

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
(A Component Unit of the Government of the United States Virgin Islands)

**INDEPENDENT AUDITORS' REPORT
AND AUDITED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2021 and 2020

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
(A Component Unit of the Government of the United States Virgin Islands)

INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of
Virgin Islands Public Broadcasting System:

Report on the Financial Statements

We have audited the accompanying financial statements of the Virgin Islands Public Broadcasting System (the "System"), a component unit of the Government of the United States Virgin Islands, which comprise the statement of net position as of and for the years ended September 30, 2021 and September 20, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the System's basic 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.

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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System, as of September 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, schedule of the System's proportionate share of the net pension liability on page 26 and the System's schedule of contributions on page 27 and the notes to the required supplementary information on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The statement of revenues and expenses per division on pages 29 and 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statement of revenues and expenses per division is the responsibility of management of the System and is derived from, and relates directly to, the underlying accounting records used to prepare the basic financial statements. Such 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 basic financial statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues and expenses per division is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022, on our consideration of the System'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 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 System's internal control over financial reporting and compliance.

Bert Smith & Co.

Washington, D.C.
March 14, 2022

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
(A Component Unit of the Government of the United States Virgin Islands)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2021 and 2020

The purpose of the following management's discussion and analysis of the financial performance and activity of the Virgin Islands Public Broadcasting System (the "System") is to help the readers understand the basic financial statements of the System for the years ended September 30, 2021 and 2020. This discussion has been prepared by management and should be read in conjunction with the basic financial statements, supplementary information and the notes thereto, which follow this section.

Financial Highlights

The assets and deferred outflows of the System exceeded liabilities and deferred inflows by \$11.4 million and \$10 million as of September 30, 2021 and 2020, respectively. The net position increased by \$1.4 million during the year ended September 30, 2021 and increased by \$950 thousand during the year ended September 30, 2020.

Reporting Entity

The System is a public corporation and an autonomous governmental instrumentality of the Government of the U.S. Virgin Islands ("GVI"). It owns and operates the public television station of the U.S. Virgin Islands with the call letters WTJX, created by Act No. 2364 on November 15, 1968, to provide educational television services in the U.S. Virgin Islands, and to advance the general welfare, cultural development, and awareness of public affairs of the general population. The System is a member of the Public Broadcasting Service ("PBS"), a media foundation that provides grants and services to public and non-commercial stations. The System is also a member of the National Public Radio ("NPR"), a nonprofit media foundation broadcasting over the radio.

Overview of the Financial Statements

The System's financial report includes three financial statements: The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. In addition to the three financial statements, the System has presented the Statement of Revenues and Expenses per Division, Schedule of the Share of the Net Pension Liability and Schedule of Contributions as supplementary information. The financial statements, and supplementary information, are prepared in accordance with accounting principles generally accepted in the United States of America.

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of September 30, 2021 and 2020. The System's net position is the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Over time, the increase or decrease in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the System's net position changed during the two most recent fiscal years, focusing on operating revenues and expenses, including support provided by grants from the Government of the Virgin Islands and the Corporation for Public Broadcasting ("CPB").

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
 YEARS ENDED SEPTEMBER 30, 2021 and 2020

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, financing and investing activities. This Statement indicates the financial viability of the System to meet financial obligations as they occur.

Summary of Financial Results

Statements of Net Position – Table 1 summarizes the System's Statements of Net Position as of September 30, 2021, 2020 and 2019.

Table 1: Summary of Statements of Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Unrestricted Current Assets	\$ 6,134,838	\$ 6,658,297	\$ 5,561,646
Restricted Current Assets	737,283	541,980	943,234
Capital Assets	7,956,942	5,617,504	5,163,987
Total Assets	<u>\$ 14,829,063</u>	<u>\$ 12,817,781</u>	<u>\$ 11,668,867</u>
Deferred Outflows of Resources	<u>\$ 1,183,938</u>	<u>\$ 768,156</u>	<u>\$ 481,445</u>
Current Liabilities	\$ 636,626	\$ 344,888	\$ 311,421
Noncurrent Liabilities	3,608,285	2,826,642	2,397,177
Total Liabilities	<u>\$ 4,244,911</u>	<u>\$ 3,171,530</u>	<u>\$ 2,708,598</u>
Deferred Inflows of Resources	<u>\$ 393,047</u>	<u>\$ 455,723</u>	<u>\$ 434,319</u>
Net Position			
Net Investment in Capital Assets	\$ 7,956,942	\$ 5,617,504	\$ 5,163,987
Restricted	737,283	541,980	943,234
Unrestricted	2,680,818	3,799,200	2,900,174
Total Net Position	<u>\$ 11,375,043</u>	<u>\$ 9,958,684</u>	<u>\$ 9,007,395</u>

For fiscal year 2021, the System's assets amounted to \$14.8 million, of which \$5.2 million represented unrestricted cash and cash equivalents, \$737 thousand represented cash and cash equivalents restricted in purpose, \$90 thousand represented trade, and other receivables, \$140 thousand was due from the Government of the Virgin Islands, \$661 thousand represented prepaid expenses and \$8.0 million represented capital assets net of accumulated depreciation. Total current assets decreased in fiscal year 2021 by \$328 thousand mainly due to decrease in cash and cash equivalent of \$573 thousand which was offset by an increase of \$195 thousand in restricted cash. Non-current assets increased by \$2.3 million, due to purchase of Production & Broadcast equipment for Repack project and St. Croix building improvement. Total liabilities and deferred inflows of resources amounted to 4.6 million and increased by \$1.0 million mainly due to increase in Pension liability by \$800 thousand and increase of accounts payable by \$260 thousand.

For fiscal year 2020, the System's assets amounted to \$12.8 million, of which \$5.8 million represented unrestricted cash and cash equivalents, \$542 thousand represented cash and cash equivalents restricted in purpose, \$70 thousand represented trade, and other receivables, \$141 thousand was due from the Government of the Virgin Islands, \$631 thousand represented prepaid expenses and \$5.6 million represented capital assets net of accumulated depreciation. Total current assets increased in fiscal year 2020 by \$695 thousand mainly due to increases in prepaid expense of \$543 thousand for PBS dues. Non-current assets increased by \$454 thousand, due to purchase of Production & Broadcast equipment for Repack project and St. Croix building improvement. Total liabilities and deferred inflows of resources amounted to \$3.2 million with little change from prior year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
 YEARS ENDED SEPTEMBER 30, 2021 and 2020

Statements of Revenues, Expenses and Changes in Net Position – Table 2 summarizes the activities of the System as of September 30, 2020 and 2019.

Table 2: Summary of Statements of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues	\$ 3,062,308	\$ 1,921,897	\$ 1,475,610
Operating Expenses	<u>(5,969,156)</u>	<u>(5,202,377)</u>	<u>(5,241,689)</u>
Loss from Operations	(2,906,848)	(3,280,480)	(3,766,079)
Non-Capital Appropriations from Government of the U.S. Virgin Islands	3,627,111	4,030,123	4,030,123
Capital Grants from Government of the U.S.V.I	-	-	1,450,000
Other non-operating revenue	439,111	200,000	200,000
Insurance Proceeds	255,328	-	-
Interest Income	<u>1,657</u>	<u>1,646</u>	<u>1,637</u>
Income (Loss)	<u>1,416,359</u>	<u>951,289</u>	<u>1,915,681</u>
Change in Net Position	<u>\$ 1,416,359</u>	<u>\$ 951,289</u>	<u>\$ 1,915,681</u>
Net Position – Beginning of Year	<u>9,958,684</u>	<u>9,007,395</u>	<u>7,091,714</u>
Net Position – End of Year	<u>\$ 11,375,043</u>	<u>\$ 9,958,684</u>	<u>\$ 9,007,395</u>

For fiscal year 2021, operating revenues of \$3.1 million reflect contributions from the Corporation for Public Broadcasting of \$1.1 million, funds from Federal Communications (FCC) of \$1.5 million, tower space rental income of \$82 thousand, underwriting revenue of \$181 thousand, fundraising revenue of \$51 thousand, advertising revenue of \$3 thousand, membership subscriptions and other donations of \$43 thousand, funds from Federal Emergency Management Agency of \$115 thousand and other revenue of \$41 thousand. Operating revenues increased by \$1.1 million from the previous year mainly due to increase in revenue from FCC.

For fiscal year 2021, operating expenses of \$6.0 million reflect programming expenses of \$3.5 million, general administration expenses of \$2.0 million, fundraising expenses of \$2 thousand and depreciation expense of \$487 thousand. Operating expenses increased by \$767 thousand, mainly due to increase in program services.

For fiscal year 2020, operating revenues of \$1.9 million reflect contributions from the Corporation for Public Broadcasting of \$1 million, tower space rental income of \$94 thousand, underwriting revenue of \$131 thousand, fundraising revenue of \$62 thousand, advertising revenue of \$12 thousand, membership subscriptions and other donations of \$39 thousand, funds from Federal Emergency Management Agency of \$55 thousand, funds from Federal Communications (FCC) of \$474 thousand and other revenue of \$51 thousand. Operating revenues increased by \$446 thousand from the previous year mainly due to increase in revenue from FCC.

For fiscal year 2020, operating expenses of \$5.2 million reflect programming expenses of \$2.9 million, general administration expenses of \$2.0 million, fundraising expenses of \$25 thousand and depreciation expense of \$334 thousand. Operating expenses decreased by \$39 thousand, mainly due to decrease in program services.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
 YEARS ENDED SEPTEMBER 30, 2021 and 2020

Grant Revenues

Grant Revenues – Table 3 summarizes grant revenues received through allotments from the Government of the Virgin Islands, grants from the Corporation for Public Broadcasting, and other grant revenue.

Table 3: Summary of Grant Revenues

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Non-Capital Appropriations from Government of the Virgin Islands	\$ 3,627,111	\$ 4,030,123	\$ 4,030,123
Grant Revenues – Corporation for Public Broadcasting	1,058,329	1,003,656	968,159
Grant Revenues – Community foundation	10,000	-	-
American Rescue Plan- CPB	439,111	-	-
CARES Act Funds – Corporation for Public Broadcasting	-	200,000	-
Grant Revenues – Public Broadcasting Service	-	-	9,989
Capital Grants form Government of the U.S.V. I	-	-	1,450,000
Grant Revenues – Federal Communications Commission	1,478,440	473,600	156,858
Emergency Funds – Federal Emergency Management Agency	115,140	55,466	9,646
Total Grant Revenues	<u>6,728,131</u>	<u>5,762,845</u>	<u>6,624,775</u>
Operating Revenues	<u>400,399</u>	<u>389,175</u>	<u>375,681</u>
Total Revenues	<u>\$ 7,128,530</u>	<u>\$ 6,152,020</u>	<u>\$ 7,000,456</u>
Grants as a Percentage of Total Revenue	<u>94.4%</u>	<u>93.6%</u>	<u>94.6%</u>

Capital Assets

The System's capital assets include land, buildings, building improvements and equipment. Capital asset additions during the fiscal years ended September 30, 2021 and 2020 amounted to \$3.4 million and \$788 thousand, respectively.

Summary of Capital Assets – Table 4 summarizes the System's capital assets as of September 30, 2021 and 2020:

Table 4: Summary of Capital Assets

	<u>2021</u>	<u>2020</u>
Land	\$ 1,284,996	\$ 1,284,996
Production and Broadcasting Equipment	9,046,708	7,142,573
Buildings and Improvements	3,408,260	3,134,242
Other	2,756,770	1,881,743
Construction in Progress	25,000	586,112
Total Capital Assets	<u>16,521,734</u>	<u>14,029,666</u>
Less: Accumulated Depreciation	<u>8,564,792</u>	<u>8,412,162</u>
Net Capital Assets	<u>\$ 7,956,942</u>	<u>\$ 5,617,504</u>

Note 5 to the financial statements provide detailed information regarding the capital assets of the System as of September 30, 2021 and 2020.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
 YEARS ENDED SEPTEMBER 30, 2021 and 2020

Budgetary Analysis

The System prepares an annual executive budget subject to approval by the Governor and the Legislature of the Virgin Islands. Following is a summary of the budget and actual results for the fiscal years ended September 30, 2021 and 2020:

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>Variance</u>
Total Revenue	\$ 4,940,767	\$ 5,097,495	\$ 156,728
Total Operating Expenses	(4,940,767)	(5,080,201)	(139,434)
Non-Budgeted Revenues	-	2,288,019	2,288,019
Non-Budgeted Expenditures	-	(888,954)	(888,954)
Income (Loss)	<u>\$ -</u>	<u>\$ 1,416,359</u>	<u>\$ 1,416,359</u>

CPB grant revenue increased by \$55 thousand, Underwriting increased by \$69 thousand and other revenues increased by \$33 thousand. Non-budgeted revenues consist of \$439 thousands from the American Rescue Plan Act through CPB, re-packing funds from Federal Communications Commission (FCC) of \$1.5 million, FEMA \$115 thousand and Government insurance proceeds from the 2017 hurricanes of \$255 thousand. The increase in operating expenses of \$627 thousand is mainly due the use of prior year revenues to partly fund PBS dues of \$744 thousand since the government funding had been reduced due to budget cuts. Non-budgeted expenses consist of depreciation expense of \$487 thousand, pension expense of \$330 thousand and other expenses of \$72 thousand.

	<u>2020 Budget</u>	<u>2020 Actual</u>	<u>Variance</u>
Total Revenue	\$ 5,296,782	\$ 5,377,440	\$ 80,658
Total Operating Expenses	(5,296,782)	(4,405,204)	891,578
Non-Budgeted Revenues	-	776,227	776,227
Non-Budgeted Expenditures	-	(797,172)	(797,172)
Income (Loss)	<u>\$ -</u>	<u>\$ 951,291</u>	<u>\$ 951,291</u>

CPB grant revenue increased by \$35 thousand. Non-budgeted revenues consist of \$200 thousands from the CARES Act through CPB, re-packing funds from Federal Communications Commission (FCC) of \$474 thousand and other revenues of \$102 thousand. The decrease in operating expenses of \$891 thousand is mainly due to decreases in salaries and related expenses of \$299 thousand, membership, dues and subscription expenses of \$584 thousand due to PBS dues waiver and other expenses of \$9 thousand. Non-budgeted expenses consist of depreciation expense of \$334 thousand, pension expense of \$165 thousand grant related expenses of \$67 thousand and other expenses of \$231 thousand.

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
YEARS ENDED SEPTEMBER 30, 2021 and 2020

Significant Currently Known Facts

Budgetary Appropriations

The ability of the System to continue as a going concern and providing public television services is dependent on grant allotments and other funds received from the Government of the Virgin Islands and the Corporation for Public Broadcasting.

Hurricanes Irma and Maria

In September 2017, the US Virgin Islands was hit directly by hurricanes Irma and Maria. The category 5 storms caused extensive damages to VIPBS properties and operations. Their headquarters in St. Thomas was destroyed and St. Croix received less extensive damages. The Mountain Top facility also endured considerable damages. The System was informed of their preliminary allocation of insurance for Federal Emergency Management Agency (FEMA) purposes of \$792,461, and this amount will be deducted from FEMA proceeds. As at the date of this report VIPBS have 17 worksheets with FEMA Public Assistance. There are 13 on St. Thomas and 4 on St. Croix. We have collected \$344 thousand to date for 6 project worksheets. The amount of \$22,114 is outstanding as at the date of this report for 1 project worksheet. We have received insurance proceeds of \$255 thousands towards 1 project worksheet.

FCC Repack Project

The System was included in the Federal Communications Commission ("FCC") Repack Project. The project consists of certain realignment on the broadcasting frequency by which WTJX would change its broadcasting from channel 44 to channel 36, pursuant to a Transition Plan and Budget approved by the FCC (the "Plan"). As part of the Plan, the FCC will provide all the funding, which is estimated at \$4.7 million, for the building of new tower and the purchase of new transmitters and underlying equipment. As of September 30, 2021, total repacking funds received amounted to \$2,234,891.

As of the date of issuing these financial statements, the System has paid \$2,208,823 in FCC expenses. The System has \$3K in outstanding payments. One tower was completed and is now in service. The second tower is near completion. We anticipate that the project will be completed in FY 2022.

Contacting the Corporation

This financial report is designed to provide a general overview of the System's finances. If you have any questions about this report, or need additional information, contact the System at: Virgin Islands Public Broadcasting System - WTJX, P.O. Box 7879, Charlotte Amalie, St. Thomas, U.S. Virgin Islands 00801.

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
(A Component Unit of the Government of the United States Virgin Islands)

STATEMENTS OF NET POSITION
 SEPTEMBER 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 5,243,906	\$ 5,816,650
Accounts and Other Receivable	89,561	69,680
Due from the Government of the U.S. Virgin Islands	140,008	140,626
Prepaid Expenses	661,363	631,341
Restricted Cash	737,283	541,980
Total Current Assets	6,872,121	7,200,277
Noncurrent Assets		
Capital Assets, net of accumulated depreciation	7,956,942	5,617,504
Total Noncurrent Assets	7,956,942	5,617,504
Total Assets	14,829,063	12,817,781
Deferred Outflows of Resources		
Deferred Amounts Related to Pension	1,183,938	768,156
Total Assets and Deferred Outflows of Resources	\$ 16,013,001	\$ 13,585,937
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 375,231	\$ 114,907
Accrued Liabilities	140,821	141,471
Unearned Revenue	1,060	-
Compensated Absences – Current Portion	119,514	88,510
Total Current Liabilities	636,626	344,888
Noncurrent Liabilities		
Compensated Absences	142,519	169,318
Net Pension Liability	3,465,766	2,657,324
Total Non-Current Liabilities	3,608,285	2,826,642
Total Liabilities	4,244,911	3,171,530
Deferred Inflows of Resources		
Deferred Amounts Related to Pension	393,047	455,723
Total Liabilities and Deferred Inflows of Resources	\$ 4,637,958	\$ 3,627,253
NET POSITION		
Net Position		
Net Investment in Capital Assets	\$ 7,956,942	\$ 5,617,504
Restricted	737,283	541,980
Unrestricted	2,680,818	3,799,200
Total Net Position	\$ 11,375,043	\$ 9,958,684

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

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
(A Component Unit of the Government of the United States Virgin Islands)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Grants from Corporation for Public Broadcasting	\$ 1,058,329	\$ 1,003,656
Grant Revenues from Community Foundation	10,000	-
Funds from Federal Emergency Management Agency	115,140	55,466
Grant Revenues from Federal Communications Commission	1,478,440	473,600
Tower Space Rental	81,676	94,011
Underwriting	180,545	130,931
Fundraising	4,150	62,151
Advertising	50,367	11,820
Membership Subscriptions and Other Donations	42,827	39,121
Other Operating Revenue	40,834	51,141
Total Operating Revenues	<u>3,062,308</u>	<u>1,921,897</u>
Operating Expenses		
Program Services	3,462,809	2,890,469
Management and General	2,017,390	1,952,815
Fundraising	1,735	24,807
Depreciation	487,222	334,286
Total Operating Expenses	<u>5,969,156</u>	<u>5,202,377</u>
Total Operating Revenues and Expenses	<u>9,031,464</u>	<u>7,124,274</u>
Loss from Operations	<u>(2,906,848)</u>	<u>(3,280,480)</u>
Non-Operating Revenues and Expense		
Non-capital Appropriations from Government of the U.S. Virgin Islands	3,627,111	4,030,123
Other non-operating revenue	439,111	200,000
Insurance recoveries, including hurricane related claims	255,328	-
Interest Income	1,657	1,646
Total Non-Operating Revenues and Expense	<u>4,323,207</u>	<u>4,231,769</u>
Change in Net Position	1,416,359	951,289
Net Position, at Beginning of Year	<u>9,958,684</u>	<u>9,007,395</u>
Net Position, at End of Year	<u>\$ 11,375,043</u>	<u>\$ 9,958,684</u>

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

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows Used in Operating Activities		
Receipts from Grants, Customers and Others	\$ 3,043,045	\$ 1,936,712
Payments to Suppliers and Employees	<u>(4,915,704)</u>	<u>(5,213,889)</u>
Net Cash Used in Operating Activities	<u>(1,872,659)</u>	<u>(3,277,177)</u>
Cash Flows Provided by Non-Capital Financing Activities		
Non-Capital Appropriations from Primary Government	3,625,782	4,030,123
Insurance recoveries on non-hurricane related claims	255,328	-
Other Proceeds	<u>439,111</u>	<u>200,000</u>
Net Cash Provided by Non-Capital Financing Activities	<u>4,320,221</u>	<u>4,230,123</u>
Cash Flows Provided by Investing Activities		
Interest Received on Cash and Cash Equivalents	<u>1,657</u>	<u>1,646</u>
Cash Flows Used in Capital and Related Financing Activities		
Purchase of Capital Assets	(2,826,660)	(787,803)
Capital Grants from primary government	<u>-</u>	<u>-</u>
Net Cash Provided by Capital and related Financing Activities	<u>(2,826,660)</u>	<u>(787,803)</u>
Net Increase in Cash and Cash Equivalents	(377,441)	166,789
Cash and Cash Equivalents, at Beginning of Year	<u>6,358,630</u>	<u>6,191,841</u>
Cash and Cash Equivalents, at End of Year	<u>\$ 5,981,189</u>	<u>\$ 6,358,630</u>
Cash and Cash Equivalents		
Unrestricted Cash and Cash Equivalents	5,243,906	\$ 5,816,650
Restricted Cash and Cash Equivalents	<u>737,283</u>	<u>541,980</u>
Total Cash and Cash Equivalents	<u>\$ 5,981,189</u>	<u>\$ 6,358,630</u>
Reconciliation to Net Cash Used in Operating Activities		
Loss from Operation	\$ (2,906,848)	\$ (3,280,480)
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</i>		
Depreciation	487,222	334,286
Bad debt expense	1,329	-
<i>Change in Assets and Liabilities:</i>		
Accounts and Other Receivable	(19,881)	6,776
Due from the Government of the U.S. Virgin Islands	618	8,039
Prepaid Expenses	(30,022)	(543,423)
Accounts Payable	260,324	57,173
Accrued Liabilities	(650)	(75,840)
Unearned Revenue	1,060	(8,230)
Compensated Absences	4,205	59,845
Deferred Outflows of Resources	(415,782)	(286,711)
Deferred Inflows of Resources	(62,676)	21,404
Net Pension Liability	<u>808,442</u>	<u>429,984</u>
Total Adjustments	<u>1,034,189</u>	<u>3,303</u>
Net Cash Used in Operating Activities	<u>\$ (1,872,659)</u>	<u>\$ (3,277,177)</u>

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

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
(A Component Unit of the Government of the United States Virgin Islands)

STATEMENTS OF CASH FLOWS *(Continued)*
FOR THE YEARS ENDED SEPTEMBER 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Non-Cash Transactions Disclosures		
Supplementary Disclosures of Cash Flows Information		
Salaries Paid by the Government of Virgin Islands in the Form of a Grant	<u>\$ 2,482,927</u>	<u>\$ 2,440,332</u>
Donated Services	<u>\$ 14,146</u>	<u>\$ 72,105</u>

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

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
(A Component Unit of the Government of the United States Virgin Islands)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 and 2020

NOTE 1 REPORTING ENTITY

The Virgin Islands Public Broadcasting System (the “System”) was created by Act No. 2364 on November 15, 1968, to provide education television services in the United States Virgin Islands, and to advance the general welfare, cultural development, and awareness of public affairs of the general population. In December 2014, the System expanded operations to include a public education radio station, WTJX-FM. The radio promotes educational, general welfare and cultural programming including National Public Radio programming. On July 30, 2015, but effective November 2015, the Legislature of the Virgin Islands through Act 7748 officially changed the name of the Virgin Islands Public Television System to the Virgin Islands Public Broadcasting System.

The System was formed as a public corporation and is an autonomous component unit of the Government of the U.S. Virgin Islands (the “GVI”) and, therefore, the financial statements of the System are not intended to present fairly the financial position and results of operations of the GVI. Only the accounts of the System are included in the reporting entity.

The System’s Board of Directors consists of the Commissioner of the Department of Education, the Vice-Chair of the Board of Education, the President of the University of the Virgin Islands, the Director of the Office of Management and Budget, three members appointed by the President of the Legislature, four other members appointed by the Governor. The call letters of the System are WTJX, and it is a member of the Public Broadcasting Service (“PBS”), a media foundation that provides programs and services to public and non-commercial television stations. Also, it is a member of the National Public Radio (“NPR”).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The System prepares its financial statements in conformity with accounting principles generally accepted in the United States of America for governmental enterprise funds as prescribed by the Government Accounting Standards Board (“GASB”).

The financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Basic Financial Statements – Standards for external financial reporting require that resources be classified for accounting and reporting purposes into net positions, categories and to report the change in net position. Net position is the residual of all other elements presented in the statements of net position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and consists of the following categories:

- ***Net Investment in Capital Assets*** – This category of net position consists of capital assets, net accumulated depreciation, reduced by any outstanding balances of mortgages or notes attributable to the acquisition, construction or improvement of those assets.
- ***Restricted Component of Net Position*** – This category consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

- **Unrestricted Component of Net Position** – This category consists of the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets, or the restricted component of net position.

The System distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from services provided in connection with the System's community and education-based television system. The principal revenues of the System are grants, including grants from the Government of the U.S. Virgin Islands and grants from the Corporation for Public Broadcasting ("CPB"), underwriting, fundraising, tower space rental and advertising. Operating expenses mainly include programming services, management and general expenses, and depreciation.

When both restricted and unrestricted resources are available for use, the System decides to use resources on a case by case basis.

Cash and Cash Equivalents – All deposits of the System are made in board-designated official depositories. The System may designate, as an official depository, any bank or savings association whose principal office is located in the United States Virgin Islands. Also, the System may establish time deposit accounts such as certificates of deposits.

The System's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The System receives cash allotments from the CPB in two installments during the year which are held in a separate bank account and are reported as restricted cash and cash equivalents.

Under Virgin Islands law, government public funds are required to be deposited into accounts that are collateralized by security bond collateral that is satisfactory to the Commissioner of Finance. As of September 30, 2021, cash and cash equivalents held at banks were fully collateralized.

Accounts and Other Receivable – All trade and grant receivables are reported as assets of the System. These accounts receivable mainly consist of underwriting, grants and rent from tower space.

Allowance for Doubtful Accounts – The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses on existing accounts receivable that may become uncollectible based on evaluations of collectability of accounts receivable and prior credit loss experience. Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the existing accounts receivable and related allowance may change in the future. Balance of the allowance for doubtful accounts at September 30, 2021 and 2020 amounted to \$-0-.

Prepaid Expenses – Certain cash outlays to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position and are expensed as the items are used or the expense is realized. These prepaid expenses mainly consist of unamortized PBS dues, memberships and insurance.

Capital Assets – Capital assets, which include property, plant, and equipment assets, are reported in the financial statements at the time of acquisition or donation. Acquired capital assets are reported at cost at the date of purchase or construction, and donated assets are reported at acquisition value at the date of donation. Only assets with an initial, individual cost, or fair market value, of more than \$5,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets, or materially extend the life of assets are not capitalized. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*(Continued)*

Capital assets are depreciated using the straight-line method by groups or classes over the following expected service lives:

	<u>Years</u>
Buildings	40-60
Buildings and Improvements	15-30
Production & Broadcast Equipment	3-15
Others	7

When capital assets are retired, the cost and related accumulated depreciation is removed from the accounts and any gain or loss is recognized as non-operating revenue or expense.

Compensated Absences – Employees are eligible under personnel policies established by the Government of the Virgin Islands to accrue annual leave (up to 480 hours) if not used during the Calendar year. Unpaid annual leave is accrued as a liability of the System, as well as the System’s share of related payroll taxes, if the compensated absence is attributable to past service and it is probable that the System will compensate the employee for the benefits. The number of compensated absences is computed using salary rates in effect at September 30th. As of September 30, 2021 and 2020, the System reported accrued compensated absences amounting to \$262,033 and \$257,828, respectively.

Pension Plan – The Employees’ Retirement System of the government (the “GERS”) is the administrator of a cost-sharing multiple-employer, defined benefit pension plan (the “plan”) established as of October 1, 1959 by the Government to provide retirement, death, and disability benefits to its employees, and includes employees of Judicial, Executive and Legislative Branches of government and outside agencies. The plan covers all employees of the Government except employees compensated on a contract fee basis, casual, per diem or provisional and part-time employees who work less than 20 hours per week. Persons over the age of 55 may opt out of the plan by providing formal notification to the plan. Vesting of benefits occurs after 10 years of service. Benefits may be extended to beneficiaries of plan members.

Deferred Outflows of Resources – In addition to assets, the statement of net position reports a separate section of deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. The deferred amounts related to pension consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions and other differences between expected and actual experience.

Deferred Inflows of Resources – In addition to liabilities and net position, the statement of net position reports a separate section of deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The deferred amounts related to pension consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions and other differences between expected and actual experience.

Revenue Recognition – The System distinguishes operating revenues and expenses from non-operating items. Revenues associated with the Contributions from Corporation for Public Broadcasting are recorded as operating revenues when cash is received. Expenses related to the program services, and management and general expenses are recorded as operating expenses.

Non-operating revenues consist principally of non-capital appropriations from government of the U.S. Virgin Islands. These moneys are given to the system for its operations. The allotment amount is approved by the government which is split into monthly allotment set by OMB. A memo is sent monthly informing the System that the funds are available.

Operating Revenues and Expenses – Operating revenues and expenses generally result from providing services in connection with the System’s principal ongoing operations, mainly the production of educational and cultural programs. The System also recognizes grants received as operating revenue. Operating expenses for the System include cost of services, administrative expenses, and depreciation on capital assets.

Use of Estimates in the Preparation of Financial Statements – 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 reported amounts of assets, deferred inflows, liabilities, deferred outflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

New Accounting Pronouncements - Accounting Pronouncements Issued but Not Yet Adopted

GASB Statement No. 87 - Leases

In June 2017, the Governmental Accounting Standards Board issued GASB 87 Leases. The standard changes the way that entities account for leases in their financial disclosures, especially their statement of net position and statements of revenues, expenses and changes in net position. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. This will be effective for the System in fiscal year 2022.

Reclassifications – Certain reclassifications were made to the 2021 financial statements to conform to the current year’s presentation. These reclassifications had no effect on the reported results of operations.

NOTE 3 CASH AND CASH EQUIVALENTS

The System maintains unrestricted cash and cash equivalents including: (i) allotments from the Government of the Virgin Islands, (ii) Special Productions including underwriting, donations, and other fundraising activities, (iii) Emergency Maintenance funded from rental income of an up-link television broadcasting tower located in St. Thomas, (iv) Certificate of Deposit held as a reserve and (v) a petty cash account. Restricted cash consist of CPB funding. These funds will be used for the operation of the System, in compliance with the purposes and restrictions set forth in the CPB General Provisions and Eligibility criteria guidelines.

As of September 30, 2021 and 2020, cash and cash equivalents consisted of the following deposits in banks and certificate of deposit:

	<u>2021</u>	<u>2020</u>
Restricted:		
Corporation for Public Broadcasting	\$ 737,283	\$ 541,980
Unrestricted:		
Government of the U.S. Virgin Islands	3,174,820	4,012,458
Special Productions	593,524	383,456
FCC Repacking	128,120	28,113
Emergency Maintenance	819,574	839,566
FEMA Funds Account	194,342	219,688
Petty Cash	1,500	3,000
Certificate of Deposit	332,026	330,369
Unrestricted Cash and Cash Equivalents	<u>5,243,906</u>	<u>5,816,650</u>
Total Cash and Cash Equivalents	<u>\$ 5,981,189</u>	<u>\$ 6,358,630</u>

- **Concentration of Credit Risk** – The System utilizes one financial institution located in the United States Virgin Islands.
- **Credit Risk** – Depository balances are fully collateralized with collateral satisfactory to the USVI Commissioner of Finance.

NOTE 4 ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables at September 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Underwriting	\$ 46,764	\$ 9,707
Rent	1,583	3,084
Fundraising	-	-
Advertisement	-	4,500
FEMA	22,114	22,114
Other	19,100	30,275
Donation	-	-
Grants	-	-
	<u>\$ 89,561</u>	<u>\$ 69,680</u>

As of September 30, 2021, and 2020, the System had an outstanding receivable due from the GVI, a related party, amounting to \$140,008 and \$140,626, respectively to cover accrued payroll expenses.

NOTE 5 CAPITAL ASSETS

Capital assets at September 30, 2021 and 2020 are comprised of the following:

	Balance at September 30, 2020	Additions	Disposals	Balance at September 30, 2021
Non-depreciable assets:				
Land	\$ 1,284,996	\$ -	\$ -	\$ 1,284,996
Construction in Progress	586,112	25,000	(586,112)	25,000
Non-depreciable assets:	1,871,108	25,000	(586,112)	1,309,996
Depreciable assets:				
Production and broadcasting equipment	7,142,573	2,238,727	(334,592)	9,046,708
Buildings and improvements	3,134,242	274,018	-	3,408,260
Other	1,881,743	875,027	-	2,756,770
Total depreciable assets	12,158,558	3,387,772	(334,592)	15,211,738
Less: accumulated depreciation	(8,412,162)	(487,222)	334,592	(8,564,792)
Total depreciable assets, net	3,746,396	2,900,550	-	6,646,946
Total capital assets, net	\$ 5,617,504	\$2,925,550	\$(586,112)	\$ 7,956,942

	Balance at September 30, 2019	Additions	Disposals	Balance at September 30, 2020
Non-depreciable assets:				
Land	\$ 1,284,996	\$ -	\$ -	\$ 1,284,996
Construction in Progress	586,112	-	-	586,112
Non-depreciable assets:	1,871,108	-	-	1,871,108
Depreciable assets:				
Production and broadcasting equipment	6,639,808	502,765	-	7,142,573
Buildings and improvements	2,934,009	200,233	-	3,134,242
Other	1,796,938	84,805	-	1,881,743
Total depreciable assets	11,370,755	787,803	-	12,158,558
Less: accumulated depreciation	(8,077,876)	(334,286)	-	(8,412,162)
Total depreciable assets, net	3,292,879	453,517	-	3,746,396
Total capital assets, net	\$ 5,163,987	\$ 453,517	\$ -	\$ 5,617,504

Depreciation expense for the years ended September 30, 2021 and 2020 amount to \$487,222 and \$334,286, respectively.

NOTE 6 PROGRAMMING DUES

The System is a member station of the Public Broadcasting Services of the U.S. ("PBS"). PBS offers programming designed to expand the minds of children, documentaries, noncommercial news programs, and programs designed to expose listeners to music, theatre, dance and art.

Dues for the member year of July 1, 2021 through June 30, 2022 amounted to \$723,121, was paid as of September 30, 2021. Unamortized portion amounting to \$542,341 in FY 2021 is included as part of prepaid expenses in the accompanying statement of net Position.

Dues for the member year of July 1, 2020 through June 30, 2021 amounted to \$724,937, was paid as of September 30, 2020. Unamortized portion amounting to \$543,703 in FY 2020 is included as part of prepaid expenses in the accompanying statement of net Position

NOTE 7 NON-CAPITAL APPROPRIATIONS AND GRANTS REVENUE

The System receives two main sources of revenues: (i) noncapital appropriations from the Government of the U.S. Virgin Islands to pay salaries and related expenses and operating expenditures, and (ii) grants from the Corporation for Public Broadcasting (“CPB”) to provide funding for the System’s member dues to the Public Broadcasting Service, salaries and related benefits and operating expenses.

For the fiscal years ended September 30, 2021 and 2020, the System received the following grant revenue from these organizations:

	<u>2021</u>	<u>2020</u>
Government of the Virgin Islands	\$ 3,627,111	\$ 4,030,123
Corporation for Public Broadcasting	1,497,440	1,203,656
Community Foundation	10,000	-
Re-Packing Fund-FCC	1,478,440	473,600
FEMA Grants	155,140	55,466
	<u>\$ 6,768,131</u>	<u>\$ 5,762,845</u>

During the years ended September 30, 2021 and 2020, the GVI supported \$2,358,179 and \$2,440,332 in salary and related costs through its appropriations to the System.

NOTE 8 TOWER SPACE RENTALS

The System leases certain tower facilities to tenants under the terms requiring the payment of minimum annual rentals. Future income under the annual minimum rentals under noncancelable operating leases in effect at September 30, 2021, are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2022	\$ 61,258
2023	59,056
2024	39,865
2025	37,029
	<u>\$ 197,209</u>

Tower space rental income for the years ended September 30, 2021 and 2020 amounted to \$81,676 and \$94,011, respectively.

NOTE 9 COMMITMENTS AND CONTINGENCIES

The System derives most of its operating revenue from appropriations provided by the local Government and the Corporation for Public Broadcasting. The continuing operation of the System is dependent on a continuation of grants for sustainable operations.

The Government of the Virgin Islands Department of Property and Procurement provides casualty insurance on System assets under a blanket insurance policy covering both the primary Government and certain autonomous agencies. In FY 2021 the System received \$255,328 in insurance proceed from the Government of the Virgin Island.

NOTE 9 – COMMITMENTS AND CONTINGENCIES*(Continued)*

During September 2017, Hurricanes Irma and Maria hit the U.S. Virgin Islands causing enormous losses and devastation. The System suffered damages to equipment and property. The System's headquarters and its main broadcasting facility was severely damaged.

Management and the Board continue to identify funding sources and estimated outlay of funds for the restoration of the facilities. The System is anticipating federal funding from FEMA to aid in the rebuild. The total funds to be expended is not yet determinable.

The System is part of the FCC Re-Packing Project that will allow for significant equipment acquisition related to a global repositioning of the FCC's broadcasting spectrum. Total estimated costs of the project amount to \$4.7 million, of which \$2,167,041 has been disbursed as of September 30, 2021. The Re-Packing Project will continue simultaneous to the System's recovery efforts previously explained.

The United States has been affected the Novel-Coronavirus (COVID-19), an aggressive and potent pandemic, which has spread globally and is expected to adversely affect economic conditions throughout the world. The System's allotment from the Government of the Virgin Islands was reduced by ten percent in fiscal year 2021. The System is working to minimize the economic impact through fundraising ventures and the use of other internal funds. Management is actively monitoring the impact of COVID-19 on its financial liquidity and operations. Management is currently unable to estimate the complete future financial impact.

NOTE 10 PENSION PLAN

The System follows the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement establishes financial reporting standards for state and local governments for pensions.

Plan Description

The System's employees are members of the Employees' Retirement System of the Government of the U.S. Virgin Islands ("GERS"), cost sharing multiple employer defined benefit, public employee retirement system as defined by GASB 68. The system was established by the Government to provide retirement, death and disability benefits to its employees. All of the System's full-time regular employees are mandated to participate in the retirement plan administered by GERS.

The System's part-time employees who regularly work more than 50% of the normal work period, and full-time regular employees who at the time of employment are under age 55 years with one year of government service are eligible to participate in the system. Effective January 1, 2017, the System's required contribution was 23.5% of the member's annual salary. Prior to that date, the percentage was 17.5%. Effective January 1, 2017, member contributions were 11% and 11.5% for Tier I and Tier II employees. Total amount of the System's covered payroll for the year ended September 30, 2020 was \$202,388.

Plan descriptions, funding policies, and a schedule of employee required and paid contributions for the defined benefit plans are presented in the Virgin Islands Comprehensive Annual Financial Report (Report) for the fiscal year ended September 30, 2021. The Report also provides detailed historical trend information showing the progress in accumulating sufficient assets to pay benefits when due. In addition, GERS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained from the Employees' Retirement System of the Government of the Virgin Islands, GERS Complex, 3438 Kronpindsens Gade, St. Thomas, and VI 00802.

NOTE 11 NET PENSION LIABILITY

Net Pension Liability

Effective July 1, 2014, the System implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Following is a description of the pension plan and accounting for pension expense, liabilities, and deferred outflows/inflows of resources.

Plan Description and Benefits

Full time employees of the System are members of the Government Employees' Retirement System of the Virgin Islands (GERS), a cost sharing multiple-employer, defined benefit pension plan (the plan) established as of October 1, 1959 in accordance with Title 3, Chapter 27 of the Virgin Islands Code to provide retirement, death, and disability benefits. Benefits may be extended to beneficiaries of plan members. The plan covers all employees of the Government, including the System, except employees compensated on a contract fee basis, casual, per diem or provisional and part time employees who work less than 20 hours per week. Persons over the age of 55 may opt out of the plan by providing formal notification to the plan. Vesting of benefits occurs after 10 years of service. Benefits may be extended to beneficiaries of plan members.

There are two tiers within the plan:

- Tier I:** Employees hired prior to September 30, 2005
- Tier II:** Employees hired on or after October 1, 2005

Regular Tier I employees are eligible for full-service retirement at age 60 with 10 years of credited service or any age with 30 years of credited service. Regular Tier II employees are eligible for full-service retirement at age 65 with 10 years of credited service. Tier I members who are considered "safety employees" as defined in the Code are eligible for full retirement benefits at age 55 with 10 years of credited service or any age with 20 years of credited service. Tier II safety employees are eligible for full retirement benefits at age 60 with 10 years of service or age 58 with 25 years of service. Regular and safety employees who have attained age 50 with at least 10 years of credited service may elect to retire early with a reduced benefit.

The monthly annuity benefit payment is determined by applying a stipulated benefit ratio to the member's average compensation. Average compensation for Tier I members is determined by averaging the five highest years of credited service within the last ten years of service, subject to the maximum salary limitations in effect during such service. Average compensation for Tier II members is determined by averaging the most recent five years of credited service within the last ten years of service, subject to the maximum salary limitations in effect during the service. The maximum annual salary that can be used in this computation is \$65,000, except for senators and judges, whose annual maximum compensation is \$85,000.

Funding and Contribution Policy

Contributions to GERS are established by the Board of Trustees of GERS. Contribution rates to the retirement plan for regular employees vary based on classification as Tier I or Tier II. The GVI's employer contribution for Tier I and Tier II employees is 23.5% of the member's annual salary, effective on January 1, 2020. Employee contribution rates effective on January 1, 2017 are as follows:

NOTE 11 – PENSION LIABILITY*(Continued)*

	<u>Tier I</u>	<u>Tier II</u>
Regular Employees	11%	11.5%
Public Safety Employees	13%	13.625%
Legislature	12%	14%
Judges	15%	15%

Both the Plan and the System have a September fiscal year end. GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date:	October 1, 2020
Measurement Date:	September 30, 2020
Measurement Period:	October 1, 2019 – September 30, 2020

The System's proportionate share of employer contributions recognized by GERS was \$53,570 for the Plan's fiscal year ended September 30, 2020.

Pension Liabilities and Expense and Deferred Outflows/Inflows of Resources

The actuarial calculated net pension liability for the System's proportionate share of the net pension liability of the plan was \$3,465,766 and \$2,657,324 as of September 30, 2020 and September 30, 2019. The net pension liability of the plan is measured as of September 30, 2020, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2020. Actuarially determined proportionate share information from GERS was estimated by management based on an average five-year respective share of the System's contributions to the plan relative to all contributions to the plan.

The System's proportion was .0600% and .0500% at September 30, 2020 and September 30, 2019 which was a decrease of .0001%. The pension liability reported in the System's financial statements relates to the payroll funded by sources other than government appropriations since the pension liability for all the employees paid by the GVI is accounted for at the GVI's financial statements. The System's proportionate share of employer contributions recognized by GERS from the payroll funded by sources other than government appropriations was \$53,570.

The System recognized \$386,002 and 241,623 of pension expense at September 30 2020 and September 30,2019, inclusive of amortization of deferred outflows of pension-related items. Following is a schedule of deferred outflows/inflows of resources allocated to the System in the computation of net pension liability:

September 30, 2020

	Deferred Outflows by Resources	Deferred Inflows of Resources
Change in assumptions	\$ 672,726	\$ 197,527
Difference between expected and actual experience	29,604	1,182
Net difference between projected and actual earnings on pension plan investments	-	4,122
Change in proportionate share	425,589	190,216
Contributions made subsequent to measurement date	56,018	-
	<u>\$ 1,183,937</u>	<u>\$ 393,047</u>

NOTE 11 – PENSION LIABILITY*(Continued)*

September 30, 2019

	Deferred Outflows by Resources	Deferred Inflows of Resources
Change in assumptions	\$ 589,126	\$ 212,216
Difference between expected and actual experience	32,788	1,231
Net difference between projected and actual earnings on pension plan investments	1,507	-
Change in proportionate share	67,836	242,276
Contributions made subsequent to measurement date	76,899	-
	\$ 768,156	\$ 455,723

Amounts reported as deferred outflows of resources and deferred inflows of resources, exclusive of contributions made after the measurement date, will be recognized in pension expense as follows:

Year ending September 30,	
2022	\$ 117,110
2023	79,406
2024	103,385
2025	42,011
2026	42,011

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of September 30, 2020, is provided below, including any assumptions that differ from those used in the October 1, 2020 actuarial valuation. Refer to October 1, 2020 actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website.

Inflation Rate:	2.00%
Salary Increases:	3.25% including inflation
Actuarial Cost Method:	Entry Age Normal
Expected Rate of Return:	4.0%
Municipal Bond Yield:	2.21%
Discount Rate:	2.23%
Mortality Table:	RP-2014 Blue Collar

Investment Rate of Return

The expected rate of return of 4.0% on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of September 30, 2020, are summarized as follows:

Asset Class	Target Allocation	¹ Long-Term Expected Real Rate of Return
Domestic Equity	9%	6.23%
Fixed Income	60%	0.98%
Real Estate	10%	4.33%
Cash	12%	0.48%
Private Equities (Alternatives)	9%	10.23%
Total	100%	

¹Real rates of return are net of inflation

Discount Rate

The discount rate used to measure the total pension liability was 2.23% as of September 30, 2020 and 2.67% as of September 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate, including the future increases in the employee contribution rates legislated. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the expected rate of return on plan investments of 4.0% was applied to all periods of projected benefit payments that are covered by projected assets. For periods where projected future benefit payments are not covered by projected assets, the yield on a 20-year AA Municipal Bond index was applied, which was 2.21% and 2.66% at September 30, 2020 and 2019, respectively.

Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the System's allocated proportionate share of the net pension liability (NPL) for the plan, calculated using the discount rate of 2.23% as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (1.23%) or 1% higher (3.23%) than the current rate.

1% Decrease (1.23%)	Current Discount (2.23%)	1% Increase (3.23%)
\$4,021,079	\$3,465,766	\$3,012,232

Detailed information about pension plan's fiduciary net position is available in the separately issued GERS financial report.

NOTE 12 OTHER POSTEMPLOYMENT BENEFIT LIABILITY

The Governmental Accounting Standards Board issued GASB STATEMENT NO. 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The statement is effective for fiscal years beginning after June 15, 2017. The Government of the Virgin Islands adopted and implemented GASB 75 for the year-end September 30, 2018. The objective of the statement is to improve Accounting and Financial Reporting for state and local governments (including component units) for Postemployment Benefits Other than Pensions (OPEB).

The System is a component unit of the U.S. Virgin Islands Primary Government. For purposes of GASB 75, the plan is classified as a nontrusted multiple employer plan. In this Special Funding Situation, the Primary Government covers the plan expenses as they occur. The plan is considered a "pay as you go" plan.

NOTE 12 – OTHER POST EMPLOYMENT BENEFIT LIABILITY*(Continued)*

The Primary Government is the only entity responsible for the payment of OPEB for retirees of the System. As of July 1, 2021, all compensation of the System's employees is paid by the Primary Government. Management has communicated that because the Primary Government is responsible for all employment cost of the System's employees, no adjustments to its financial statements are recorded.

NOTE 13 SUBSEQUENT EVENTS

The Authority's management has evaluated subsequent events through March 14, 2022, the date the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that exist at the balance sheet date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events that did not exist at the balance sheet date, but disclosures of such events, if any, are included in the accompanying notes.

REQUIRED SUPPLEMENTARY INFORMATION

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
(A Component Unit of the Government of the United States Virgin Islands)

**SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 LAST 10 FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
System's proportion of the net pension liability	0.0600%	0.0500%	0.0534%	0.0568%	0.0522%	0.0571%
System's proportionate share of the net pension liability	\$3,465,766	\$2,657,324	\$2,227,340	\$2,487,214	\$2,552,151	\$2,322,908
System's covered-employee payroll	239,632	202,388	317,367	223,583	203,205	203,050
System's proportion share of the net pension liability as a percentage of its covered-employee payroll	1446%	1313%	701.82%	1,112.43%	1,256.00%	1,144.00%
Plan fiduciary net position as percentage of the total pension liability	9.16%	11.32%	13.72%	16.18%	16.54%	19.58%

**The schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the measurement date (September 30 of the previous fiscal year).*

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
(A Component Unit of the Government of the United States Virgin Islands)

SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS
LAST 10 FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially required contributions	\$219,482	\$138,762	\$142,975	\$142,276	\$136,431	\$114,251	\$95,427
Contributions in relation to the actuarially required contributions	53,570	47,495	43,543	42,715	40,208	41,276	34,354
Contribution deficiency/(excess)	165,912	91,267	99,432	99,561	96,223	72,975	61,073
Covered-employee payroll	239,632	202,388	214,172	223,583	203,205	203,050	186,176
Contributions as a percentage of covered-employee payroll	22.36%	23.47%	20.33%	19.11%	19.79%	20.33%	18.45%

**The schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the measurement date (September 30 of the previous fiscal year).*

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
(A Component Unit of the Government of the United States Virgin Islands)

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

Valuation Date: October 1, 2020
Measurement Date: September 30, 2020

Actuarially determined contribution rates are calculated as of September 30, 2020, one year prior to end of the fiscal year in which contributions are reported and applied to all periods included in the measurement.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Inflation	2.00%
Salary increases	3.25% including inflation
Discount rate	2.23%, net of pension plan investment expense, including inflation
Mortality rates	RP-2014 Blue Collar Employee Healthy Annuitant Employee Mortality Tables
Municipal bond yield	2.21%

SUPPLEMENTARY INFORMATION

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
(A Component Unit of the Government of the United States Virgin Islands)

STATEMENTS OF REVENUES AND EXPENSES PER DIVISION
 FOR THE YEARS ENDED SEPTEMBER 30, 2021 and 2020

	WTJX-TV	WTJX-FM	TOTAL	
			2021	2020
Operating Revenues				
Grants and Funds	\$ 2,661,909	\$ -	\$ 2,661,909	\$ 1,532,722
Tower Space Rental	81,676	-	81,676	94,011
Underwriting	66,864	113,681	180,545	130,931
Fundraising	4,150	47,108	51,258	62,151
Advertising	3,259	-	3,259	11,820
Membership Subscriptions and Other				
Donations	33,167	9,660	42,827	39,121
Other Operating Revenue	40,834	-	40,834	51,141
Total Operating Revenues	<u>2,891,859</u>	<u>170,449</u>	<u>3,062,308</u>	<u>1,921,897</u>
Non-Operating Revenues				
Contribution from the Government of the U.S. Virgin Islands	3,486,887	140,224	3,627,111	4,030,123
Interest Income	1,657	-	1,657	1,646
Insurance Proceeds	255,328	-	255,328	-
Other non-operating revenue	439,111	-	439,111	200,000
Total Non-Operating Revenues	<u>4,182,983</u>	<u>140,224</u>	<u>4,323,207</u>	<u>4,231,769</u>
Total Revenues	<u>\$ 7,074,842</u>	<u>\$ 310,673</u>	<u>\$ 7,385,515</u>	<u>\$ 6,153,666</u>
Operating Expenses				
Program Services				
Salaries	\$ 1,636,944	\$ 75,868	\$ 1,712,812	\$ 1,665,811
Program Acquisition	734,465	9,271	743,736	200,040
Annual Leave Accrual	5,763	-	5,763	59,844
Employee Benefits	623,888	14,900	638,788	544,141
Equipment Rental and Maintenance	206,873	-	206,873	199,426
Professional Fees	-	-	-	51,940
Utilities	65,212	5,823	71,035	69,848
Travel	17,709	-	17,709	29,071
Supplies and Other	52	-	52	10,234
Production	31,587	34,454	66,041	60,114
Total Program Services	<u>3,322,493</u>	<u>140,316</u>	<u>3,462,809</u>	<u>2,890,469</u>
Management and General				
Salaries	285,088	-	285,088	380,784
Employee Benefits	411,261	-	411,261	386,723
Depreciation	487,222	-	487,222	334,286
Payroll Taxes and Contributions	146,064	5,804	151,868	155,760
Utilities	239,966	-	239,966	257,618

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
(A Component Unit of the Government of the United States Virgin Islands)

STATEMENTS OF REVENUES AND EXPENSES PER DIVISION *(Continued)*
 FOR THE YEARS ENDED SEPTEMBER 30, 2021 and 2020

	<u>WTJX-TV</u>	<u>WTJX-FM</u>	<u>TOTAL</u>	
			<u>2021</u>	<u>2020</u>
Professional Fees	189,234	-	189,234	150,897
Production	7,996	-	7,996	12,395
Printing and Publication	16,310	-	16,310	20,660
Repairs and Maintenance	104,790	551	105,341	90,322
Insurance	129,157	-	129,157	87,661
Subscriptions and Memberships	2,851	-	2,851	24,829
Professional Development/Training	8,175	3,000	11,175	15,074
Supplies and Other	136,600	6,351	142,951	105,536
Program Acquisition	-	22,161	22,161	13,710
Automobile	32,355	-	32,355	23,471
Equipment Rental and Maintenance	1,452	-	1,452	1,777
Small Equipment	80,830	15,837	96,667	53,620
Postage and Freight	19,558	26	19,584	4,830
Advertising	5,443	-	5,443	24,651
Computer Supplies	60,091	2,858	62,949	63,815
Security	11,830	-	11,830	11,987
FCC Repacking	21,252	-	21,252	32,946
FEMA	50,499	-	50,499	33,749
Total Management and General	<u>2,448,024</u>	<u>56,588</u>	<u>2,504,612</u>	<u>2,287,101</u>
Fundraising	<u>142</u>	<u>1,593</u>	<u>1,735</u>	<u>24,807</u>
Total Operating Expenses	<u>\$ 5,770,659</u>	<u>\$ 198,497</u>	<u>\$ 5,969,156</u>	<u>\$ 5,202,377</u>



**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**

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To the Board of Directors
Virgin Islands Public Broadcasting System:

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 the Virgin Islands Public Broadcasting System (the "System"), as of and for the year ended September 30, 2021 and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated March 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal controls 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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We considered no deficiencies to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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 the System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Beet Smith & Co.

Washington, D.C.

March 14, 2022