

**UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2014**

**BAKER TILLY PUERTO RICO, CPAs, PSC
Certified Public Accountants**

**UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2013**

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INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Universidad Adventista de las Antillas, Inc. (a nonprofit institution) which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(continues)

Member:
• American Institute of Certified Public Accountants
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Baker Tilly Puerto Rico, CPAs, PSC
trading as Baker Tilly Puerto Rico

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to in the first paragraph of this report present fairly, in all material respects, the financial position of Universidad Adventista de las Antillas, Inc., as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accompanying information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2015 on our consideration of the Universidad Adventista de las Antillas, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Universidad Adventista de las Antillas, Inc. internal control over financial reporting and compliance.

Guaynabo, Puerto Rico

February 9, 2015
The stamp number E147020 was
affixed to the original of this report.

Baker Tilly Puerto Rico, CPAs, PSC
BAKER TILLY PUERTO RICO CPAs, PSC

License No. 218
Expires December 1, 2017



UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
ASSETS:		
Cash and cash equivalents	\$ 87,814	\$ 30,484
Accounts receivable, net (note 2)	513,017	640,145
Inventories and supplies	72,906	32,872
Prepaid expenses	199,171	182,812
Property and equipment, net (note 3)	8,960,526	8,814,575
Other assets (note 4)	<u>570,000</u>	<u>570,000</u>
Total assets	<u>\$ 10,403,434</u>	<u>\$ 10,270,888</u>
 LIABILITIES AND NET ASSETS:		
Line of credit (note 5)	\$ 90,339	\$ -
Accounts payable	933,564	959,382
Accrued expenses	458,450	380,168
Deposits payable	201,378	237,250
Notes payable (note 6)	<u>3,714,262</u>	<u>4,093,173</u>
Total liabilities	<u>5,397,993</u>	<u>5,669,973</u>
 NET ASSETS (note 7)		
Unrestricted	4,628,958	4,208,532
Temporarily restricted	242,379	258,279
Permanently restricted	<u>134,104</u>	<u>134,104</u>
Total net assets	<u>5,005,441</u>	<u>4,600,915</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,403,434</u>	<u>\$ 10,270,888</u>

See accompanying notes to financial statements.

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support:				
Tuition and fees	\$ 8,080,998	\$ -	\$ -	\$ 8,080,998
Federal government grants and contracts	771,182	-	-	771,182
Private gifts and grants	1,502,249	270,149	-	1,772,398
Other sources	88,637	-	-	88,637
Sales and services of auxiliary enterprises	609,418	-	-	609,418
Net assets released from restriction:				
Satisfaction of restrictions (note 7)	286,049	(286,049)	-	-
Total revenues and other support	<u>11,338,533</u>	<u>(15,900)</u>	<u>-</u>	<u>11,322,633</u>
Expenses:				
Instruction	3,995,662	-	-	3,995,662
Academic support	986,034	-	-	986,034
Student services	793,571	-	-	793,571
Institutional support	2,196,351	-	-	2,196,351
Operation and maintenance of plant	1,059,057	-	-	1,059,057
Scholarships	321,934	-	-	321,934
Auxiliary enterprises	843,053	-	-	843,053
Federal grants expenses	722,445	-	-	722,445
Total expenses	<u>10,918,107</u>	<u>-</u>	<u>-</u>	<u>10,918,107</u>
Changes in net assets	420,426	(15,900)	-	404,526
Net assets at beginning of year	<u>4,208,532</u>	<u>258,279</u>	<u>134,104</u>	<u>4,600,915</u>
Net assets at end of year	<u>\$ 4,628,958</u>	<u>\$ 242,379</u>	<u>\$ 134,104</u>	<u>\$ 5,005,441</u>

See accompanying notes to financial statements.

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Tuition and fees	\$ 7,376,044	\$ -	\$ -	\$ 7,376,044
Federal government grants and contracts	757,459	-	-	757,459
Private gifts and grants	1,633,713	104,581	-	1,738,294
Other sources	59,829	-	-	59,829
Sales and services of auxiliary enterprises	563,324	-	-	563,324
Net assets released from restriction:				
Satisfaction of restrictions (note 7)	70,147	(70,147)	-	-
Total revenues and other support	<u>10,460,516</u>	<u>34,434</u>	<u>-</u>	<u>10,494,950</u>
Expenses:				
Instruction	3,849,959	-	-	3,849,959
Academic support	1,004,283	-	-	1,004,283
Student services	728,579	-	-	728,579
Institutional support	2,079,413	-	-	2,079,413
Operation and maintenance of plant	963,722	-	-	963,722
Scholarships	318,702	-	-	318,702
Auxiliary enterprises	808,732	-	-	808,732
Federal grants expenses	663,358	-	-	663,358
Total expenses	<u>10,416,748</u>	<u>-</u>	<u>-</u>	<u>10,416,748</u>
Changes in net assets from operations	43,768	34,434	-	78,202
Gain on sale of land	96,388	-	-	96,388
Changes in net assets	140,156	34,434	-	174,590
Net assets at beginning of year	4,068,376	223,845	134,104	4,426,325
Net assets at end of year	<u>\$ 4,208,532</u>	<u>\$ 258,279</u>	<u>\$ 134,104</u>	<u>\$ 4,600,915</u>

See accompanying notes to financial statements.

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net increase in net assets	\$ 404,526	\$ 174,590
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	613,854	626,365
Provision for doubtful accounts	18,922	55,879
Gain on sales of assets	-	(96,388)
Changes in assets and liabilities		
Decrease in accounts receivable, net	108,206	118,041
(Increase) decrease in inventories and supplies	(40,034)	7,567
Increase in prepaid expenses	(16,359)	(15,359)
Decrease in accounts payable	(25,818)	(83,212)
Increase in accrued expenses	78,282	21,785
Decrease in deposits payable	(35,872)	(11,911)
Total adjustments	<u>701,181</u>	<u>622,767</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,105,707</u>	<u>797,357</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(759,805)	(278,045)
Proceed from retirements of certificated of deposits	-	199,236
Proceeds from sale of asset	<u>-</u>	<u>157,221</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(759,805)</u>	<u>78,412</u>

(Continues)

**UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	200,000	-
Payments of line of credit	(109,661)	(179,662)
Proceeds from notes payable	666,272	-
Principal payments on notes payable	(1,045,183)	(743,647)
NET CASH USED IN BY FINANCING ACTIVITIES	(288,572)	(923,309)
NET INCREASE (DECREASE) IN CASH	57,330	(47,540)
CASH AT BEGINNING OF YEAR	<u>30,484</u>	<u>78,024</u>
CASH AT END OF YEAR	<u>\$ 87,814</u>	<u>\$ 30,484</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the year for interest	<u>\$ 191,253</u>	<u>\$ 233,309</u>

See accompanying notes to financial statements.

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Universidad Adventista de las Antillas, Inc., (the University) is a nonprofit corporation of higher education organized under the laws of the Commonwealth of Puerto Rico in February 1963 and regulated by the Puerto Rico General Education Council (formerly Puerto Rico Council on Higher Education). The University is owned and operated by the Seventh-day Adventist Church. A governing board composed of Seventh-day Adventist Church representatives has the oversight responsibilities for educational and financial direction of the University. The University is primarily supported by tuitions and from contributions from the PR Union of the Seventh-day Adventist Church.

Summary of significant accounting policies

A summary of the significant accounting policies followed by the University in the preparation of the accompanying financial statements are described below to enhance the usefulness of the financial statements to the readers.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of presentation

The University presents its financial statements as per the provisions of the FASB ASC 958-205 and 958-210, Financial Statements of Not-for-Profit Organizations. The FASB 958-205 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows. Also, under FASB 958-210, the University is required to report information regarding its financial position and activities according to the following three classes of net assets:

- **Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations.
- **Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University pursuant to those stipulations and/or the passage of time.
- **Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that should be maintain in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (Continued)

Cash and cash equivalents

For purposes of the statement of cash flows, the University considers all unrestricted highly liquid investments with an original maturity of three months or less from the date of acquisition to be cash equivalents.

Inventories and supplies

Inventories consist primarily in raw material of printing store (press) and maintenance supplies including spare parts.

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first out method. Market is determined at net realizable value.

Revenue recognition

Revenues from tuition and enrollment fees are recognized when earned while educational services are provided to students. Tuition and enrollment fees received in advance are deferred until earned. Revenues from sources other than contributions are reported as increases in unrestricted net assets. Gain and losses on investment are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Revenue from United States government grants and contracts is recognized upon incurring allowable expenditures in accordance with the grant agreements.

Contributions

Contributions are recognized when the donor makes a promise to give to the University that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All donor-restricted contributions are reported as increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Temporary restrictions on gifts to acquire long lived assets are considered met in the period in which the assets are acquired or placed in service.

An allowance for uncollectible contribution receivable is provided, if necessary, based upon management's judgment including factors such as prior collection history, type of contribution and nature of fund-raising activity.

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (Continued)

Donated equipment and services

a. Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donation is reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. In absence of donor stipulations regarding how long those donated assets should be maintained, the University reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The University reclassifies from temporarily restricted net assets to unrestricted net assets at that time.

b. Services

No amounts have been reflected in the financial statements for donated services. The University pays for most services requiring specific expertise.

Expense recognition and functional allocation

Expenses are reported in the statements of activities in categories recommended by the National Association of College and University Business Officers ("NACUBO"). The Institution's primary program service is instruction. Expenses reported as academic support, student services and auxiliary enterprises are incurred in support of the Institution's primary program. Institutional support mainly includes management and general expenses. Most of the expenses are allocated functionally on a direct basis. Certain expenses such as depreciation, insurance and interest costs, which are related to more than one category, are allocated among the appropriate categories based primarily on equipment usage and building square footage, as appropriate.

Advertising

Advertising costs are charged to operations as incurred and amounted to approximately \$127,725 and \$119,891, for the years ended June 30, 2014 and 2013, respectively.

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Summary of significant accounting policies (Continued)

Property, equipment and depreciation

Property and equipment are recorded at cost. It is the University's policy to capitalize property and equipment with a cost over \$700. Lesser amounts are expensed. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives used to compute depreciation are as follows:

Buildings	30 years
Building improvements	15 years
Recreational facilities	20 years
Land improvements	15 years
Equipment & furniture	3 to 10 years
Vehicles	5 years

The University evaluates for impairment long-lived assets held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. All construction in progress is carried in a temporary account until the construction is completed; at which time a transfer is made to the appropriate property, plant and equipment account.

Income taxes

The University is a tax-exempt organization under Section 1101 of Puerto Rico Income Tax Law. Accordingly, the financial statements do not reflect a provision for income taxes.

The University follows the guidance contained in ASC Topic 740-10-25, Accounting for Uncertainty in Income Taxes. ASC Topic 740-10-25 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken. Based upon its evaluation, the University concluded that there are no significant uncertain tax positions requiring recognition in its financial statements.

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Summary of significant accounting policies (Continued)

Fair value of financial instruments

The carrying amounts of cash and cash equivalents approximate fair value because of the short-term maturity of these financial instruments. The estimated values of accounts receivables, grants receivable, other receivables, accounts payable and deposits held in custody for others arising in the ordinary course of operations approximate their individual carrying amount due to the relatively short period of time between their origination and expected realization.

The carrying amounts of contributions receivable are recorded using the applicable discount rates in effect at the date of the gifts.

The carrying amount of long-term debt approximates fair value because these financial instruments bear interest at rates that approximate current market rates for notes with similar maturities and credit quality.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual results.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

2. ACCOUNTS RECEIVABLE

The major components of receivables, net of reserves for doubtful accounts as of June 30, were as follows:

	<u>2014</u>	<u>2013</u>
Students	\$ 262,872	\$ 227,651
PR Union Seven Day Adventist Church	48,114	35,200
U.S. Government – grants and student financial aids	280,031	426,690
Employees	32,655	32,716
Other	<u>41,435</u>	<u>49,182</u>
	665,107	771,439
Reserve for doubtful accounts	<u>(152,090)</u>	<u>(131,294)</u>
	<u>\$ 513,017</u>	<u>\$ 640,145</u>

3. PROPERTY, PLANT AND EQUIPMENT

Property and equipment at June 30, and their respective accumulated depreciations are comprised of the following:

	<u>2014</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Land	\$ 515,143	\$ -	\$ 515,143
Land improvements	1,361,255	656,568	704,687
Building & building improvements	10,275,804	3,689,076	6,586,728
Recreational facilities	466,631	330,834	135,797
Equipment and vehicles	3,145,418	2,413,558	731,860
Construction in progress	<u>286,311</u>	<u>-</u>	<u>286,311</u>
	<u>\$16,050,562</u>	<u>\$ 7,090,036</u>	<u>\$ 8,960,526</u>

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2013		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Land	\$ 522,389	\$ -	\$ 522,389
Land improvements	1,361,255	576,905	784,350
Building & building improvements	9,949,177	3,288,128	6,661,049
Recreational facilities	466,631	315,665	150,966
Equipment and vehicles	3,223,987	2,635,784	588,203
Construction in progress	<u>107,618</u>	<u>-</u>	<u>107,618</u>
	<u>\$15,631,057</u>	<u>\$ 6,816,482</u>	<u>\$ 8,814,575</u>

4. OTHER ASSETS

Other assets amounted to \$570,000 as of June 30, 2014 and 2013 and consist of donated real estates. There are donor stipulated restrictions in one of the real estates which indicates that the proceed in the sale of the real estate asset shall be used by the University for the acquisition and installation of an elevator in the University's library, transfer of fund for construction of the related party church and to create an endowment fund in which the income produced shall be used for scholarship. Acquisition and installation of the library's elevator activity was completed during 2007.

5. LINE OF CREDIT

The University has available a \$200,000 line of credit with Banco Popular de Puerto Rico. As June 30, 2014 there was an outstanding balance of \$90,339. As of June 30, 2013, there was no outstanding balance.

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

6. NOTES PAYABLE

Notes payable at June 30, consist of the following:

	2014	2013
Short term note payable to a financial institution, payable in 10 monthly installments of \$16,860, including interest at 8.75%.	\$ 68,002	\$ 67,683
Note payable to a commercial bank. Interest payable on a monthly installment of \$216 at 8.75%. Matures in April 2017.	5,878	7,630
Mortgage note payable in 59 monthly installments of \$678, plus interest at prime rate (3.25% as June 30, 2014 and 2013) and a final balloon payment of the remaining balance. Collateralized with real estate.	55,578	63,711
Note payable to a commercial bank, payable in monthly installments of \$7,222 plus interest at 2% over prime rate (3.25% as of June 30, 2014 and 2013). This note is in the form of \$1,300,000 line of credit, guaranteed with real estate. Matures in May 2025.	946,111	1,032,778
Short term note payable with a related entity organization. Interest payable on a monthly basis at 7%.	-	304,033
Long term note payable with a related entity organization in 180 monthly installments of \$1,192, interest payable on monthly basis at 4.5%. Loan maturity is June 2029.	250,000	-
Note payable with a related entity organization in 60 monthly installments of \$4,382, including interest ranging from 2% to 4%. Loan maturity is on January 2019.	230,107	-
Note payable to a commercial bank, payable in 60 monthly installments of \$833, plus interests at 3.00% over prime rate (3.25% as of June 30, 2014 and 2013). Loan maturity is on December 2013.	-	5,000

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

6. NOTES PAYABLE (CONTINUED)

	<u>2014</u>	<u>2013</u>
Note payable to a commercial bank, payable in 60 monthly installments of \$5,000, plus interests at 1.25% over prime rate (3.25% as of June 30, 2013). Loan maturity is on December 2013. The proceeds were used to acquire equipments.	-	25,000
Note payable with a related entity in 60 monthly installments of \$11,461, interest at 5.5%. Matures in May 2017.	360,058	474,350
Promissory note payable in 239 monthly installments of \$6,667 plus interest at .75% under prime rate. Matures on May 2028. Guaranteed with real estate.	1,106,642	1,186,646
Note payable to a financial institution, payable as follow: a first installment of \$440, and 59 monthly installments of \$348, including interests at 10%. Matures in August 2014.	540	4,445
Note payable to a financial institution, payable as follow: a first installment of \$548, and 59 monthly installments of \$434, including interests at 10%. Matures in August 2014.	3,595	8,249
Note payable to a commercial bank, payable in 59 monthly installments of \$2,810 plus interest at 3% over prime rate (3.25% as of June 30, 2014 and 2013), with a 7% interest floor and a final balloon payment of \$171,410. Matures in June 2015.	202,320	236,040
Promissory note at .75% under prime rate, payable in variable annual installments. Matures in September 2014.	135,148	167,425
Mortgage note payable in 51 monthly installments of \$1,367, plus interest at 3% over prime rate (3.25% as of June 30, 2014), with a floor 5.50%. Loan maturity is on June 2015, collateralized with real estate.	15,033	31,433
Note payable with a related party organization, payable on variable quarterly installments, plus interest at 8.0%. Matures on July 2016. The proceeds were used for the construction of the library extension.	<u>335,250</u>	<u>478,750</u>
	<u>\$3,714,262</u>	<u>\$4,093,173</u>

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

6. NOTES PAYABLE (CONTINUED)

Maturities of the notes payable for the following five fiscal years and thereafter are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 685,349
2016	609,062
2017	427,987
2018	299,008
2019	289,546
Thereafter	<u>1,403,310</u>
	<u>\$ 3,714,262</u>

7. NET ASSETS

1. Unrestricted net assets

The Unrestricted net assets consist of:

	<u>2014</u>	<u>2013</u>
Designated for School of Education	\$ 290	\$ 290
Designated for Doctoral Studies	12,162	12,162
Undesignated	<u>4,616,506</u>	<u>4,196,080</u>
	<u>\$ 4,628,958</u>	<u>\$ 4,208,532</u>

The unrestricted net assets for the School of Education were designated for the acquisition of electronic and for the faculty's professional development.

2. Temporarily restricted net assets

The temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Sport activities	\$ 572	\$ 572
Nursing, science, humanities and other educational and support departments	11,710	12,170
Women's dormitory (Brick Project)	6,320	6,320
UAA entrance improvements and landscaping	500	500
UAA Church	163,229	179,217
Music Department	330	4,077
Others	<u>59,718</u>	<u>55,423</u>
	<u>\$ 242,379</u>	<u>\$ 258,279</u>

**UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013**

7. NET ASSETS (CONTINUED)

2. Temporarily restricted net assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2014</u>	<u>2013</u>
Nursing, science, humanities and other educational and support departments	\$ 6,589	\$ 11,984
UAA Entrance improvements and landscaping	140,560	26,301
Cost associated with the sale of Dennis Soto's House	-	656
Academic Technology Center	2,215	-
Eduardo Villanueva Project	-	6,000
Sports activities	-	1,100
Music Department	11,743	-
Students assistance	349	3,044
Department of Education	-	12,900
Others	<u>124,593</u>	<u>8,162</u>
	<u>\$ 286,049</u>	<u>\$ 70,147</u>

3. Permanently restricted net assets

The permanently restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Endowment fund	\$ 70,000	\$ 70,000
Loan revolving funds	<u>64,104</u>	<u>64,104</u>
	<u>\$ 134,104</u>	<u>\$ 134,104</u>

The UAA endowment fund is subject to donor imposed stipulation that they be invested to provide a perpetual (endowment) source of income for the University. The income received should be expendable for scholarships, as per donor stipulations.

The loan revolving funds were donated to provide educational loans for the School of Nursing students.

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

8. RELATED PARTIES TRANSACTIONS

The University is owned and operated by the Seventh-Day Adventist Church (Puerto Rico Union of the Seventh-Day Adventist Church). Transactions between the University and the Church as of June 30, 2014 and 2013 were as follows:

- ▶ At June 30, 2014 and 2013, the accounts receivable include \$48,114 and \$35,200, respectively, due from different organizations of the Church, and the accounts payable include \$1,266,805 and \$674,988, respectively, due to various organizations of the Church.
- ▶ Revenues and support from private gifts and grants include \$1,501,649 and \$1,626,113 received from different organizations of the Church for the years ended in June 30, 2014 and 2013, respectively.
- ▶ A commitment exists from the Church to continuously support the University in financial matters, and assist in religious, educational and other matters.

9. PENSION PLAN

The University contributes to a noncontributory defined contribution pension plan covering some of its employees. The plan was established by the Seventh-day Adventist Church for its employees. The University employees are also considered as Church employees. The plan is administered by the Organizations Owners of the Pension Fund Balances for Retirees of the Seventh-day Adventist Church within the Territory of the Inter-American Division. The University makes contributions to the plan based on a fixed amount as established by the Church on covered employees. Pension cost for the years ended June 30, 2014 and 2013 was \$542,154 and \$504,922, respectively.

The Seventh-day Adventist Church has also established a contributory defined pension plan covering, on a voluntary basis, for the employees not covered by the noncontributory plan. The University contributed \$35,008 and \$19,650, respectively, to this plan during the years ended June 30, 2014 and 2013.

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014 AND 2013

10. CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially expose the Institution to concentrations of credit risk, consist primarily of cash and cash equivalents, and receivables. The Institution's cash and cash equivalents are placed with a wide array of institutions with high credit ratings. Concentration of credit risk with respect to receivables is limited because a substantial portion of these balances is due from U.S. Federal and Puerto Rico government agencies.

Regarding student accounts receivable, this consists of a large volume of small balances. The University has provided an allowance for doubtful accounts for expected losses, based on historical trends and other information.

The University maintains its cash accounts and certificates of deposit on commercial banks located in Puerto Rico. Commercial bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for 2014 and 2013. At June 30, 2014 and 2013 there was no significant concentration of credit risk for the uninsured.

11. FEDERAL STUDENT FINANCIAL AID PROGRAMS

For the years ended June 30, 2014 and 2013, the University received and disbursed \$5,274,223 and \$5,166,771, respectively, in the Title IV Funds of Higher Education Act of 1965 (SFA Cluster Programs); and \$3,453,595 and \$2,635,517 in Federal Direct Loans, in which the University acts as agent for the recipient. In addition, the University received and disbursed \$150,827 and \$170,301 in student financial aid from the Puerto Rico General Education Council (formerly Puerto Rico Council on Higher Education) (a state agency). Because such funds are for the students and not for the University, the amounts received and awarded to the students were not included in the accompanying financial statements.

12. CONTINGENCIES

1. Federal and State grants

Projects supported by federal and state grants are subject to additional audits by the grantor agencies in order to determine if expenditures comply with the conditions of such grants. It is management's opinion that no material unrecorded liabilities will arise from audits previously performed or to be performed.

2. Legal Claims

The University is defendant in various lawsuits arising in the ordinary course of business. Management has reviewed pending litigations with legal counsels and believes that those actions were without merit or that the ultimate liability, if any, resulting from them will not materially affect the University's financial position.

SUPPLEMENTARY INFORMATION

**UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

Federal Grantor/Program Or Cluster Title	Federal CFDA Number	Federal Expenditures
Student Financial Aid – Cluster:		
U.S. Department of Education:		
Federal Pell Grant Program	84.063	\$ 5,073,022
Federal Supplemental Education Opportunity Grant	84.007	41,766
Federal Work–Study Program	84.033	142,561
Federal Direct Loan	84.268	3,453,595
Teacher Education Assistance for College and Higher Education Grants (Teach Grant)	84.379	<u>16,874</u>
Total Student Financial Aid Cluster		<u>8,727,818</u>
Other Programs:		
U.S. Department of Education – Direct Programs:		
TRIO Student Support Services (REG)	84.042A	175,885
TRIO Student Support Services (ESL)	84.042A	<u>197,970</u>
Total TRIO		<u>373,855</u>
Higher Education Institutional Aid		
Promoting Post-Baccalaureate Opportunities for Hispanic Americans Program) (PPOHA)	84.031M	<u>397,325</u>
Total Higher Education Institutional Aid		<u>397,325</u>
Total Other Programs		<u>771,180</u>
Total Expenditures of Federal Awards		<u>\$ 9,498,998</u>

See accompanying notes to schedule of expenditures of federal awards.

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

1. Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Universidad Adventista de las Antillas, Inc. and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Because the schedule presents only a selected portion of the operations of the Universidad Adventista de las Antillas, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Universidad Adventista de las Antillas, Inc.

2. Summary of significant accounting policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, Cost Principles for Education Institutions, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Student financial aid – Program cluster

For the year ended June 30, 2014 the Institution received and disbursed \$5,274,223 in Title IV Funds of Higher Education Act of 1965 (SFA Cluster Programs); and \$3,453,595 in Federal Direct Students Loans in which the Institution acts agent for the recipient.

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, the Student Financial Assistance programs were deemed to be a cluster of program and were tested accordingly.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Universidad Adventista de las Antillas, Inc. (a nonprofit institution) which comprise the statements of financial position as of June 30, 2014 and 2013 and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated February 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Universidad Adventista de las Antillas, Inc. internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Universidad Adventista de las Antillas, Inc. internal control. Accordingly, we do not express an opinion on the effectiveness of Universidad Adventista de las Antillas, Inc. internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees
Universidad Adventista de las Antillas, Inc.
Mayagüez, Puerto Rico
Page 2

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Universidad Adventista de las Antillas, Inc. financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Universidad Adventista de las Antillas, Inc. internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Universidad Adventista de las Antillas, Inc. internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Guaynabo, Puerto Rico

Baker Tilly Puerto Rico, CPAs, PSC
BAKER TILLY PUERTO RICO, CPAs, PSC

February 9, 2015
The stamp number E147021 was
affixed to the original of this report.

License No. 218
Expires December 1, 2017



Board of Trustees
Universidad Adventista de las Antillas, Inc.
Mayagüez, Puerto Rico



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

We have audited Universidad Adventista de las Antillas, Inc. (a nonprofit institution) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Universidad Adventista de las Antillas, Inc. major federal programs for the year ended June 30, 2014. Universidad Adventista de las Antillas, Inc. major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Universidad Adventista de las Antillas, Inc. major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Universidad Adventista de las Antillas, Inc. compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Universidad Adventista de las Antillas, Inc.'s compliance.

Basis for Qualified Opinion on Federal Direct Loan Program

As described in the accompanying schedule of findings and questioned costs, Universidad Adventista de las Antillas, Inc. did not comply with requirements regarding special tests and provisions – student status change for CFDA 84.268 Federal Direct Loan as described in finding 14-01. Compliance with such requirements is necessary, in our opinion, for Universidad Adventista de las Antillas, Inc. to comply with the requirements applicable to that program.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)**

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Universidad Adventista de las Antillas, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Universidad Adventista de las Antillas, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph of this report. In planning and performing our audit of compliance, we considered Universidad Adventista de las Antillas, Inc. internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Universidad Adventista de las Antillas, Inc. internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We considered the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 14-01 to be a significant deficiency.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)**

Report on Internal Control Over Compliance (Continued)

Universidad Adventista de las Antillas, Inc. response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questions costs. Universidad Adventista de las Antillas, Inc. response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Guaynabo, Puerto Rico

February 9, 2015
The stamp number E147022 was
affixed to the original of this report.

Baker Tilly Puerto Rico, CPA, PSC
BAKER TILLY PUERTO RICO, CPAs, PSC

License No. 218
Expires December 1, 2017



**UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

**UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

SECTION I - SUMMARY OF AUDITORS' RESULTS

A. FINANCIAL STATEMENTS

	<u>Yes</u>	<u>No</u>
1. Type of auditors' report issued	Unqualified	
2. Internal control over financial reporting:		
<input type="checkbox"/> Material weakness(es) identified		X
<input type="checkbox"/> Significant deficiencies identified that are not considered to be material weaknesses		X
3. Noncompliance material to financial statements noted		X

B. FEDERAL AWARDS

1. Internal control over major programs:		
<input type="checkbox"/> Material weakness(es) identified		X
<input type="checkbox"/> Significant deficiencies identified that are not considered to be material weaknesses	X	
2. Type of auditors' report issued on compliance for major programs:		
<input type="checkbox"/> Federal Direct Loan Program	Qualified	
<input type="checkbox"/> Other Major Federal Programs	Unmodified	
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133.	X	
4. Identification of major programs		

<u>CFDA number</u>	<u>Name of Federal Program</u>
	<u>Student Financial Assistance Cluster</u>
84.063	Federal Pell Grant Program
84.033	Federal Work Study
84.007	Federal Supplemental Educational Opportunity Grant
84.268	Federal Direct Loan
84.379	TEACH Grant
84.031M	Promoting Post – Baccalaureate Opportunities for Hispanic Americans Program (PPOHA)
84.042	TRIO Student Support Services

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee _____ YES X NO

SECTION II – FINANCIAL STATEMENTS FINDINGS

None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

See finding 14.01

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

FINDING NO.14-01

Federal Program: CFDA 84.268 Federal Direct Loan

Category: Compliance – Special tests and provisions – Student status change.

Criteria: 34 CFR 682.610 (c) (2)- The institution shall notify the guaranty agency or lender within 30 days if it discovers that a Stafford, SLS, or PLUS Loan has been made to or on behalf of a student who enrolled at the institution but has ceased to be enrolled on at least a half –time basis, unless the institution expects to submit its next student status confirmation report to the Secretary within the next 60 days.

Condition: The Institution did not notify the Secretary through the NSLDS in a timely manner the change in the enrollment status (withdrew) of thirteen (13) students with federal loans during the academic period covering the fiscal year 2013 - 2014.

Questioned Costs: No questioned costs were identified.

Perspective Information: We selected 16% of students from the total students who withdrew during the fiscal year 2014 recipients of federal loans.

Effect: Failure to notify a change in enrollment status on time would preclude a lender from obtaining the necessary information in order to determine a student's status for billing and other required procedures.

Cause: The Institution is in the process to have fully implemented internal control procedures to timely notify of a change in student status.

Recommendation: The Institution should improve the procedures to ascertain the timely notification of any change in status of students' recipients of federal loans.

Views of Responsible Officials and Planned Corrective Action: See corrective action plan.

**UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

There were no findings reported in the audit's schedule of findings and questioned costs of the single audit report for the year ended June 30, 2013.

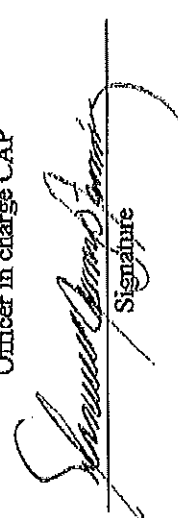
CORRECTIVE ACTION PLAN

UNIVERSIDAD ADVENTISTA DE LAS ANTILLAS, INC.
CORRECTIVE ACTION PLAN
Year ended June 30, 2014

Universidad Adventista de las Antillas, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2014. The finding from the June 30, 2014 schedule of findings and questioned costs is discussed below. The findings numbered consistently with the number assigned in the schedule.

Ref. Num.	Finding	Management Response & Planned Corrective Actions
2014-1	<p>Condition summary 34 CFR 682.610 (c) (2)- The institution shall notify the guaranty agency or lender within 30 days of if it discovers that a Stafford, SLS, or PLUS Loan has been made to or on behalf of a student who enrolled at the institution but has ceased to be enrolled on at least a half-time basis, unless the institution expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days.</p> <p>The institution did not notify the Secretary through the NSLDS in a timely manner the change in the enrollment status (withdrew) of thirteen (13) students with federal loans during the academic period covering the fiscal year 2013-2014.</p>	<p>Management response Management of Universidad Adventista de las Antillas, Inc. acknowledges the finding. During the fiscal year 2013-2014 the Institution used the service of National Student Clearinghouse (NSC) as a third party institution to notify the student status change. In the cases reported, the third party notified to us that they had a system issue that delayed the days to report on NSLDS. On July 2014 we receive a letter from the President of NSC with apologizing for the situation. They have taken steps to prevent a recurrence of this situation. We know that the situation is our responsibility and we propose the following to avoid a similar situation in the future:</p> <p>Planned Corrective Action A close follow up was implemented with National Student Clearinghouse to ascertain that a similar situation does not occur again. Our institution will report in coordination with the third party a monthly student's status change notification. We will evaluate it during the next year, if we continue with the service.</p> <p>Expected completion date: Immediately.</p> <p>Actions Taken: We will notify the company so that this situation does not occur again and work together to avoid any further errors.</p>

Misael Jiménez Ramírez
 Officer in charge CAP



Signature

Vice-president for Financial Affairs
 Title

787-834-9595 Ext. 2204
 Phone number

February 16, 2015
 Date