

Instituto Tecnológico de Santo Domingo (Intec)

Financial Statements

As of December 31, 2012 and 2011

Together with Auditors' Report



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Independent Auditors' Report

To the Board of Regent of:
Instituto Tecnológico de Santo Domingo (Intec)

Report on the Financial Statements

We have audited the accompanying financial statements of the Instituto Tecnológico de Santo Domingo (Intec), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities, changes in net assets 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. Except for the matters mentioned in the basis for a qualified opinion, we conducted our audits in accordance with 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 General Controller 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 of material misstatements.

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.

Basis for a Qualified Opinion

We call your attention to note 1 of financial statements about revaluation of property, furniture and equipment. The Entity revaluated the land and buildings and the revaluation surplus and the deficits are treated as part of the revaluation reserves of the property included as a component of the Entity's net assets. As of December 31, 2012 and 2011, the amounts regarding to revaluation surplus were US\$21,421,049. Under accounting standards generally accepted in the United States of America, revaluations of property, furniture and equipment are not allowed.

We have not been subject to an external review of our quality control by a non-affiliated auditing firm, neither have we maintained continuing professional education related to government auditing as required by Chapter 3 of the US Government Auditing Standards, since these programs are not commonly provided by professional organizations in the Dominican Republic.



Qualified Opinion

In our opinion, except for the effect of the adjustments, if any that on the financial statements it might have the matters described in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Instituto Tecnológico de Santo Domingo (Intec), as of December 31, 2012 and 2011, 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2013, on our consideration of the Instituto Tecnológico de Santo Domingo (Intec)'s 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 the Instituto Tecnológico de Santo Domingo (Intec)'s internal control over financial reporting and compliance.

BDO

June 15, 2013
Santo Domingo, Dominican Republic



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Report on Internal Control over Financial Reporting and on Compliance and Other Matters

To the Board of Regent of:
Instituto Tecnológico de Santo Domingo (Intec)

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 Instituto Tecnológico de Santo Domingo (Intec), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2013.

Our report was qualified because the land and buildings are presented at their revaluated amount. If the land and buildings were presented at their historic cost, the net assets would decrease in US\$21,421,049. We have not been subject to an external review of our quality control by a non-affiliated auditing firm, neither have we maintained continuing professional education related to government auditing as required by Chapter 3 of the US Government Auditing Standards, since these programs are not commonly provided by professional organizations in the Dominican Republic.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Instituto Tecnológico de Santo Domingo (Intec)'s internal control over financial reporting (internal control) to determine the audit 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 the Instituto Tecnológico de Santo Domingo (Intec)'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Instituto Tecnológico de Santo Domingo (Intec)'s 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain matters that we reported to management of the Instituto Tecnológico de Santo Domingo (Intec) in a separate letter dated June 15, 2013.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Instituto Tecnológico de Santo Domingo (Intec)'s financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO

June 15, 2013
Santo Domingo, Dominican Republic

Instituto Tecnológico de Santo Domingo (Intec)
Statements of activities
For the years ended December 31, 2012 and 2011

	Notes	2012 US\$	2011 US\$
Changes in the unrestricted net assets:			
Unrestricted income:			
Student tuition and services		15,609,285	14,163,087
Services of educational departments		475,534	938,846
Other income		2,610,270	1,211,171
		<hr/>	<hr/>
Total unrestricted income		18,695,089	16,313,104
Costs, expenses and other deductions			
Educational	3	6,179,834	5,003,109
General and administrative	4	11,137,300	12,086,423
Maintenance and repair		844,453	564,383
Student credits and scholarships		413,744	316,778
Financial		289,833	250,015
Currency exchange expenses		93,452	111,021
		<hr/>	<hr/>
Total costs, expenses and other unrestricted deductions		18,958,616	18,331,729
		<hr/>	<hr/>
Decrease in unrestricted net assets		(263,527)	(2,018,625)
		<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

Instituto Tecnológico de Santo Domingo (Intec)

Statements of financial position
As of December 31, 2012 and 2011

	Notes	2012 US\$	2011 US\$
Assets			
Current assets			
Cash and cash equivalents	5	848,230	1,353,735
Investments	6	655,358	374,297
Accounts receivable	7	2,674,059	1,989,014
Prepaid expenses		117,867	42,816
Total current assets		4,295,514	3,759,862
Non-current assets			
Other receivables	7	146,546	-
Students loan	8	539,039	428,533
Property, furniture and equipment	9	21,896,144	23,246,396
Intangible assets	10	187,524	-
Other assets		14,642	15,238
Total non-current assets		22,783,895	23,690,167
Total assets		27,079,409	27,450,029
Liabilities			
Current liabilities			
Bank overdraft		98,606	-
Current installments of long-term debt	11	187,654	186,837
Accounts payable	12	1,602,907	1,753,392
Accruals and withholdings		197,982	213,787
Deferred income	13	1,054,297	926,586
Total current liabilities		3,141,446	3,080,602
Non-current liabilities			
Long term debt	11	1,590,511	1,770,224
Accounts payable - employees	14	467,291	478,211
Employee benefits	15	3,068,962	2,277,245
Total non-current liabilities		5,126,764	4,525,680
Total liabilities		8,268,210	7,606,282
Total net assets		18,811,199	19,843,747
Net assets			
Unrestricted:			
Net assets at the end of year		18,811,199	19,843,747
Total net assets and liabilities		27,079,409	27,450,029

The accompanying notes are an integral part of these financial statements.

Instituto Tecnológico de Santo Domingo (Intec)
Statements of cash flows
For the years ended December 31, 2012 and 2011

	Notes	2012 US\$	2011 US\$
Cash flows from operating activities:			
Decrease in net assets		(263,527)	(2,018,625)
Adjustments to reconcile decrease in net assets with cash provided by operating activities:			
Depreciation and amortization	4,9	1,080,361	1,434,873
Provision for employee benefits		926,380	59,214
Provision for uncollectible accounts	4	56,419	1,570,351
Loss in retirement of furniture and equipment		709,164	428,489
Other comprehensive income and other adjustments from conversion		(122,476)	281,507
Changes in assets and liabilities			
Increase in accounts receivable		(1,088,332)	(508,448)
Increase in prepaid expenses and other assets		(74,455)	(3,592)
(Decrease) increase in accounts payable and accrued expenses		(127,178)	572,787
Increase in deferred income		127,711	143,042
Net cash provided by operating activities		<u>1,224,067</u>	<u>1,959,598</u>
Cash flows from investing activities:			
Acquisition of furniture and equipment	9	(1,528,972)	(1,633,911)
Acquisition of investing		(281,061)	(283,699)
Net cash used in investing activities		<u>(1,810,033)</u>	<u>(1,917,610)</u>
Cash flows from financing activities:			
Increase (decrease) in bank overdraft		98,606	(59,325)
Net decrease of debt		(18,145)	(20,090)
Net cash provided by (used in) financing activities		<u>80,461</u>	<u>(79,415)</u>
Net decrease in cash and cash equivalents		<u>(505,505)</u>	<u>(37,427)</u>
Net cash and cash equivalents at beginning of year		<u>1,353,735</u>	<u>1,391,162</u>
Net cash and cash equivalents at end of year	5	<u>848,230</u>	<u>1,353,735</u>
Supplementary information of not monetary transactions			
Revaluation of property and buildings		-	6,874,575
Currency exchange assumed by Central Bank of the Dominican Republic		178,424	213,831
Scholarships from the Agreement with the Central Bank of the Dominican Republic		438,419	435,730

The accompanying notes are an integral part of these financial statements.

Instituto Tecnológico de Santo Domingo (Intec)

**Statements of changes in net assets
For the years ended December 31, 2012 and 2011**

	Revaluation Surplus US\$	Other Comprehensive Income US\$	Unrestricted Net Assets US\$	Total Net Assets US\$
BALANCES as of December 31, 2010	14,546,474	(2,022,396)	5,226,135	17,750,213
Decrease in net assets	-	-	(2,018,625)	(2,018,625)
Revaluation surplus	6,874,575	-	-	6,874,575
Other adjustments (Note 14)	-	-	(2,266,559)	(2,266,559)
Other comprehensive income	-	(495,857)	-	(495,857)
	<u>21,421,049</u>	<u>(2,518,253)</u>	<u>940,951</u>	<u>19,843,747</u>
BALANCES as of December 31, 2011	21,421,049	(2,518,253)	940,951	19,843,747
Decrease in net assets	-	-	(263,527)	(263,527)
Other comprehensive income	-	(769,021)	-	(769,021)
	<u>21,421,049</u>	<u>(3,287,274)</u>	<u>677,424</u>	<u>18,811,199</u>
BALANCES as of December 31, 2012	21,421,049	(3,287,274)	677,424	18,811,199

The accompanying notes are an integral part of these financial statements