

**INSTITUTO EDUCATIVO DEL NOROESTE, A.C.**

**REPORT OF INDEPENDENT AUDITORS  
OF FINANCIAL STATEMENTS**

**YEARS ENDING ON  
DECEMBER 31, 2010 AND 2009**

March 23, 2011

Board of Trustees  
Instituto Educativo del Noroeste, A.C.

We have examined the accompanying Balance Sheets of Instituto Educativo del Noroeste, A.C. as of December 31<sup>st</sup>, 2010 and 2009 and related Statements of Operations and Changes in Net Worth and Statement of Changes in Financial Position of Instituto Educativo del Noroeste, A.C. These financial statements are the responsibility of the Institute's management. Our responsibility is to express and opinion of these financial statements based on our audit.

We conducted our audit in accordance with Mexican generally accepted auditing standards; they require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any major errors, and are prepared in accordance with the Mexican Financial Reporting Standards. The audit includes examining, based on selective tests, evidence that supports the amounts and disclosures in the financial statements. Likewise, it also includes assessing the reporting standards used, the significant estimates made by management, and the presentation of the financial statements taken as a whole. We believe that our audit provides a reasonable basis to support our opinion.

In our opinion, the financial statements mentioned above fairly demonstrate, in all the important aspects, the financial situation of Instituto Educativo del Noroeste, A.C. as of December 31<sup>st</sup>, 2010 and 2009, the results of its operations, the changes in the financial position according to the Mexican Financial Reporting Standards, and the applicable accounting practices for this kind of entity.



Enrique Almaraz Tamayo, C.P.A.  
Professional Certificate 80553.

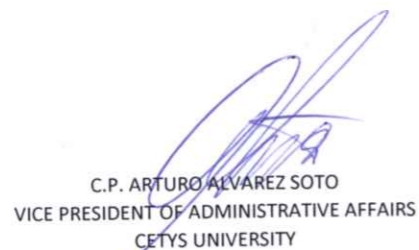
**INSTITUTO EDUCATIVO DEL NOROESTE, A.C.**  
**BALANCE SHEET**


(Figures expressed in pesos)

	UP TO DECEMBER 31		UP TO DECEMBER 31	
	2010	2009	2010	2009
<b>ASSETS</b>				
WORKING CAPITAL:				
OPERATING FUNDS (B-1 NOTE)	\$ 42,548,916	\$ 49,773,923		
TEMPORARILY RESTRICTED FUNDS (B-1 NOTE)	74,531,326	48,933,914		
ACCOUNTS RECEIVABLE				
STUDENTS ( C-1 NOTE)	35,218,334	21,612,209		
OTHERS ( C-2 NOTE)	6,682,231	5,190,114		
	41,900,565	26,802,323		
ADVANCED PAYMENTS	4,544,509	4,947,521		
INVENTORY AND OTHER ASSETS	3,393,927	2,462,024		
SUM - WORKING CAPITAL	166,919,243	132,919,705		
EDUCATIONAL CREDIT (C-1 NOTE)	53,974,424	37,796,371		
INVESTMENTS IN STOCKS AND CONTRIBUTIONS (G NOTE)	2,390,245	2,386,577		
REAL ESTATE AND EQUIPMENT: (F NOTE)				
LAND	806,147,724	664,960,113		
BUILDING AND FACILITIES	302,444,866	287,208,815		
ACADEMIC EQUIPMENT, TRANSPORTATION, AND OTHERS	234,688,522	210,641,010		
	1,343,281,112	1,162,809,938		
<b>SUM ASSETS</b>	<b>\$ 1,566,565,024</b>	<b>\$ 1,335,912,591</b>		
<b>LIABILITIES</b>				
SHORT TERM:				
TAXES PAYABLE	\$ 9,573,040	\$ 8,503,226		
ACCOUNTS PAYABLE	7,479,558	7,973,669		
SHORT-TERM DOCUMENTS PAYABLE (H NOTE)	1,650,000	4,707,667		
LONG-TERM PORTION OF THE WORKING LIABILITY (I NOTE)	1,996,766	124,593		
SUM - SHORT-TERM LIABILITIES	20,699,364	21,309,155		
LONG-TERM LIABILITIES (I NOTE)	27,450,180			
DEFERRED INCOME (K NOTE)	12,911,855	13,711,457		
SUM - TOTAL LIABILITIES	61,061,399	35,020,612		
<b>NET WORTH</b>				
OPERATING NET WORTH	294,186,692	259,921,883		
TEMPORARILY RESTRICTED NET WORTH	96,398,276	87,581,386		
REVALUATION SURPLUS (F NOTE)	1,114,918,657	953,388,710		
SUM OF TOTAL NET WORTH	1,505,503,625	1,300,891,979		
<b>SUM - LIABILITIES AND NET WORTH</b>	<b>\$ 1,566,565,024</b>	<b>\$ 1,335,912,591</b>		

	<u>2010</u>	<u>2009</u>
PENSIONS' FUND (J NOTE)	\$ 18,739,718	\$ 21,926,344

SEE NOTES IN THE FINANCIAL STATEMENTS

  
 C.P. ARTURO ALVAREZ SOTO  
 VICE PRESIDENT OF ADMINISTRATIVE AFFAIRS  
 CETYS UNIVERSITY

  
 C.P. HECTOR VELEZ GARCIA  
 GENERAL ACCOUNTANT  
 CETYS UNIVERSITY

**INSTITUTO EDUCATIVO DEL NOROESTE, A.C.**  
**ACTIVITY AND CHANGE STATEMENTS IN NET WORTH**  
**YEARS ENDING ON DECEMBER 31, 2010 & 2009**  
(Figures expressed in pesos)

	NOT RESTRICTED	TEMPORARILY RESTRICTED				2010	2009
	OPERATION	EDUCATIONAL CREDIT	INVESTMENTS	SCHOLARSHIPS	RAFFLES	TOTAL	TOTAL
<b>INCOME:</b>							
ENROLLMENT, TUITION, COURSES, AND SCHOOL FEES	\$ 404,232,633					\$ 404,232,633	\$ 375,518,858
INTERESTS & FINANCING	3,480,871	4,805,946	192,700	88,351	559,749	9,127,617	9,045,020
CONSULTATION, SERVICES, & LIAISON WITH COMPANIES	22,080,350					22,080,350	15,138,201
DONATIONS	30,068,179					30,068,179	26,381,178
OTHERS (M NOTE)	37,907,566	1,954,767		16,352,079	44,881,253	101,095,665	70,907,934
	<u>497,769,599</u>	<u>6,760,713</u>	<u>192,700</u>	<u>16,440,430</u>	<u>45,441,002</u>	<u>566,604,444</u>	<u>496,991,191</u>
<b>DISBURSEMENTS:</b>							
SERVICES OF PROGRAMS:							
SALARIES AND BENEFITS	139,984,572	63,105		4,497		140,052,174	112,698,914
OPERATING COSTS (INCLUDE \$2,763,434 IN 2010 & \$2,735,713 IN 2009 OF FINANCIAL COSTS)	184,678,922	5,064,616		2,189,676		191,933,214	175,582,583
	<u>324,663,494</u>	<u>5,127,721</u>	<u>-</u>	<u>2,194,173</u>	<u>-</u>	<u>331,985,388</u>	<u>288,281,497</u>
SUPPORTING ACTIVITIES:							
SALARIES AND BENEFITS	78,294,386				7,950,315	86,244,701	99,516,243
GENERAL EXPENSES	74,372,535		43,260		25,284,166	99,699,961	85,019,075
FUND RAISING EXPENSES	5,526,003					5,526,003	7,619,423
	<u>158,192,924</u>	<u>-</u>	<u>43,260</u>	<u>-</u>	<u>33,234,481</u>	<u>191,470,665</u>	<u>192,154,741</u>
NET WORTH FREE OF RESTRICTIONS	188,326			(456,770)	201,752	(66,692)	(17,361)
TRANSFER TO RESTRICTED FUNDS	19,163,302			(13,145,102)	(6,018,200)	-	-
<b>NET CHANGE IN THE ACCOUNTING NET WORTH</b>	<b>34,264,809</b>	<b>1,632,992</b>	<b>149,440</b>	<b>644,385</b>	<b>6,390,073</b>	<b>43,081,699</b>	<b>16,537,592</b>
<b>ACCOUNTING NET WORTH AT THE BEGINNING OF THE YEAR</b>	<b>259,921,883</b>	<b>65,076,122</b>	<b>4,330,110</b>	<b>3,361,031</b>	<b>14,814,123</b>	<b>347,503,269</b>	<b>330,965,677</b>
<b>FUNDS AT THE END OF THE YEAR</b>	<b>\$ 294,186,692</b>	<b>\$ 66,709,114</b>	<b>\$ 4,479,550</b>	<b>\$ 4,005,416</b>	<b>\$ 21,204,196</b>	<b>390,584,968</b>	<b>347,503,269</b>
SURPLUS REVALUATION AT THE BEGINNING OF THE YEAR						953,388,710	814,283,311
INCREASE IN SURPLUS DUE TO REVALUATION (F NOTE)						161,529,947	139,105,399
<b>ACCOUNTING NET WORTH AT THE END OF THE YEAR</b>						<b>\$ 1,505,503,625</b>	<b>\$ 1,300,891,979</b>

THE ATTACHED NOTES ARE PART OF THE FINANCIAL STATEMENTS

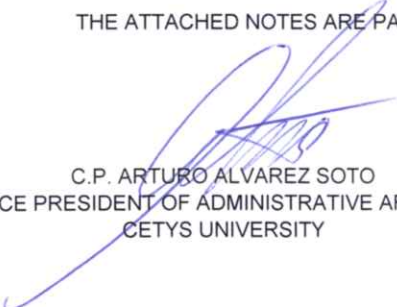
C.P. ARTURO ALVAREZ SOTO  
VICE PRESIDENT OF ADMINISTRATIVE AFFAIRS  
CETYS UNIVERSITY


C.P. HECTOR VELEZ GARCIA  
GENERAL ACCOUNTANT  
CETYS UNIVERSITY

**INSTITUTO EDUCATIVO DEL NOROESTE, A.C.**  
**STATEMENTS OF CASH FLOW**  
**YEARS ENDING ON DECEMBER 31, 2010 AND 2009**  
(Figures expressed in pesos)

	<u>2010</u>	<u>2009</u>
<b>OPERATION:</b>		
CHANGES IN ACCOUNTING NET WORTH	\$ 43,081,699	\$ 16,537,592
MORE CHARGES (CREDITS) TO THE OPERATION THAT DID NOT REQUIRE CASH		
ASSET LOSS	-	97,155
BAD DEBT	3,709,042	4,311,880
NET VARIATION IN NET WORTH FUNDS		
	<u>46,790,741</u>	<u>20,946,627</u>
RESOURCES GENERATED (USED) IN THE OPERATION:		
(+) TAXES PAYABLE	1,069,814	1,161,693
(-) ACCOUNTS PAYABLE	(494,111)	(1,843,838)
(+) DEFERRED INCOME	(799,602)	2,413,821
(-) ACCOUNTS RECEIVABLE- STUDENTS AND EDUCATIONAL CREDIT	(30,971,336)	(6,386,708)
(-) ADVANCED PAYMENTS AND OTHER ACCOUNTS	(4,546,560)	(3,358,091)
<b>NET CASH CHANGES ON OPERATING ACTIVITIES</b>	<u>11,048,946</u>	<u>12,933,505</u>
<b>INVESTMENT</b>		
EQUIPMENT PURCHASE	<u>18,941,227</u>	<u>24,123,371</u>
<b>NET CASH CHANGES ON INVESTMENT ACTIVITIES</b>	<u>18,941,227</u>	<u>24,123,371</u>
<b>FINANCING:</b>		
LOANS	29,446,946	-
AMORTIZATION OF BANK LOANS	<u>(3,182,260)</u>	<u>(3,204,635)</u>
<b>NET CASH CHANGES ON FINANCING ACTIVITIES</b>	<u>26,264,686</u>	<u>(3,204,635)</u>
<b>NET CASH CHANGE AND OTHER CASH EQUIVALENTS</b>	<u>18,372,405</u>	<u>(14,394,501)</u>
CASH AT THE BEGINNING OF THE YEAR	<u>98,707,837</u>	<u>113,102,338</u>
<b>CASH AT THE END OF THE YEAR</b>	<u>\$ 117,080,242</u>	<u>\$ 98,707,837</u>

THE ATTACHED NOTES ARE PART OF THE FINANCIAL STATEMENTS

  
C.P. ARTURO ALVAREZ SOTO  
VICE PRESIDENT OF ADMINISTRATIVE AFFAIRS  
CETYS UNIVERSITY

  
C.P. HECTOR VELEZ GARCIA  
GENERAL ACCOUNTANT  
CETYS UNIVERSITY

INSTITUTO EDUCATIVO DEL NOROESTE, A.C.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDING ON DECEMBER 31, 2010 AND 2009

---

A. NATURE OF THE INSTITUTION AND SUMMARY OF THE MAIN POLICIES AND ACCOUNTING PRACTICES.

1. NATURE AND OBJECTIVES

The Instituto Educativo del Noroeste, A.C. (Northwestern Educational Institute, Civil Association) is a non-profitable Civil Association created to support the development of the Centro de Enseñanza Técnica y Superior (CETYS) (Higher and Technical Teaching Center) dedicated to initiate, promote, foster, stimulate, sponsor, or directly manage and guide all kinds of educational, scientific research, and spreading cultural activities.

2. INCOME EXAMINATION

The income by enrollment, tuition, and school fees are recognized at the date they are accrued. The accounts receivable to the students with previous educational credit draw interests in a six-month period at a rate that fluctuates between 6.00% and 10.00% annually. The application to the profit and loss operating results of such interests is deferred, and it is recognized in the yearly income according as to how they are being accrued.

3. OPERATIONS IN FOREIGN CURRENCY

The operations in foreign currency are entered at the exchange rate of the date in which they are carried out. At the close of the accounting period, the balances are evaluated at the current exchange rate, and the variations affect the profit and loss operating results.

4. REAL ESTATE AND EQUIPMENT

The purchases of real estate and equipment are recorded at cost. At the balance sheet date, the values are partially updated by the method of adjustments on changes in the level of general prices with the exception of land because the Institute decided to modify the updating procedure applying replacement values carried out by an independent certified expert registered before the National Banking and Insurance Committee, and updating such appraisal every two years. There is no depreciation recognition on real estate and equipment. It is the policy of the Institute not to register the depreciation of real estate either by use or by the course of time.

5. SENIORITY PREMIUM

The Federal Labor Law obligates the Institute to pay its employees a seniority premium at the time of resignation when they have more than 15 years of service, if they are dismissed, or if death occurs before that time. This benefit is calculated at a rate of 12

INSTITUTO EDUCATIVO DEL NOROESTE, A.C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDING ON DECEMBER 31, 2010 AND 2009

---

days of salary, limited to double the regional minimum salary of the area for every year worked, or proportionally when the whole year has not gone by.

The appropriation of this concept to the profit and loss results is recognized at the moment when it legally becomes demandable.

In the case of the retirement pension, its payment affects the pension fund created for such purpose.

6. DISMISSAL INDEMNITY

The indemnities that the Institute must pay employees that are unjustly dismissed according to the Federal Labor Law will be charged to the profit and loss operation results the year that liability becomes demandable for this concept.

7. DONATIONS

The donations are recognized as income in the year they are received. The donations received for specific purposes increase the corresponding net worth fund. The surplus, if it is the case, is transferred to the non-restricted net worth when its original objective has been accomplished; with the exception of the ones received for students' scholarships fund.

B. CASH AND INVESTMENTS

1. The balance is made out of cash and investments.

<u>Funds</u>	<u>2010</u>	<u>2009</u>
Operating Funds (a)	\$ 42'548,916	\$ 49'773,923
Temporarily Restriced Funds (b)		
Educational Credit	21'214,428	18'659,643
Fund Raising	2'951,432	1,622,059
Scholarships	4'281,416	3'420,377
Special Investment	4'479,549	4'330,109
Projects	17'258,814	9'616,563
Raffles	24'345,687	11'285,163
Total Restricted Funds	74'531,326	48'933,914
Sum of Restricted and Operating Funds	\$ 117'080,242	\$ 98'707,837

INSTITUTO EDUCATIVO DEL NOROESTE, A.C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDING ON DECEMBER 31, 2010 AND 2009

---

(a) The balance is made out of remains that come from and will be applied to the operation; they are available today in a checking and short-term investment accounts.

(b) It is made out of resources that will be exclusively destined to promote and foster secondary and higher education through the granting of credits to students, by giving distinguished chair to faculty of the Institution, and for special projects. Such resources are invested in banking institutions.

2. The balances in dollars were converted at the official exchange rate current on December 31, 2010, of \$12.3571, and 13.0587 in 2009.

<u>Concept</u>	<u>2010</u>	<u>2009</u>
Investments and Accounts in Dollars in Banks	3'185,451	3'107,215

C. ACCOUNTS RECEIVABLE

1. Accounts receivable due to the students' credits are made up of the following way:

<u>Type of Credit</u>	<u>Balance on December 31, 2009</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Short-Term</u>	<u>Long-Term</u>	<u>Short-Term</u>	<u>Long-Term</u>
Tuition	\$14'696,795	\$	\$11'642,409	\$ 0
Estimate for uncollected tuition	- 2'693,250		- 2'688,643	
Advanced Enrollment	36,790		23,473	
Definite Educational Credit	12'320,469	20'562,650	12'634,970	16'427,247
Definite Educational Credit (SOFES)	10'857,530	18'121,031	0	0
Previous Educational Credit		17'743,707		22'639,537
Estimate for bad debt accounts for previous credit		-2'452,964	0	-1'270,413
	<u>\$35'218,334</u>	<u>\$53'974,424</u>	<u>\$21'612,209</u>	<u>\$37'796,371</u>

In the 2003 accounting period, the Institute implemented an incentive policy for education consisting in the accrued interests of the credit that CETYS gives. The only required payment was the equivalent to an updated tuition at present value.



INSTITUTO EDUCATIVO DEL NOROESTE, A.C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDING ON DECEMBER 31, 2010 AND 2009

The mentioned incentive will be granted in a gradual way; the same way that the owed payments are carried out.

2. Other accounts receivable are made up of the following way:

	<u>2010</u>	<u>2009</u>
Sundry Debtors Employees	\$ 1'104,686	\$ 1'164,854
Continuous Education Extension	1'762,023	1'030,000
Accounts Receivable Raffles	5'096,863	4'968,678
Estimate for bad debts		
Raffles	- 4'602,900	- 4'002,482
Others	3'321,559	2'029,064
 Total	 \$ 6'682,231	 \$ 5'190,114

D. RECOVERY PROJECTS OF DEFINITE EDUCATIONAL CREDITS

YEAR	<u>2010</u>	<u>2009</u>
2008	\$	\$
2009	2'283,498	4'002,933
2010	6'970,080	8'632,020
2011	13'924,422	5'096,535
2012	14'453,661	4'788,537
2013	11'314,938	3'388,447
2014	4'928,671	
Future	7'986,410	3'153,729
	\$ 61'861,680	\$ 29'062,201

E. GRANTING OF EDUCATIONAL CREDIT

During the 2010 accounting period, the granting of educational credit to the returning students was provided with the Institution's own resources.

The credit brings the following characteristics:

- To be accepted by CETYS University with a minimum of 1050 points in the College Board admissions exam.
- To apply a socioeconomic study.
- Yields interest at a TIIE Rate. This comes out of the arithmetic average from the Interbank Interest Balance rates at a 28-day period, or the period that substitutes it determined by the Bank of Mexico and that is published in the Federation's Official Journal the month they become accrued.
- Monthly payment of interests in the study and grace periods.

INSTITUTO EDUCATIVO DEL NOROESTE, A.C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDING ON DECEMBER 31, 2010 AND 2009

---

- A maximum credit granted of 30% percent.
- Academically evaluated in a six-month period with sanctions or cancellation depending on the case when the following conditions are not complied with:
  - o Academic average of 8
  - o Failed subjects
- A six-month period of grace at the end of his/her studies.
- At the time the payment period comes, the interest rate is defined so the financing can be recorded at the agreed period with the student; this period must not exceed the same number of months of the study term. The monthly payment will be both to capital and to interests.

F. REVALUATION OF REAL ESTATE AND EQUIPMENT

Building and equipment include revaluation for \$20'342,335 in 2010 and \$ 13'841,717 in 2009. This is recognized as a surplus in the net worth of each one of these years.

To get such updating, the Institute partially uses the method of adjustment on changes to the level in general prices; for 2010 is looking at an increase of 4.40%, and for 2009 of 3.57%. Such percentages were utilized to express the updated value of fixed assets.

Land is updated through an appraisal carried out by an independent expert before the National Banking and Value Committee on December 31, 2010, and recognizing an increase on its value of \$141'187,611 pesos.

In addition, to comply with Bulletin B-10 of the applicable Mexican Financial Reporting Standards and regarding to the proper interpretation, the amounts of both criteria appear in a comparative fashion.

Updated values according to the Institute's policy:

Physical Plant:

Land	\$ 806'147,724
Buildings, Facilities, and Equipment	537,133,388
Total Physical Plant	1'343'281,112

Net Worth:

Operating Net Worth	\$ 294,186,692
Temporarily Restricted Net Worth	96,398,276
Revaluation Surplus	1'114'918,657
Total Net Worth	1'505'503,625

Updated Values according to the Bulletin B-10 of the Mexican Financial Reporting Standards:

INSTITUTO EDUCATIVO DEL NOROESTE, A.C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDING ON DECEMBER 31, 2010 AND 2009

---

Physical Plant:

Land	\$ 699,832,914
Buildings, Facilities, and Equipment	478,693,104
Total Physical Plant	<u>1,178,526,018</u>

Net Worth:

Operating Net Worth	\$ 1,244,350,255
Temporarily Restricted Net Worth	96,398,276
Total Net Worth	<u>1,340,748,531</u>

G. STOCK INVESTMENT AND CONTRIBUTIONS

The Institute has purchased stock from the Sociedad de Fomento a la Educación Superior, S.A. de C.V. (SOFES). (Higher Education Fostering Society, Corp.). This is a requirement so that the CETYS' students can get the credits granted by the mentioned fostering education association. The total amount of the credits to be granted is established as a function of stock participation that each education institution has in the capital stock of SOFES.

The Institute, as of December 31, 2010, participates in the SOFES' capital in a 3.6965%.

There is uncertainty on the operating continuity of SOFES that entails a possible loss or decline in the values of its stocks. This took the Institute to appraise the stock by the participation method, and coming up with the following result:

<u>Stock quantity</u>	<u>Amount</u>	<u>Concept</u>
18,438	\$ 7'714,500	Stock Investment
	- 7'099,197	Investment Adjustment to its accounting value
	<u>615,303</u>	Adjusted Value
	1'504,914	Contributions to Capitalize
	20,028	Over-priced paid in the 2004 stock
	<u>2'140,245</u>	
	250,000	FINES Stock and Contributions
	<u>\$ 2'390,245</u>	Total Investment and Stock

In addition to the capital subscription, the stock institutions must establish before SOFES guarantee deposits on the recovery of the granted credits. In 2009 by agreement of the Board of Trustees, such deposits become part of the contributions to capitalize.

INSTITUTO EDUCATIVO DEL NOROESTE, A.C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDING ON DECEMBER 31, 2010 AND 2009

---

H. SHORT-TERM LIABILITY DOCUMENTS

The Institute carried out a regular credit account contract with Banco Regional de Monterrey, S.A. (BANREGIO) up to the amount of \$25'000,000.00 (Twenty Five Million Pesos), and a three-year validity date with the purpose of helping itself with the construction of Graduate Building at the Tijuana Campus and the Library in the Ensenada Campus.

Terms of the Credit: The disposals carried out will be payable at the end of one year with monthly amortizations, or just one, according to what is most convenient for the Institute; the interest rate is TIEE plus 3 points. In the period there were the following disposals on such credit:

<u>Campus</u>	<u>Provisions</u>	<u>Payments 2008 2009 &amp; 2010</u>	<u>Balance on Dec-31-2010</u>
Tijuana	\$ 8'000,000.00	6'565,000.00	1'435,000
Ensenada	2'600,000.00	2'385,000.00	215,000
			<u>1'650,000</u>

I. LONG-TERM LIABILITY

On May 2010, the Institute acquired a SOFES credit portfolio through financing payable on 90 monthly amortizations. The total amount to pay is 7,581,645.57 UDIS at a monthly 2% UDIS, plus Sales Tax. Up to December 31, 2010, the balance is 6,506,516.67 UDIS, and its equivalent in pesos is \$29,446,946.

Payable as follows:

YEAR	PAYMENT IN UDIS	PAYMENT IN PESOS
2017	\$ 1,010,886.12	\$ 4,575,030.00
2016	1,010,886.12	4,575,030.00
2015	1,010,886.12	4,575,030.00
2014	1,010,886.12	4,575,030.00
2013	1,010,886.12	4,575,030.00
2012	1,010,886.12	4,575,030.00
Long-Term Total	<u>6,065,316.72</u>	<u>27,450,180.00</u>
Portion of Working Capital	441,199.95	1,996,766.00
Total	<u>6,506,516.67</u>	<u>29,446,946.00</u>

INSTITUTO EDUCATIVO DEL NOROESTE, A.C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDING ON DECEMBER 31, 2010 AND 2009

---

J. LABOR OBLIGATIONS (PENSIONS' FUND)

On April 1, 2007, the Institute implemented a new Retirement's Pension Plan. On this new plan the main changes were:

- a) The eligibility requirement is set from the first day that the employee becomes a permanent employee.
- b) The pension payment is carried out in one exhibition payment (One Payment).
- c) The contribution to the fund will be made out of 1.5% of the participants' monthly salary, plus the Institute's contribution that equals twice the contribution made by the participants.
- d) The base for the pension payment will be the average of the salary received by the participant during the 12 months prior to the retirement date.

In order to manage the fund's resources, the Institute set up a Trust No. 140758-7 established at Banamex S. A. In 2010, there was a change of Trustee to Scotiabank Inverlat, Institucion de Banca Multiple (Scotiabank Inverlat, Multiple Banking Institution).

The plan was evaluated according to the reserve collection capitalized system, and making an explicit distinction of the past service costs and the future service costs.

Due to the Institute's accounting policy, the cash resources established in the mentioned Trust will be recorded in order accounts; being by their nature legally available only for the purposes of the agreed pension plan.

Up to February 1, 2010, (appraisal date) the summary of the actuarial results is as follows:

<u>CONCEPT</u>	<u>VALUES</u>
Present Value of Obligations for:	
Past Services	\$ 37'993,238
Future Services	<u>19'730,307</u>
Total Liability	\$ 57'723,545
Estimated Contributions for 2009	3'024,285
Trust's Fund December 31, 2009	21'926,344
Net movement for the 2010 accounting period	
(+) Contributions	3'984,479
(+) Interests	1'134,984
(-) Pensions' Payment	8'209,070
(-) Commissions	<u>101,019</u>
Balance on December 31, 2010	\$ 18'739,718

INSTITUTO EDUCATIVO DEL NOROESTE, A.C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDING ON DECEMBER 31, 2010 AND 2009

At the time of issuing the current financial statements, the actuary study is pending.

K. DEFERRED INCOME

It corresponds to the pending accrued financing for the credits granted to graduates and students of the different academic programs provided by the institution.

The deferred income will be applied to the profit and loss operation of the following years.

	<u>2010</u>	<u>2009</u>
2010	\$ 0	\$ 1'637,506
2011	1'890,149	1'082,971
2012	1'255,327	651,022
2013	696,586	312,174
2014	287,372	99,196
2015	89,659	24,546
2016	17,997	
	<u>4'237,090</u>	<u>3'807,415</u>
Previous Credit	8'674,764	9'904,042
	<u>\$ 12'911,854</u>	<u>\$ 13'711,457</u>

Such amounts will be affected by the incentive policy to higher education.

L. SCHOLARSHIPS

The Institution has several scholarship plans established to support academic, sports, and labor training excellence as well as other social factors. During 2010, 77.80% of the student population enjoyed at least one of these benefits; this figure represents 31.70% of the tuition income.

M. OTHER INCOME

They are made up of the following:

	<u>For Services</u>	<u>Others</u>	<u>Total</u>
Operation	\$ 25'438,965	\$ 3'468,601	\$ 28'907,566
Educational Credit	1'902,003	52,764	1'954,767
Scholarships	16'352,079		16'352,079
Rebuilding		9'000,000	9'000,000
Raffels	44'800,000	81,253	44'881,253
Total	<u>\$ 88'493,047</u>	<u>\$ 12'602,618</u>	<u>\$ 101,095,665</u>

INSTITUTO EDUCATIVO DEL NOROESTE, A.C.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDING ON DECEMBER 31, 2010 AND 2009

---

N. SCHOLARSHIPS' FUND

The Scholarships' Fund is a restricted fund created by specific scholarship contributions for students that comply with the requirements to be their beneficiaries; such fund is made up as follows:

	<u>2010</u>	<u>2009</u>
Total Scholarship Fund	<u>\$ 4'281,416</u>	<u>\$ 3'420,377</u>

O. IMPORTANT EVENT

Dated April 4, 2010, the city of Mexicali suffered a 7.2 earthquake on the Richter scale. Such event created damage to the real estate.

This event originated several extraordinary disbursements, necessary to keep providing its services, for the amount of \$15,410,129.

As an initial payment to the Grupo Nacional Provincial Insurance Company, the Institute paid the amount of \$9,000,000.

At the time these financial statements were issued, the insurance company accepts to pay \$47,227,484 for strengthening and repairing the High School, Undergraduate and Tower buildings. Nonetheless, the Institute has a pending claim of \$9,099,479 due to demolition and reconstruction of slabs and air conditioning in the high school building; we're right in the middle of the negotiating process.

P. RECLASSIFICATIONS TO PREVIOUS ACCOUNTING PERIODS

Reclassifications were carried out to the 2009 accounting period figures in order to be consistent with the 2010 adopted presentation.