referee payment in the U-21 NORCECA Volleyball Championship held in El Salvador for US\$450.
- (m) As of December 31, 2016 and 2015, these correspond mainly to the compensation assigned for the president of Norceca for US\$49,142 (2015: US\$159,729).
- (n) As of December 31, 2015, these correspond to outstanding travel expenses for technical assistance to the Honduran Federation for US\$2,000.

These accounts do not generate interest and are not subject to any discount for early payment. The accounts payable to affiliates and directors, maturing between 60 and 90 days, are expected to be settled once the annual contribution of the FIVB is received, which is usually between May and June of each year.

Transactions:

During the years ended December 31, transactions with affiliates and directors were as follows:

	<u>2016</u>	<u>2015</u>
<i>Income:</i>		
Economic contributions received	55,401,058	73,216,445
Events and activities	50,701,628	33,371,868
Affiliation fees	712,296	697,944
Other	4,276,454	3,261,718
	<u>111,091,436</u>	<u>110,547,975</u>
<i>Expenses:</i>		
Sport Equipment donated to federations	<u>23,736,927</u>	<u>18,047,703</u>
Economic contributions granted:		
Asociación de Federaciones Centroamericanas de Voleibol (AFECAVOL)	16,716,102	10,747,000
Caribbean Zonal Volleyball Association (CAZOVA)	22,084,945	16,859,115
Eastern Caribbean Volleyball Association (ECVA)	22,855,514	11,496,353
North Central Zone Association (NCVA)	4,556,472	4,250,415
	<u>66,213,033</u>	<u>43,352,883</u>

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8. Balances and transactions with affiliates and directors (continued)

	<u>2016</u>	<u>2015</u>
Other expenses:		
Rentals	979,182	619,182
Accommodation, travel expenses and meals	485,194	533,883
Representation expenses	673,829	213,654
Airline tickets	142,104	169,135
Commission meetings - Executive Committee and Board of Administration	1,103,466	732,339
	<u>3,383,775</u>	<u>2,268,193</u>
	<u>93,333,735</u>	<u>63,668,779</u>

The administrative facilities used by the Confederation to carry out its activities were facilitated by the Government of the Dominican Republic through the Dominican Volleyball Confederation (CODOVOLI), free of cost to Norceca.

Terms and conditions with affiliates and directors

Activities with affiliates and directors are performed under the terms agreed between the parties. Balances pending at year end are unsecured, and do not generate interest. No guarantees have been received on accounts receivable or payable to affiliates and directors, except as of December 31, 2015, that notes payable had joint guarantee of the President of Norceca, Mr. Cristóbal Marte Hoffiz. The Confederation's President receives an annual assignment of CHF50,000 equivalent to approximately RD\$2,291,000 (2015: CHF50,000 equivalent to approximately RD\$2,295,000) as compensation for his functions. In addition, he receives the payment of expenses incurred in performing said duties. As of December 31, 2016 obligations related to these concepts were pending payment.

9. Other accounts receivable

The breakdown of other accounts receivable is as follows:

	<u>2016</u>	<u>2015</u>
Employees (a)	256,726	153,460
Loans to Related (b)	76,378	-
Other	55,944	293,153
	<u>389,048</u>	<u>446,613</u>

(a) These correspond to cash advances granted to Confederation employees. These accounts receivable do not generate interest and are recoverable in the Confederation's functional currency.

(b) As of December 31, 2016, these correspond to loans for purchase of airplane tickets to participate in the press Commission Meetings for US\$1,638.

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10. Inventory of sport equipment

The Confederation's sport equipment were received in exchange for advertising and purchases from the company Molten Corporation (see note 12). Sport Equipment MIKASA were received from Fédération Internationale de Volleyball (FIVB) and the Jinling sports equipment's were received from Jinling Sports brand. A breakdown of inventories is as follows:

	<u>2016</u>	<u>2015</u>
<i>Molten supplies:</i>		
Balls	14,216,508	16,799,465
Nets	1,295,279	2,238,513
Ball carts	-	1,073,699
Antennas	139,045	728,424
Flags	323,374	332,147
Pressure gauges	82,248	137,294
Coaching portfolios	279,025	340,540
Masking tape	118,653	132,955
Scoreboard	96,705	348,277
Air pumps	49,767	80,534
	<u>16,600,604</u>	<u>22,211,848</u>
<i>Mikasa supplies:</i>		
Balls	2,404,666	2,303,377
Nets	127,690	188,988
Antennas	138,082	138,082
Game lines	67,625	80,256
Ball carts	12,920	17,227
	<u>2,750,983</u>	<u>2,727,930</u>
<i>Jinling supplies</i>		
Referee stands	798,810	927,045
Net system	793,497	906,854
Nets	408,106	429,671
Padding and vertical padding	181,636	207,584
Antennas	140,313	140,314
Cutting line system	146,319	146,315
Anchoring system	99,630	99,631
Floor plates	65,181	81,477
	<u>2,633,492</u>	<u>2,938,891</u>
<i>Others</i>		
Doping kit:	110,162	15,455
Mizuno Uniforms	276,341	342,246
Beach volleyball game lines	352,745	213,869
Referee uniforms	52,639	-
Gerflor floors	3,737,104	1,709,881
	<u>4,528,991</u>	<u>2,281,451</u>
Subtotal	26,514,069	30,160,120
Allowance for inventory obsolescence	<u>(2,085,554)</u>	<u>(2,664,303)</u>
	<u>24,428,515</u>	<u>27,495,817</u>

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11. Furniture and equipment

The activity of furniture and equipment for the years ended December 31 is as follows:

	Furniture Office Equipment	Computer Equipment	Power Plant	Total
Acquisition cost:				
Balance as of January 1, 2015	3,510,581	1,028,484	-	4,539,065
Additions	99,828	82,885	1,344,881	1,527,594
Disposals	<u>(134,466)</u>	<u>(130,155)</u>	-	<u>(264,621)</u>
Balances as of December 31, 2015	3,475,943	981,214	1,344,881	5,802,038
Additions	<u>47,908</u>	<u>27,329</u>	-	<u>75,237</u>
Balances as of December 31, 2016	<u>3,523,851</u>	<u>1,008,543</u>	<u>1,344,881</u>	<u>5,877,275</u>
Accumulated depreciation:				
Balance as of January 1, 2015	(3,093,434)	(768,268)	-	(3,861,702)
Depreciation expenses for the year	(232,816)	(154,530)	(117,677)	(505,023)
Disposals	<u>119,069</u>	<u>128,257</u>	-	<u>247,326</u>
Balances as of December 31, 2015	(3,207,181)	(794,541)	(117,677)	(4,119,399)
Depreciation expenses for the year	<u>(201,732)</u>	<u>(116,503)</u>	<u>(107,186)</u>	<u>(425,421)</u>
Balances as of December 31, 2016	<u>(3,408,913)</u>	<u>(911,044)</u>	<u>(224,863)</u>	<u>(4,544,820)</u>
Net carrying amount:				
As of December 31, 2016	<u>114,938</u>	<u>97,499</u>	<u>1,120,018</u>	<u>1,332,455</u>
As of December 31, 2015	<u>268,762</u>	<u>186,673</u>	<u>1,227,204</u>	<u>1,682,639</u>

As of December 31, 2016, the Confederation maintains in use fully depreciated assets for approximately RD\$3,722,000 (2015: RD\$2,210,000).

12. Sport equipment received in exchange for advertising

On January 1st, 2015, the Confederation renewed the contract with Molten Corporation for a period of four years, maturing on December 31, 2018. By means of this agreement the Confederation granted Molten the right to advertise its sport equipment in all competitions and tournaments held by the Confederation. As consideration, Molten Corporation will provide sport equipment to the Confederation for approximately US\$260,000 in the 2016 (2015: US\$260,000).

The allocation for sports supplies from Molten in 2016 was US\$260,004 equivalent to RD\$12,018,161 (2015: US\$260,066 equivalent to RD\$11,706,583). In addition, Sport Court brand floors were received for a total of US\$ 172,584.60 equivalent to RD\$ 8,045,894 (2015: US\$180,346 equivalent to RD\$8,200,351), and MIKASA volleyballs for US\$ 3,840 equivalent to RD\$175,795 (2015: US\$11,520 equivalent to RD\$518,400).

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13. Notes payable

Notes payable correspond to short-term credit lines as follows:

	<u>2016</u>	<u>2015</u>
It corresponds to one secured line of credit with joint guarantee of the President of Norceca, Mr. Cristóbal Marte Hoffiz. This line was approved in 2013 by Banco BDI for an original amount of US\$1,000,000. The amount used during the year 2015 was US\$500,000, which bear an annual interest of 9%. Interests are payable monthly until the maturity date of the line of credit.	-	<u>13,629,633</u>

As of December 31, 2016 the Confederation settled the pending balance of this approved credit line with Banco BDI. Interest expenses generated during the year for the line of credit amount to US\$33,983 equivalent to RD\$1,554,102.

14. Accounts payable to vendors and others

These accounts payable to vendors and others do not bear interest, are not subject to discounts for early payment and are usually payable within 30 to 60 days from the corresponding documents' or invoices' issue dates. As of December 31, 2016, US\$29,281 (2015: US\$98,825) are included, which are payable in US dollars.

15. Personnel expenses

The breakdown of personnel expenses for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Wages	7,103,479	7,265,880
Christmas bonus	585,530	688,584
Vacations	354,417	304,630
Notice and unemployment fee	36,719	466,817
Services to personnel	818,444	760,910
Social Security	<u>1,058,347</u>	<u>1,054,414</u>
	<u>9,956,936</u>	<u>10,541,235</u>

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16. Coordination meeting expenses

The breakdown of coordination meeting expenses for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Norceca Congress (a)	-	5,807,899
FIVB Work Meetings (b)	512,444	580,336
Norceca Work Commissions (c)	2,591,834	2,260,646
Meeting of the Executive Committee and Board of Administration (a)	1,103,466	732,339
AFECAVOL Assembly (d)	159,344	116,139
ECVA Assembly (d)	1,095,393	728,936
CAZOVA Assembly (d)	163,325	465,063
	<u>5,625,806</u>	<u>10,691,358</u>

(a) These correspond mainly to expenses incurred for the purchase of plane tickets, lodging and per diem of all participants of Norceca Congress and the Meeting of the Executive Committee and Board of Administration, as well as payments to organize the event, which was held in Santo Domingo, Punta Cana, Dominican Republic and Tijuana, Mexico.

(b) These correspond to expenses incurred for the purchase of airplane tickets, accommodation and per diem for members of the press commission, beach commission and Confederation directors in FIVB annual meetings held in Switzerland.

(c) These correspond to expenses incurred for the purchase of airplane tickets, accommodation, and transportation services for members of the commissions participating in the Confederation's commission Meeting.

(d) These correspond to expenses incurred for the purchase of airplane tickets, accommodation, per diem and transportation services for the Confederation's directors participating in AFECAVOL, ECVA and CAZOVA Assemblies.

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17. Events and championships

The breakdown of expenses for events and championships related to airplane tickets, transportation, accommodation and per diem expenses incurred by the Control Committees and representatives of the Confederation in the different events, tournaments and competitions held during the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Women's Pan-American Volleyball Cup	79,065	1,568,098
Women's NORCECA Volleyball Championship	-	733,908
Men's NORCECA Volleyball Championship	-	9,042
1st. Stage X (IX) NORCECA Beach Volleyball Circuit	181,001	631,297
2nd. Stage X (IX) NORCECA Beach Volleyball Circuit	129,878	678,581
3rd. Stage X (IX) NORCECA Beach Volleyball Circuit	2,248	754,078
4th. Stage X NORCECA Beach Volleyball Circuit	545,841	-
5th. Stage X (IX) NORCECA Beach Volleyball Circuit	659,187	588,763
6th. Stage X (IX) NORCECA Beach Volleyball Circuit	465,195	539,755
7th. Stage X (IX) NORCECA Beach Volleyball Circuit	791,724	803,635
8th. Stage X NORCECA Beach Volleyball Circuit	6,749	-
9th. Stage X NORCECA Beach Volleyball Circuit	520,879	-
10th. Stage X NORCECA Beach Volleyball Circuit	708,648	-
11th. Stage X NORCECA Beach Volleyball Circuit	705,813	-
U-21 Men's Pan-American Volleyball Cup	-	12,924
FIVB Beach Volleyball World Continental Cup	3,885,216	14,804,201
Men's Champions Cup (Final Four)	-	20,787
Pan American Games Toronto 2015	-	226,648
U-20 Women's Pan-American Volleyball Cup	-	2,132,934
U-18 Women's Pan-American Volleyball Cup	-	149,018
Youth and Junior World Championships	-	585,802
National Team Training Camps	1,115,404	-
Awards and incentives	466,200	454,700
NORCECA U-20 Continental Championship	38,140	-
U-23 Women's Pan-American Volleyball Cup	127,110	-
U-23 Men's Pan-American Volleyball Cup	577,313	-
NORCECA U-18 Continental Championship	45,961	-
NORCECA U-21 Continental Championship	7,032	-
Women's World Qualification Tournaments (Pre-Olympic)	143,199	-
Men's World Qualification Tournaments (Pre-Olympic)	13,641	-
World Olympic Qualification women's Tournament Japan	372,661	-
Olympic Games, Rio de Janeiro, Brazil	405,311	-
School Volleyball Program	-	21,474
	<u>11,993,416</u>	<u>24,715,645</u>

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18. Regional volleyball development center

As of December 31, 2016 and 2015 this corresponds to expenses incurred in the organization and presentation of courses and seminars given by the FIVB Regional Volleyball Development Centre (in Dominican Republic and in Tijuana, Mexico), as well as the expenses incurred in the purchase of airplane tickets, accommodation, per diem and other travel expenses of coaches and speakers; these expenses amount to RD\$3,351,343 (2015: RD\$3,597,229).

19. Other expenses

The breakdown of others for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Building maintenance	93,058	102,979
Doping control	1,618,564	2,009,280
Rentals (a)	979,182	619,182
Transportation, fuels and lubricants	463,238	517,789
Bank charges	915,325	698,945
Others	<u>2,078,752</u>	<u>2,563,159</u>
	<u>6,148,119</u>	<u>6,511,334</u>

(a) During the year ended December 31, 2016 these correspond to the lease of three (3) spaces where sports equipments of the Confederation are stored. In addition, it includes the rental of the apartment of Norceca instructors.

20. Objectives and policies for financial risk management

Financial Risk Management

In the normal course of activities, the Confederation is exposed to liquidity risk, exchange rate risk, credit risk and interest risk. The Confederation's policies for managing the risks mentioned are described below.

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20. Objectives and policies for financial risk management (continued)

Liquidity risk

The maturity of financial liabilities based on non-discounted cash flow payments is as follows:

	2016			
	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>Total</u>
Accounts payable to vendors and others	1,649,706	7,375	123,516	1,780,597
Accounts payable to affiliates and directors	<u>2,668,173</u>	<u>-</u>	<u>2,660,515</u>	<u>5,328,688</u>
	<u>4,317,879</u>	<u>7,375</u>	<u>2,784,031</u>	<u>7,109,285</u>
	2015			
	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>Total</u>
Accounts payable to vendors and others	-	13,438,094	-	13,438,094
Accounts payable to affiliates and directors	10,429,951	-	-	10,429,951
Notes payable	<u>-</u>	<u>-</u>	<u>13,629,633</u>	<u>13,629,633</u>
	<u>10,429,951</u>	<u>13,438,094</u>	<u>13,629,633</u>	<u>37,497,678</u>

Exchange risk management

The Confederation is exposed to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. Management establishes limits on the levels of exposure by currency and the total daily operations, which are duly monitored. The foreign currency position is presented in Note 6.

The following table presents a sensitivity analysis of the effect of exchange rates for foreign currencies in relation to the Dominican peso on the Confederation's activities (due to changes in the fair value of monetary assets and liabilities), considering that other variables remain constant:

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20. Objectives and policies for financial risk management (continued)

		Increase (decrease) in the US\$ rate	Effect of change on Net Assets <u>Liabilities</u>
2016	US\$	+5%	470,294
	US\$	-5%	<u>(470,294)</u>
2015	US\$	+5%	781,862
	US\$	-5%	<u>(781,862)</u>
		Increase (decrease) In the CHF rate	Effect of change on Net Assets <u>Liabilities</u>
2016	CHF	+5%	(1,603,700)
	CHF	-5%	<u>1,603,700</u>
2015	CHF	+5%	(1,606,850)
	CHF	-5%	<u>1,606,850</u>

Credit risk

Accounts receivable by the Confederation arise from fees and participation fees in events of affiliated federations. The maximum exposure to credit risk is represented by the balances of each financial asset.

Management considers there is no additional credit risk from accounts receivable since an allowance for doubtful accounts is created when the collection of the total invoiced amount is not probable or payments are delinquent. The Confederation conducts important transactions with related parties. Management has assessed that balances with related entities are completely recoverable, except those balances included as part of the allowance for doubtful accounts. Additionally, balances receivable are permanently monitored, resulting in a non-significant exposure to bad debt.

Regarding credit risks of other financial assets, which comprise cash in banks, the maximum exposure of the Confederation, as a result of breach by the counterparty, would be the carrying amount of these assets. To mitigate this risk, the Confederation only conducts transactions with entities of renowned solvency.

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20. Objectives and policies for financial risk management (continued)

Interest rate risk

The Confederation's income and operating cash flows are substantially independent of market interest rate changes. As of December 31, 2016, the Confederation has contracted liabilities which bear monthly interest at annual rates, which are similar to market rates.

21. Financial instruments

As indicated in notes 4.5 and 4.9, the Confederation's main financial instruments include cash on hand and at banks, accounts receivable from affiliates, notes payable and accounts payable. Management considers that the values of these financial instruments, primarily with short-term maturities, approach their fair values. The fair value estimates were conducted on the reporting date based on relevant market information and on information related to the financial instruments. These estimates do not reflect any award or discount that could result from maintaining financial instruments as available-for-sale.

The nature of these estimates is uncertain and involves certain aspects and Management's opinion and judgment, therefore these figures cannot be determined with absolute accuracy. Consequently, if any changes were to occur in the assumptions on which these estimates are based, the final results could be different.

Below is a comparison by classification of the carrying amounts and fair values of the Confederation's financial instruments that are presented in the statement of financial position:

Fair value hierarchy

The Confederation uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical financial assets and liabilities.

Level 2: Techniques that use inputs different to quoted prices that are observable for assets or liabilities, either directly or indirectly.

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Taking into consideration that as of December 31, 2016 and 2015 the Confederation did not have financial instruments whose fair value differed significantly from the values recorded in the books, a presentation of the classification of financial instruments by hierarchical level was not considered necessary.