

Financial Statements

Confederación Norte, Centroamericana y
del Caribe de Voleibol, Norceca

December 31, 2017 and 2016
(Along 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, 2017, 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, 2017, 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 the International Standards on Auditing ("ISAs"). Our responsibilities under these standards are further described in the *Auditor's responsibility section of the financial statements* 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 that are relevant for our audit of the financial statements, and have fulfilled 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 the Management and of those in charge of the Corporate Government on the financial statements

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

In the preparation of the financial statements, management is responsible for assessing the Confederation's capacity to continue as a going concern, disclosing, as applicable, matters related to the 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.

The Confederation's Corporate Government are responsible for the oversight of the Confederation's financial information process.

Auditor's responsibilities related to the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes 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 (ISA) 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. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Confederation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, 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, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future facts or conditions may cause the Confederation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those responsible for the Confederation's management regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in the internal control that we identify during our audit.

May 24, 2018
Santo Domingo,
Dominican Republic



Confederación Norte, Centroamericana y del Caribe de Voleibol,
Norceca

Financial Statements

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

(Amounts in Dominican pesos - RD\$)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Current assets:			
Cash and hand and in banks	7	27,218,024	5,757,236
Account receivables from affiliates	8	1,723,740	45,696,886
Other account receivables	9	1,429,339	389,048
Prepaid expenses		127,423	-
Inventory of sports equipment	10	24,013,106	24,428,515
Total current assets		<u>54,511,632</u>	<u>76,271,685</u>
Furniture and equipment	11	1,923,188	1,332,455
Total assets		<u>56,434,820</u>	<u>77,604,140</u>
NET ASSETS AND LIABILITIES			
Current liabilities:			
Notes payables	8 and 13	48	-
Accounts payable to vendors and others	14	3,260,388	1,780,597
Accounts payables to affiliates and directors	8	5,861,190	5,328,688
Accruals and withholdings payable		1,600,945	1,549,540
Total liabilities		<u>10,722,571</u>	<u>8,658,825</u>
Unrestricted net assets		<u>45,712,249</u>	<u>68,945,315</u>
Total net assets and liabilities		<u>56,434,820</u>	<u>77,604,140</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, 2017 and 2016

(Amounts expressed in Dominican pesos - RD\$)

		<u>2017</u>	<u>2016</u>
	<u>Notes</u>		
Unrestricted revenues:			
Economic contributions	8	32,209,582	55,401,058
Events and activities	8	36,266,101	50,701,628
Advertising exchange for sports goods	12	19,612,690	20,239,850
Membership fees	8	723,547	712,296
Other income	8	12,305,955	6,005,864
Total unrestricted revenues		<u>101,117,875</u>	<u>133,060,696</u>
Expenses:			
Personnel expenses	15	(12,613,051)	(9,956,936)
Professional fees		(1,571,089)	(1,519,440)
Commission meetings	16	(4,709,311)	(5,625,806)
Events and championships	17	(5,468,543)	(11,993,416)
Telephone services		(1,148,562)	(483,160)
Depreciation	11	(461,800)	(425,421)
Donation of Sport equipment	8	(20,066,422)	(23,736,927)
Expenses for estimation of loss for doubtful accounts		(37,042,500)	-
Economic contributions	8	(25,209,026)	(66,213,033)
Accommodation, travel expenses and meals	8	(3,563,676)	(3,211,620)
Regional Volleyball Development Centers	18	(3,439,628)	(3,351,343)
Airline tickets	8	(372,905)	(142,104)
Office supplies		(700,862)	(298,213)
Representation expenses	8	(734,477)	(673,829)
Repair and maintenance expenses		(365,485)	(29,965)
Loss due inventory obsolescence	10	(5,256,713)	(572,354)
Financial expenses	13	(289,631)	(1,554,102)
Other expenses	19	(4,091,821)	(6,148,119)
Gain on foreign exchange, net		2,754,561	935,420
Total		<u>(124,350,941)</u>	<u>(135,000,368)</u>
Changes in unrestricted net assets in the year		(23,233,066)	(1,939,672)
Unrestricted net assets at beginning of year		68,945,315	70,884,987
Unrestricted net assets at year-end		<u>45,712,249</u>	<u>68,945,315</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, 2017 and 2016

(Amounts expressed in Dominican pesos - RD\$)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Operating activities:			
Changes in unrestricted net assets		(23,233,066)	(1,939,672)
Depreciation expense	11	461,800	425,421
Estimated loss on doubtful accounts	8	37,042,500	95,479
Estimated loss due to inventory obsolescence	10	5,256,713	572,354
Inventory received as advertising exchange	12	(19,612,690)	(20,239,850)
Interest expenses	13	289,631	1,554,102
Changes in assets and liabilities:			
Decrease (increase) in assets:			
Accounts receivables from affiliates		6,930,646	28,652,823
Other accounts receivables		(1,040,292)	57,566
Prepaid expenses		(127,423)	871,098
Inventory of sports equipment		14,771,386	22,734,798
Increase (decrease) in liabilities:			
Accounts payable to vendors and others		1,479,791	(11,639,872)
Accounts payables to affiliates and directors		532,502	(5,101,263)
Accruals and withholdings payable		51,406	696,979
Net cash provided by operating activities		<u>22,802,904</u>	<u>16,739,963</u>
Investment activities:			
Acquisition of furniture and equipment	11	<u>(1,052,533)</u>	<u>(75,237)</u>
Net cash used on investment activities		<u>(1,052,533)</u>	<u>(75,237)</u>
Financing activities:			
Acquisition of payable notes	13	15,661,750	-
Payment of payable notes	13	(15,661,702)	(13,629,633)
Paid interests		(289,631)	(1,554,102)
Net cash used in financing activities		<u>(289,583)</u>	<u>(15,183,735)</u>
Net increase in cash on hand and in banks		21,460,788	1,480,991
Cash and cash equivalents at beginning of year		5,757,236	4,276,245
Cash and hand and in banks at year-end		<u>27,218,024</u>	<u>5,757,236</u>

See accompanying notes to the financial statements.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(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 established 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-governmental 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 its region, as well as 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 222 affiliated federations in different countries and/or territories. The FIVB headquarters are located in the city of Lausanne, Switzerland.

The Fédération Internationale de Volleyball (FIVB) has geographically organized its affiliated federations into 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 mainly come from the annual contribution that 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, 2017 and 2016, 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, 2017 were approved for its issuance by the Confederation's Management on May 24, 2018.

2. Basis of the preparation of the financial statements

2.1 Compliance statement

The Confederation's financial statements as of December 31, 2017 and 2016 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, 2017 and 2016 were prepared on a historical cost basis except for certain items that were valued 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.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Amounts in Dominican pesos - RD\$)

2. Basis of the preparation of the financial statements (continued)

2.2 Basis of valuation and presentation currency (continued)

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.

3. Changes in the accounting policies and disclosures

For the first time, the Confederation has applied some norms and amendments to the norms, which are effective for the periods starting as of January 1st, 2017 and after. The Confederation has not applied in advance any norm, interpretation or amendment that has been issued but hasn't been effective yet.

Consequently, is described the nature and impact of the modifications:

NIC 7 disclosure initiative - amendment to NIC 7

The amendments require the entities to disclose the changes in the liabilities produced by financing activities, including the cash flow derivatives, as well as the ones that do not imply a cash flow (such as gains or losses for exchange difference). The confederation has provided the information corresponding to the current period, as indicated in the note 22.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(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 a 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 net foreign exchange gain.

As of December 31, 2017, the exchange rate used to convert the balances in foreign currency to Dominican pesos was RD\$48.19 (2016: RD\$46.62) against the US dollar and RD\$49.39 (2016: RD\$45.82) 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 and 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.

4.4 Financial instruments

The valuation of the Confederation'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.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.4 Financial instruments (continued)

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 date. 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.

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 Confederation cash flows due to defaults.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.5 Financial assets (continued)

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.

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. The residual value of depreciable assets, 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.

A detail of the estimated useful life is presented below:

	<u>Estimated useful life</u>
Furniture office equipment and Others	4 years
Computer equipment	4 years
Power plants	7 years

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

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, 2017 and 2016, no losses from impairment in the value of non-financial assets were recorded.

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.

Confederación Norte, Centroamericana y del Caribe de Voleibol, Norceca

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.9 Financial liabilities (continued)

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Amounts in Dominican pesos - RD\$)

4. Summary of applicable significant accounting policies (continued)

4.13 Cost of employee benefits (continued)

In the year ended December 31, 2017, the Confederation made contributions for this item amounting to approximately RD\$424,000 (2016: RD\$499,000), which is included in personnel expenses in the accompanying income statements.

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, 2017 and 2016, 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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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Amounts in Dominican pesos - RD\$)

5. Future changes in accounting policies

Below are the standards and interpretations published until the date of preparation of the separate financial statements, and they are not yet in effect. The Confederation intends to adopt these standards, if applicable, when they enter into effect.

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board (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 of financial instruments, their impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and early application is allowed. Except for hedge accounting, a retrospective application is required, but comparative information is not mandatory. For hedge accounting, requirements are generally applied prospectively, with certain limited exceptions.

The Confederation is planning to adopt the new standard on the required effective date. In 2017, the Confederation has reviewed the potential impacts on the three aspects of IFRS 9, which are: a) Classification and measurement; b) Impairment, and c) Hedge accounting, and it concluded that they will not produce an impact because the current classification and measurement of its financial instruments are aligned to IFRS 9. The simplified model will be applied for the impairment of trade receivables, and it is similar to the current model, and the Confederation does not have hedging instruments.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model that will apply to income from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to a customer. The new standard for income will replace all current requirements for revenue recognition under IFRS. Either a full or modified retrospective application is required for annual periods beginning on 1th. January 2018. Early adoption is permitted.

The Confederation is planning on adopting the standard on the date of required application, and it does not expect that it will have an impact on the Confederation's results, since the recognition of its product and service sales is expected to continue to occur at the time the asset's control is transferred to the client, generally upon delivery of the goods.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and 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 model in the statement of financial position, 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).

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5. Future changes in accounting policies (continued)

IFRS 16 Leases (continued)

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 of use of the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees will be also be 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 current 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 1 January 2019. Early application is allowed, 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.

In 2018, the Confederation will continue assessing the potential effect of IFRS 16 on its separate financial statements.

Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation explains that when one determines the spot exchange rate to be used on an asset's initial recognition, or the loss or gain (or part of one) that results from derecognizing a non-monetary asset or liability related to the advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or liability that arises from the advance consideration. If there are multiple advance payments or receipts, the entity must determine the date of the transaction for each payment or receipt of the advance consideration. Entities may apply the modifications in a full retrospective manner.

Alternately, an entity may apply the interpretation prospectively to all assets, losses or gains within its scope that are initially recognized in or after:

- The start of the reporting period when the entity first applies the interpretation, or
- The start of a previous reporting period in which it was presented as comparative information in the financial statements of the period being reporting where the entity applies the interpretation for the first time.

The interpretation is effective for annual periods beginning on or after 1 January 2018. Early application is allowed and it should be revealed. It is not expected to have an effect on the separate financial statements when it enters into effect.

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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>2017</u>	<u>2016</u>
US dollars:			
<i>Assets:</i>			
Cash and cash equivalents	US\$	552,924	109,726
Accounts receivable from affiliates		35,769	259,779
Other accounts receivable		25,749	5,138
Total assets		<u>614,442</u>	<u>374,643</u>
<i>Liabilities:</i>			
Accounts payable to vendors and others		(61,919)	(29,281)
Accounts payables to affiliates and directors		(34,647)	(114,300)
Accruals and withholdings payable		(28,551)	(29,035)
Total liabilities		<u>(125,117)</u>	<u>(172,616)</u>
Net position in dollars - assets	US\$	<u>489,325</u>	<u>202,027</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		(50,000)	(50,000)
Net position in swiss francs - assets	CHF	<u>700,000</u>	<u>700,000</u>

7. Cash and hand and at banks

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

		<u>2017</u>	<u>2016</u>
Petty cash		38,914	37,972
Deposits in banks (a)		<u>27,179,110</u>	<u>5,719,264</u>
		<u>27,218,024</u>	<u>5,757,236</u>

(a) As of December 31, 2017, this amount includes US\$552,324 (2016: US\$109,726) which correspond to bank deposits in bank accounts in the Dominican Republic. These accounts accrue annual interest rates between 0.35% and 1% (2016: 0.35% and 1%) of the available balance. During the year ended as of December 31, 2016, these accounts generated interest for RD\$25,046 (2016: RD\$27,187), which are included as other income in the accompanying income statements.

As of December 31, 2017 and 2016, 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, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Fédération Internationale de Volleyball (FIVB) (a)	37,042,500	36,696,000
Affiliated federations (b):		
Federación Peruana de Voleibol	78,068	149,184
ECVA-EASTERN Caribbean Volleyball Assoc.	-	78,517
Ligue Volleybal de Martinique	21,685	-
Regional Volleyball Development Centre Tijuana	-	1,864,800
Jamaica Volleyball Association	564,285	779,001
Trinidad & Tobago Volleyball Federation	1,207,144	-
Federación Nacional de Voleibol de Honduras	-	65,268
Federación Puertorriqueña de Voleibol	240,950	834,731
Federación Mexicana de Voleibol	168,665	5,989,738
Federación Panameña de Voleibol	-	18,648
French St. Martin Volleyball Association	7,228	-
Sub-total	<u>39,330,525</u>	<u>46,475,887</u>
Estimated doubtful accounts loss (c)	<u>(37,606,785)</u>	<u>(779,001)</u>
Total Accounts Receivables from Affiliates	<u><u>1,723,740</u></u>	<u><u>45,696,886</u></u>

- (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 31st, 2017, revenue recognized for this item amounted to CHF 598,717 equivalent to RD\$29,570,639 (2016: CHF 750,000, equivalents a RD\$34,365,000).

As of December 31, 2016, 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.

- (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\$47,479 in 2017 (2016: US\$169,779).

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

- (c) The activity during the years ended December 31 for estimated doubtful accounts loss is as follows:

	<u>2017</u>	<u>2016</u>
Balance at the beginning of year	(779,001)	(683,522)
Reserve increase	(37,042,500)	(95,479)
Amounts charged to the estimate	214,716	-
Balance at the end of the year	<u>(37,606,785)</u>	<u>(779,001)</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	
2017	<u>1,723,740</u>	-	-	-	<u>37,606,785</u>	<u>39,330,525</u>
2016	<u>38,919,037</u>	<u>2,097,900</u>	-	<u>5,458,950</u>	-	<u>46,475,887</u>

The Breakdown of accounts payable to affiliates and directors as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Fédération Internationale de Volleyball (FIVB) (d)	(2,049,912)	(1,983,127)
USA Volleyball (e)	(240,950)	(466,200)
Federación Puertorriqueña de Voleibol (f)	(82,423)	(79,737)
Curacao Volleyball Association (g)	(13,493)	(13,054)
ECVA Economic Assistance (h)	-	(251,748)
Canada Volleyball Association (i)	(279,502)	(82,984)
Federación Panameña de Voleibol (j)	(216,855)	-
Ligue Guadeloupenne de Volleyball (k)	(144,570)	(139,860)
Barbados Volleyball Federation (l)	(21,685)	(20,978)
Cristóbal Marte Hoffiz - President of the Confederation (m)	(2,729,877)	(2,291,000)
Federación Mexicana de Voleibol (n)	(81,923)	-
	<u>(5,861,190)</u>	<u>(5,328,688)</u>
Notes payable (Note 13)	<u>(48)</u>	<u>-</u>

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8. Balances and transactions with affiliates and directors (continued)
- (d) As of December 31, 2017, it corresponds to the membership payment corresponding to FIVB for US\$4,700 (2016: US\$4,700 and for the International transfer Certificate (ITC) for US\$37,838).
 - (e) As of December 31, 2017, it corresponds to the prize for being the winner of Norceca Tour in the male and female branch 2017 for US\$5,000 (2016: US\$10,000).
 - (f) As of December 31, 2017, it corresponds to the remaining payment of 10% of fees for the International Transfer Certificate (ITC), season 2012-2013 for US\$1,120 (2016: US\$1,710) and pay 10% fee for International Transfer of Male Athletes, season 2016 in the amount of US\$591.
 - (g) As of December 31, 2017 and 2016, 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.
 - (i) As of December 31, 2017, corresponds to 33% of the registration of the 7th. stage of the Norceca 2016 tour and prize for being the winner of the Norceca female branch tour of 2017 for an amount of US\$5,800 (2016: US\$1,780).
 - (j) As of December 31, 2017, it corresponds to the economic assistance of the Central American Games U19 for an amount of US\$4,500).
 - (k) As of December 31, 2017 and 2016, 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, 2017 and 2016, these correspond to the balance pending of payment for return 50% of the referee payment in the U-21 NORCECA Volleyball Championship held in Salvador City for US\$450.
 - (m) As of December 31, 2017 and 2016, these correspond mainly to the compensation assigned for the president of Norceca for US\$49,142.
 - (n) As of December 31, 2017, corresponds to payment corresponding to the registration in 1st. stage Playa del Tour Norceca 2017, held in La Paz Baja California Sur, Mexico, for an amount of US \$1,700.

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.

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

Transactions:

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

	<u>2017</u>	<u>2016</u>
<i>Income:</i>		
Economic contributions received	32,209,582	55,401,058
Events and activities	36,266,101	50,701,628
Affiliation fees	723,547	712,296
Other	12,028,530	4,276,454
	<u>81,227,760</u>	<u>111,091,436</u>
<i>Expenses:</i>		
Sport Equipment donated to federations	<u>20,066,422</u>	<u>23,736,927</u>
Economic contributions granted:		
Asociación de Federaciones Centroamericanas de Voleibol (AFECAVOL)	6,139,739	16,716,102
Caribbean Zonal Volleyball Association (CAZOVA)	10,969,449	22,084,945
Eastern Caribbean Volleyball Association (ECVA)	6,889,764	22,855,514
North Central Zone Association (NCVA)	1,210,074	4,556,472
	<u>25,209,026</u>	<u>66,213,033</u>
Other expenses:		
Rentals	979,182	979,182
Accommodation, travel expenses and meals	820,150	485,194
Representation expenses	734,477	673,829
Airline tickets	372,905	142,104
Commission meetings - Executive Committee and Board of Administration	409,504	1,103,466
	<u>3,316,218</u>	<u>3,383,775</u>
	<u>48,591,666</u>	<u>93,333,735</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 Federation (FEDOVOLI), 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, 2017, 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\$2,469,500 (2016: CHF50,000 equivalent to approximately RD\$2,291,000) as compensation for his functions. In addition, he receives the payment of expenses incurred in performing said duties. As of December 31, 2017 obligations related to these concepts were pending payment.

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9. Other accounts receivable

The breakdown of other accounts receivable is as follows:

	<u>2017</u>	<u>2016</u>
Employees (a)	336,010	256,726
Loans to Related (b)	78,950	76,378
Other (c)	<u>1,014,379</u>	<u>55,944</u>
	<u>1,429,339</u>	<u>389,048</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, 2017, these correspond to loans for purchase of airplane tickets to participate in the press Commission Meetings for US\$1,638 equivalent to RD\$78,950 (2016: US\$1,638 equivalent to RD\$76,378).

(c) As of December 31, 2017, accounts receivable from Molten Corporation are included for the advance payment for the purchase of volleyball balls, for an amount of US\$18,850 equivalent to RD\$908,362.

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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>2017</u>	<u>2016</u>
<i>Molten supplies:</i>		
Balls	9,616,182	14,216,508
Nets	2,354,848	1,295,279
Ball carts	19,020	-
Antennas	21,669	139,045
Flags	327,936	323,374
Pressure gauges	62,509	82,248
Coaching portfolios	232,338	279,025
Masking tape	104,881	118,653
Scoreboard	4,298	96,705
Air pumps	22,430	49,767
	<u>12,766,111</u>	<u>16,600,604</u>
<i>Mikasa supplies:</i>		
Balls	1,990,455	2,404,666
Nets	127,690	127,690
Antennas	138,082	138,082
Game lines	67,625	67,625
Ball carts	12,920	12,920
	<u>2,336,772</u>	<u>2,750,983</u>
<i>Jinling supplies</i>		
Referee stands	798,810	798,810
Net system	793,497	793,497
Nets	408,106	408,106
Padding and vertical padding	181,636	181,636
Antennas	140,313	140,313
Cutting line system	146,321	146,319
Anchoring system	99,630	99,630
Floor plates	65,180	65,181
	<u>2,633,493</u>	<u>2,633,492</u>
<i>Others</i>		
Doping kit:	60,276	110,162
Mizuno Uniforms	8,560,303	276,341
Beach volleyball game lines	166,980	352,745
Referee uniforms	43,717	52,639
Gerflor floors	3,737,103	3,737,103
Antennas tandem	576,269	-
	<u>13,144,648</u>	<u>4,528,990</u>
Subtotal	30,881,022	26,514,069
Estimation due to inventory obsolescence (a)	<u>(6,867,916)</u>	<u>(2,085,554)</u>
Inventory total	<u>24,013,106</u>	<u>24,428,515</u>

(a) For the years ended December 31, 2017 and 2016, accounting records related to the valuation of inventories were made at their net realizable value of RD\$5,256,713 and RD\$572,354 respectively.

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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 and Others	Computer Equipment	Power Plant	Total
Acquisition cost:				
Balances as of January 1th, 2016	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	3,523,851	1,008,543	1,344,881	5,877,275
Additions	953,089	99,444	-	1,052,533
Retirements	<u>(474,043)</u>	<u>(59,645)</u>	-	<u>(533,688)</u>
Balances as of December 31, 2017	<u>4,002,897</u>	<u>1,048,342</u>	<u>1,344,881</u>	<u>6,396,120</u>
Accumulated depreciation:				
Balances as of January 1th, 2016	(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	(3,408,913)	(911,044)	(224,863)	(4,544,820)
Depreciation expense for the year	(175,510)	(84,559)	(201,731)	(461,800)
Retirements	474,043	59,645	-	533,688
Reclassifications	<u>85,229</u>	<u>9,318</u>	<u>(94,547)</u>	<u>-</u>
Balances as of December 31, 2017	<u>(3,025,151)</u>	<u>(926,640)</u>	<u>(521,141)</u>	<u>(4,472,932)</u>
Net carrying amount:				
As of December 31, 2017	<u>977,746</u>	<u>121,702</u>	<u>823,740</u>	<u>1,923,188</u>
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, 2017, the Confederation maintains in use fully depreciated assets for approximately RD\$3,546,000 (2016: RD\$3,722,000).

12. Sports 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\$270,000 in the 2017 (2016: US\$260,000).

The allocation for sports supplies from Molten in 2017 was US\$270,004 equivalent to RD\$12,806,290 (2016: US\$260,004 equivalent to RD\$12,018,161). In addition, Sport Court floors were received for a total of US\$136,382 equivalent to RD\$6,572,267 and MIKASA balloons for a value of US\$9,600 equivalent to RD\$454,080 (2016: US\$172,585 equivalent to RD\$8,045,894), (2016: MIKASA brand balloons for a value of US\$3,840 equivalent to RD\$175,795).

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13. Notes payable

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

	<u>2017</u>	<u>2016</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\$500,000 and renewed on July 19, 2017 for an amount of US\$1,000,000. The amount used during the year 2017 was US\$325,000 (2016: US\$500,000), which bear an annual interest of 9%. Interests are payable monthly until the maturity date of the line of credit.	<u>48</u>	<u>-</u>

Interest expenses generated during the year for the line of credit amount to US\$6,052 equivalent to RD\$289,631 (2016: US\$33,983 equivalent to RD\$1,554,102).

14. Accounts payable to vendors and others

These accounts payable correspond to vendors and others, which 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, 2017, US\$61,919 (2016: US\$29,281) 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>2017</u>	<u>2016</u>
Wages	7,097,487	7,103,479
Christmas bonus	822,813	585,530
Vacations	349,638	354,417
Notice and unemployment fee	2,401,347	36,719
Services to personnel	865,705	818,444
Social Security	1,076,061	1,058,347
	<u>12,613,051</u>	<u>9,956,936</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>2017</u>	<u>2016</u>
Norceca Congress (a)	2,717,491	-
FIVB Work Meetings (b)	167,019	512,444
Norceca Work Commissions (c)	617,228	2,591,834
Meeting of the Executive Committee and Board of Administration (a)	409,504	1,103,466
AFECAVOL Assembly (d)	111,726	159,344
ECVA Assembly (d)	498,861	1,095,393
CAZOVA Assembly (d)	187,482	163,325
	<u>4,709,311</u>	<u>5,625,806</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 San José, Costa Rica 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>2017</u>	<u>2016</u>
Women's Pan-American Volleyball Cup	100,351	79,065
U-19 Men´s Panamerican Cup	17,603	-
Central American Games	60,710	-
FIVB World Championship qualifying tournament	2,372,794	-
1st. Stage XI (X) NORCECA Beach Volleyball Circuit	369,371	181,001
2nd. Stage XI (X) NORCECA Beach Volleyball Circuit	263,207	129,878
3rd. Stage XI (X) NORCECA Beach Volleyball Circuit	265,993	2,248
4th. Stage XI (X) NORCECA Beach Volleyball Circuit	227,905	545,841
5th. Stage XI (X) NORCECA Beach Volleyball Circuit	211,310	659,187
6th. Stage X NORCECA Beach Volleyball Circuit	-	465,195
7th. Stage X NORCECA Beach Volleyball Circuit	-	791,724
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	42,570	-
FIVB Beach Volleyball World Continental Cup	-	3,885,216
U-18 Final Four	44,096	-
U-20 Women's Pan American Cup	103,116	-
U-18 Women's Pan American Cup	47,915	-
Bolivarian Games	291,287	-
National Team Training Camps	242,606	1,115,404
Prize money and incentives	666,838	466,200
U-20 NORCECA Continental Championship	-	38,140
U-23 Women's Pan-American Volleyball Cup	-	127,110
U-23 Men's Pan-American Volleyball Cup	-	577,313
U-18 NORCECA Continental Championship	-	45,961
U-21 NORCECA Continental Championship	-	7,032
Women's World Qualification Tournaments (Pre-Olympic)	-	143,199
Men's World Qualification Tournaments (Pre-Olympic)	-	13,641
Olympic Qualifying World Tournament	-	372,661
Olympic Games	-	405,311
Men's Pan-American Volleyball Cup	140,871	-
	<u>5,468,543</u>	<u>11,993,416</u>

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18. Regional volleyball development center

As of December 31, 2017 and 2016 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\$3,439,628 (2016: RD\$3,351,343).

19. Other expenses

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

	<u>2017</u>	<u>2016</u>
Building maintenance	180,008	93,058
Doping control	727,892	1,618,564
Rentals (a)	979,182	979,182
Transportation, fuels and lubricants	554,922	463,238
Bank charges	468,778	915,325
Others	1,181,039	2,078,752
	<u>4,091,821</u>	<u>6,148,119</u>

(a) During the year ended December 31, 2017 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.

Liquidity risk

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

	<u>2017</u>			
	<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	2,177,318	962,836	120,234	3,260,388
Accounts payable to affiliates and directors	1,307,894	-	4,553,296	5,861,190
Notes payable	-	48	-	48
	<u>3,485,212</u>	<u>962,884</u>	<u>4,673,530</u>	<u>9,121,626</u>

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

Liquidity risk (continued)

	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>

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:

		Increase (decrease) in the US\$ rate	Effect of change on Net Assets <u>Liabilities</u>
2017	US\$	+5%	1,179,030
	US\$	-5%	<u>(1,179,030)</u>
2016	US\$	+5%	470,294
	US\$	-5%	<u>(470,294)</u>
		Increase (decrease) In the CHF rate	Effect of change on Net Assets <u>Liabilities</u>
2017	CHF	+5%	(1,728,650)
	CHF	-5%	<u>1,728,650</u>
2016	CHF	+5%	(1,603,700)
	CHF	-5%	<u>1,603,700</u>

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

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.

Interest rate risk

The Confederation's income and operating cash flows are substantially independent of market interest rate changes. As of December 31, 2017, the Confederation has contracted liabilities which bear monthly interest at annual rates, which are similar to market rates.

21. Reasonable Values

Below is a comparison of the book value and fair values of the Confederation's financial instruments, except those in which the book value is approximately similar to fair value: 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.

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Value in</u>	<u>Fair</u>	<u>Value in</u>	<u>Fair</u>
	<u>Books</u>	<u>Value</u>	<u>Books</u>	<u>Value</u>
Financial liabilities				
Notes payables	<u>(48)</u>	<u>(48)</u>	<u>-</u>	<u>-</u>

The Administration of the Confederation estimates that cash in banks and cash, accounts receivable from affiliates and other accounts receivable, accounts payable to affiliates, accounts payable to suppliers and others have a fair value close to their book value due in large part to their short-term maturities.

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22. Changes in liabilities from financing activities

	2017				
	1st January 2017	Cash Flow			December 31, 2017
		Product of new financial liabilities	Payments made	Capitalized interests	
Notes payables	-	15,661,750	(15,661,702)	-	48

	2016				
	1st January 2016	Cash Flow			December 31, 2016
		Product of new financial liabilities	Payments made	Capitalized interests	
Notes payables	13,629,633	-	(13,629,633)	-	-