

**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, 2020 and 2019**

**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, 2020 and 2019

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## **INDEPENDENT AUDITORS' REPORT**

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, 2020 and September 20, 2019, 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, 2020 and 2019, 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 10, 2021, 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.



Washington, D.C.

March 10, 2021

**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, 2020 and 2019

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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, 2020 and 2019. 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 \$10.0 and \$9.0 million as of September 30, 2020 and 2019, respectively. The net position increased by \$951 thousand during the year ended September 30, 2020 and increased by \$1.9 million during the year ended September 30, 2019.

**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 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, 2020 and 2019. 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, 2020 and 2019

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, 2020, 2019 and 2018.

*Table 1: Summary of Statements of Net Position*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Unrestricted Current Assets	\$ 6,658,297	\$ 5,561,646	\$ 4,340,177
Restricted Current Assets	541,980	943,234	728,068
Capital Assets	5,617,504	5,163,987	4,413,563
Total Assets	<u>\$ 12,817,781</u>	<u>\$ 11,668,867</u>	<u>\$ 9,481,808</u>
Deferred Outflows of Resources	<u>\$ 768,156</u>	<u>\$ 481,445</u>	<u>\$ 691,192</u>
Current Liabilities	\$ 344,888	\$ 311,421	\$ 191,317
Noncurrent Liabilities	2,826,642	2,397,177	2,637,110
Total Liabilities	<u>\$ 3,171,530</u>	<u>\$ 2,708,598</u>	<u>\$ 2,828,427</u>
Deferred Inflows of Resources	<u>\$ 455,723</u>	<u>\$ 434,319</u>	<u>\$ 252,859</u>
Net Position			
Net Investment in Capital Assets	\$ 5,617,504	\$ 5,163,987	\$ 4,413,563
Restricted	541,980	943,234	728,068
Unrestricted	3,799,200	2,900,174	1,950,083
Total Net Position	<u>\$ 9,958,684</u>	<u>\$ 9,007,395</u>	<u>\$ 7,091,714</u>

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.

For fiscal year 2019, the System's assets amounted to \$11.7 million, of which \$5.2 million represented unrestricted cash and cash equivalents, \$943 thousand represented cash and cash equivalents restricted in purpose, \$76 thousand represented trade and other receivables, \$149 thousand was due from the Government of the Virgin Islands, \$88 thousand represented prepaid expenses and \$5.2 million represented capital assets net of accumulated depreciation. Total current assets increased in fiscal year 2019 by \$1.4 million mainly due to increases in cash of \$1.45 million in the form of a capital grant from the Virgin Islands Government and a waiver of the PBS dues valued at \$757 thousand. Non-current assets increased by \$750 thousand, due to a down payment of \$586 thousand on a mobile production unit on the island of St. Croix. Total liabilities and deferred inflows of resources amounted to \$3.1 million with little change from prior year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
 YEARS ENDED SEPTEMBER 30, 2020 and 2019

**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>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ 1,921,897	\$ 1,475,610	\$ 1,522,907
Operating Expenses	<u>(5,202,377)</u>	<u>(5,241,689)</u>	<u>(3,726,242)</u>
Loss from Operations	(3,280,480)	(3,766,079)	(2,203,335)
Non-Capital Appropriations from Government of the U.S. Virgin Islands	4,030,123	4,030,123	4,021,409
Capital Grants from Government of the U.S.V.I	-	1,450,000	-
Other non-operating revenue	200,000	200,000	-
Insurance Proceeds on Non-Hurricane Related Claims	-	-	56,977
Interest Income	<u>1,646</u>	<u>1,637</u>	<u>1,629</u>
Income (Loss)	<u>951,289</u>	<u>1,915,681</u>	<u>1,876,680</u>
Change in Net Position	<u>\$ 951,289</u>	<u>\$ 1,915,681</u>	<u>\$ 1,876,680</u>
Net Position – Beginning of Year	<u>9,007,395</u>	<u>7,091,714</u>	<u>5,215,034</u>
Net Position – End of Year	<u>\$ 9,958,684</u>	<u>\$ 9,007,395</u>	<u>\$ 7,091,714</u>

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 \$2.3 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.

For fiscal year 2019, operating revenues of \$1.5 million reflect contributions from the Corporation for Public Broadcasting of \$968 thousand, tower space rental income of \$91 thousand, underwriting revenue of \$113 thousand, fundraising revenue of \$58 thousand, advertising revenue of \$16 thousand, membership subscriptions and other donations of \$33 thousand, funds from Federal Emergency Management Agency of \$10 thousand, funds from Federal Communications of \$157 thousand and other revenue of \$21 thousand, and grants from Public Broadcasting Service of \$10 thousand. Operating revenues decreased by \$47 thousand from the previous year.

For fiscal year 2019, operating expenses of \$5.3 million reflect programming expenses of \$3 million, general administration expenses of \$1.9 million, fundraising expenses of \$16 thousand and depreciation expense of \$313 thousand. Operating expenses increased by \$1.5 million, mainly due to increased program services and management general expenses

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
 YEARS ENDED SEPTEMBER 30, 2020 and 2019

**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>2020</u>	<u>2019</u>	<u>2018</u>
Non-Capital Appropriations from Government of the Virgin Islands	\$ 4,030,123	\$ 4,030,123	\$ 4,021,409
Grant Revenues – Corporation for Public Broadcasting	1,003,656	968,159	1,001,985
CARES Act Funds – Corporation for Public Broadcasting	200,000	-	-
Grant Revenues – Public Broadcasting Service	-	9,989	-
Capital Grants from Government of the U.S.V. I	-	1,450,000	-
Grant Revenues – Federal Communications Commission	473,600	156,858	125,993
Emergency Funds – Federal Emergency Management Agency	55,466	9,646	185,960
Total Grant Revenues	<u>5,762,845</u>	<u>6,624,775</u>	<u>5,335,347</u>
Operating Revenues	<u>389,175</u>	<u>375,681</u>	<u>208,969</u>
Total Revenues	<u>\$ 6,152,020</u>	<u>\$ 7,000,456</u>	<u>\$ 5,544,316</u>
Grants as a Percentage of Total Revenue	<u>93.6%</u>	<u>94.6%</u>	<u>96.2%</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, 2020 and 2019 amounted to \$788 thousand and \$477 thousand, respectively.

**Summary of Capital Assets** – Table 4 summarizes the System's capital assets as of September 30, 2020 and 2019:

*Table 4: Summary of Capital Assets*

	<u>2020</u>	<u>2019</u>
Land	\$ 1,284,996	\$ 1,284,996
Production and Broadcasting Equipment	7,142,573	6,639,808
Buildings and Improvements	3,134,242	2,934,009
Other	1,881,743	1,796,938
Construction in Progress	586,112	586,112
Total Capital Assets	<u>14,029,666</u>	<u>13,241,863</u>
Less: Accumulated Depreciation	<u>8,412,162</u>	<u>8,077,876</u>
Net Capital Assets	<u>\$ 5,617,504</u>	<u>\$ 5,163,987</u>

Note 5 to the financial statements provide detailed information regarding the capital assets of the System as of September 30, 2020 and 2019.



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
 YEARS ENDED SEPTEMBER 30, 2020 and 2019

**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, 2020 and 2019:

	<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.

	<u>2019 Budget</u>	<u>2019 Actual</u>	<u>Variance</u>
Total Revenue	\$ 5,194,432	\$ 5,371,323	\$ 176,891
Total Operating Expenses	(5,194,432)	(4,616,196)	578,236
Non-Budgeted Revenues	-	1,830,770	1,830,770
Non-Budgeted Expenditures	-	(670,216)	(670,216)
Income (Loss)	<u>\$ -</u>	<u>\$ 1,915,681</u>	<u>\$ 1,915,681</u>

CPB revenue decreased by \$34 thousand. Non-budgeted revenues consist of a capital grant from the VI Government of \$1.45 Million, re-packing funds from Federal Communications Commission (FCC) of \$156 thousand and other revenues of \$225 thousand. The decrease in operating expenses of \$578 thousand is mainly due to decreases in salaries and related expenses of \$323 thousand, PBS dues expenses of \$189 thousand and other expenses of \$97 thousand. Non-budgeted expenses consist of depreciation expense of \$313 thousand, pension expense of \$131 thousand and grant related expenses of \$119 thousand and other expenses of \$107 thousand.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
YEARS ENDED SEPTEMBER 30, 2020 and 2019

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**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 18 worksheets with FEMA Public Assistance. There are 14 on St. Thomas and 4 on St. Croix. We have collected \$229 thousand to date for 5 project worksheets. The amount of \$22,114 is outstanding as at the date of this report for 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, 2020, total repacking funds received amounted to \$756,451.

As of the date of issuing these financial statements, the System has paid \$811,490 in FCC expenses. The System has \$6K in outstanding payments. WTJX also signed agreements with vendors and paid for new antenna and transmitter for \$221,485 and has also awarded a bid for the tower work in the amount of \$1,076,017.

**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, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 5,816,650	\$ 5,248,607
Accounts and Other Receivable	69,680	76,456
Due from the Government of the U.S. Virgin Islands	140,626	148,665
Prepaid Expenses	631,341	87,918
Restricted Cash	541,980	943,234
Total Current Assets	7,200,277	6,504,880
<b>Noncurrent Assets</b>		
Capital Assets, net of accumulated depreciation	5,617,504	5,163,987
Total Noncurrent Assets	5,617,504	5,163,987
<b>Total Assets</b>	12,817,781	11,668,867
<b>Deferred Outflows of Resources</b>		
Deferred Amounts Related to Pension	768,156	481,445
Total Assets and Deferred Outflows of Resources	\$ 13,585,937	\$ 12,150,312
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 114,907	\$ 57,734
Accrued Liabilities	141,471	217,311
Unearned Revenue	-	8,230
Compensated Absences – Current Portion	88,510	28,146
Total Current Liabilities	344,888	311,421
<b>Noncurrent Liabilities</b>		
Compensated Absences	169,318	169,837
Net Pension Liability	2,657,324	2,227,340
Total Non-Current Liabilities	2,826,642	2,397,177
<b>Total Liabilities</b>	3,171,530	2,708,598
<b>Deferred Inflows of Resources</b>		
Deferred Amounts Related to Pension	455,723	434,319
Total Liabilities and Deferred Inflows of Resources	\$ 3,627,253	\$ 3,142,917
<b>NET POSITION</b>		
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 5,617,504	\$ 5,163,987
Restricted	541,980	943,234
Unrestricted	3,799,200	2,900,174
<b>Total Net Position</b>	\$ 9,958,684	\$ 9,007,395

*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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
Grants from Corporation for Public Broadcasting	\$ 1,003,656	\$ 968,159
Grant Revenues from Public Broadcasting Service	-	9,989
Funds from Federal Emergency Management Agency	55,466	9,646
Grant Revenues from Federal Communications Commission	473,600	156,858
Tower Space Rental	94,011	90,509
Underwriting	130,931	112,800
Fundraising	62,151	57,947
Advertising	11,820	16,130
Membership Subscriptions and Other Donations	39,121	32,623
Other Operating Revenue	51,141	20,949
Total Operating Revenues	<u>1,921,897</u>	<u>1,475,610</u>
<b>Operating Expenses</b>		
Program Services	2,890,469	3,027,710
Management and General	1,952,815	1,884,910
Fundraising	24,807	16,447
Depreciation	334,286	312,622
Total Operating Expenses	<u>5,202,377</u>	<u>5,241,689</u>
Loss from Operations	<u>(3,280,480)</u>	<u>(3,766,079)</u>
<b>Non-Operating Revenues and Expense</b>		
Non-capital Appropriations from Government of the U.S. Virgin Islands	4,030,123	4,030,123
Capital Grants from Government of the USVI	-	1,450,000
Other non-operating revenue	200,000	200,000
Interest Income	1,646	1,637
Total Non-Operating Revenues and Expense	<u>4,231,769</u>	<u>5,681,760</u>
Income/(Loss)	<u>951,289</u>	<u>1,915,681</u>
Change in Net Position	951,289	1,915,681
Net Position, at Beginning of Year	<u>9,007,395</u>	<u>7,091,714</u>
Net Position, at End of Year	<u>\$ 9,958,684</u>	<u>\$ 9,007,395</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  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows Used in Operating Activities</b>		
Receipts from Grants, Customers and Others	\$ 1,936,712	\$ 1,606,583
Payments to Suppliers and Employees	(5,213,889)	(4,086,783)
Net Cash Used in Operating Activities	<u>(3,277,177)</u>	<u>(2,480,200)</u>
<b>Cash Flows Provided by Non-Capital Financing Activities</b>		
Non-Capital Appropriations from Primary Government	4,030,123	4,030,123
Other Proceeds	200,000	200,000
Net Cash Provided by Non-Capital Financing Activities	<u>4,230,123</u>	<u>4,230,123</u>
<b>Cash Flows Provided by Investing Activities</b>		
Interest Received on Cash and Cash Equivalents	1,646	1,637
<b>Cash Flows Used in Capital and Related Financing Activities</b>		
Purchase of Capital Assets	(787,803)	(1,063,046)
Capital Grants from primary government	-	1,450,000
Net Cash Provided by Capital and related Financing Activities	<u>(787,803)</u>	<u>386,954</u>
<b>Net Increase in Cash and Cash Equivalents</b>	166,789	2,138,514
<b>Cash and Cash Equivalents, at Beginning of Year</b>	6,191,841	4,053,327
<b>Cash and Cash Equivalents, at End of Year</b>	<u>\$ 6,358,630</u>	<u>\$ 6,191,841</u>
<b>Cash and Cash Equivalents</b>		
Unrestricted Cash and Cash Equivalents	\$ 5,816,650	\$ 5,248,607
Restricted Cash and Cash Equivalents	541,980	943,234
Total Cash and Cash Equivalents	<u>\$ 6,358,630</u>	<u>\$ 6,191,841</u>
<b>Reconciliation to Net Cash Used in Operating Activities</b>		
Loss from Operation	\$ (3,280,480)	\$ (3,766,079)
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</i>		
Depreciation	334,286	312,622
<i>Change in Assets and Liabilities:</i>		
Accounts and Other Receivable	6,776	134,784
Due from the Government of the U.S. Virgin Islands	8,039	(3,813)
Prepaid Expenses	(543,423)	570,908
Accounts Payable	57,173	(22,530)
Accrued Liabilities	(75,840)	145,478
Unearned Revenue	(8,230)	(12,260)
Compensated Absences	59,845	29,358
Deferred Outflows of Resources	(286,711)	209,746
Deferred Inflows of Resources	21,404	181,460
Net Pension Liability	429,984	(259,874)
Total Adjustments	<u>3,303</u>	<u>1,285,879</u>
Net Cash Used in Operating Activities	<u>\$ (3,277,177)</u>	<u>\$ (2,480,200)</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, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
<b>Non-Cash Transactions Disclosures</b>		
Supplementary Disclosures of Cash Flows Information		
Salaries Paid by the Government of Virgin Islands in the Form of a Grant	<u>\$ 2,440,332</u>	<u>\$ 2,208,773</u>
Donated Services	<u>\$ 72,105</u>	<u>\$ 13,920</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, 2020 and 2019

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**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, 2020, 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, 2020 and 2019 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, 2020 and 2019, the System reported accrued compensated absences amounting to \$257,828 and \$197,983, 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 December 15, 2019.

**Reclassifications** – Certain reclassifications were made to the 2019 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, 2020 and 2019, cash and cash equivalents consisted of the following deposits in banks and certificate of deposit:

	<u>2020</u>	<u>2019</u>
Restricted:		
Corporation for Public Broadcasting	\$ 541,980	\$ 943,234
Unrestricted:		
Government of the U.S. Virgin Islands	4,012,458	3,901,850
Special Productions	383,456	249,100
FCC Repacking	28,113	283,217
Emergency Maintenance	839,566	484,516
FEMA Funds Account	219,688	-
Petty Cash	3,000	1,200
Certificate of Deposit	330,369	328,724
Unrestricted Cash and Cash Equivalents	<u>5,816,650</u>	<u>5,248,607</u>
Total Cash and Cash Equivalents	<u>\$ 6,358,630</u>	<u>\$ 6,191,841</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, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Underwriting	\$ 9,707	\$ 21,900
Rent	3,084	3,068
Fundraising	-	11,100
Advertisement	4,500	4,200
FEMA	22,114	22,114
Other	30,275	3,720
Donation	-	365
Grants	-	9,989
	<u>\$ 69,680</u>	<u>\$ 76,456</u>

As of September 30, 2020, and 2019, the System had an outstanding receivable due from the GVI, a related party, amounting to \$140,626 and \$148,665, respectively to cover operating expenditures.

## NOTE 5 CAPITAL ASSETS

Capital assets at September 30, 2020 and 2019 are comprised of the following:

	<b>Balance at September 30, 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at September 30, 2020</b>
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	<u>\$ 5,163,987</u>	<u>\$ 453,517</u>	<u>\$ -</u>	<u>\$ 5,617,504</u>
	<b>Balance at September 30, 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at September 30, 2019</b>
Non-depreciable assets:				
Land	\$ 1,284,996	\$ -	\$ -	\$ 1,284,996
Construction in Progress	-	586,112	-	586,112
Non-depreciable assets:	1,284,996	586,112	-	1,871,108
Depreciable assets:				
Production and broadcasting equipment	6,743,368	245,811	(349,371)	6,639,808
Buildings and improvements	2,907,509	26,500	-	2,934,009
Other	1,627,088	204,623	(34,773)	1,796,938
Total depreciable assets	11,277,965	476,934	(384,144)	11,370,755
Less: accumulated depreciation	(8,149,398)	(312,622)	384,144	(8,077,876)
Total depreciable assets, net	3,128,567	164,312	-	3,292,879
Total capital assets, net	<u>\$ 4,413,563</u>	<u>\$ 750,424</u>	<u>\$ -</u>	<u>\$ 5,163,987</u>

Depreciation expense for the years ended September 30, 2020 and 2019 amount to \$334,286 and \$312,622, 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, 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.

Dues for the member year of July 1, 2019 through June 30, 2020 amounted to \$757,371 was waived by PBS.

**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, 2020 and 2019, the System received the following grant revenue from these organizations:

	<u>2020</u>	<u>2019</u>
Government of the Virgin Islands	\$ 4,030,123	\$ 4,030,123
Corporation for Public Broadcasting	1,203,656	968,159
Capital Grant	-	1,450,000
PBS Grant	-	9,989
Re-Packing Fund-FCC	473,600	156,858
FEMA Grants	55,466	9,646
	<u>\$ 5,762,845</u>	<u>\$ 6,624,775</u>

During the years ended September 30, 2020 and 2019, the GVI supported \$2,440,332 and \$2,208,773 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, 2020, are as follows:

<u>Year Ending September 30</u>	<u>2020</u>
2021	\$ 76,622
2022	63,371
2023	30,152
Thereafter	3,914
	<u>\$ 174,059</u>

Tower space rental income for the years ended September 30, 2020 and 2019 amounted to \$94,011 and \$90,509, 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.

**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 \$756,451 has been disbursed as of September 30, 2020. 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, 2019 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, 2020. 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	14%	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, 2019
Measurement Date:	September 30, 2019
Measurement Period:	October 1, 2018 – September 30, 2019

The System's proportionate share of employer contributions recognized by GERS was \$47,495 for the Plan's fiscal year ended September 30, 2019.

**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 \$2,657,324 and \$2,227,340 as of September 30, 2019 and September 30, 2018. The net pension liability of the plan is measured as of September 30, 2019, 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, 2019. 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 .0500% and .0534% at September 30, 2019 and September 30, 2018 which was a decrease of .0034%. 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 \$47,495.

The System recognized \$241,623 and 185,413 of pension expense, 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, 2019

	<b>Deferred Outflows by Resources</b>	<b>Deferred Inflows of Resources</b>
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	-
	<u>\$ 768,156</u>	<u>\$ 455,723</u>



**NOTE 11 – PENSION LIABILITY***(Continued)*

September 30, 2018

	<b>Deferred Outflows by Resources</b>	<b>Deferred Inflows of Resources</b>
Change in assumptions	\$ 261,835	\$ 277,379
Difference between expected and actual experience	51,713	-
Net difference between projected and actual earnings on pension plan investments	4,206	-
Change in proportionate share	109,611	156,940
Contributions made subsequent to measurement date	54,080	-
	<b>\$ 481,445</b>	<b>\$ 434,319</b>

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,	
2021	\$ 72,439
2022	73,775
2023	36,071
2024	62,968
2025	(226)
	<b>\$ 245,027</b>

**Actuarial Assumptions**

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of September 30, 2019, is provided below, including any assumptions that differ from those used in the October 1, 2019 actuarial valuation. Refer to October 1, 2019 actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website.

Inflation Rate:	2.50%
Salary Increases:	3.25% including inflation
Actuarial Cost Method:	Entry Age Normal
Expected Rate of Return:	4.0%
Municipal Bond Yield:	2.66%
Discount Rate:	2.67%
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, 2019, are summarized as follows:

Asset Class	Target Allocation	<sup>1</sup> 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	<u>100%</u>	

<sup>1</sup>Real rates of return are net of inflation

### Discount Rate

The discount rate used to measure the total pension liability was 2.67% as of September 30, 2019 and 4.25% as of September 30, 2018. 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 2.66% and 4.18% at September 30, 2019 and 2018, 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 2.67% 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 (1.67%) or 1% higher (3.67%) than the current rate.

1% Decrease (1.67%)	Current Discount (2.67%)	1% Increase (3.67%)
\$3,083,175	\$2,657,324	\$2,308,287

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. Compensation of the System's employees is jointly shared by the System and the Primary Government. Management has communicated that because of the shared employment cost of its employees and the immateriality of the 2019 actuarially determined expense, an estimate of 2019 OPEB expense, would not be material to its financial statements as a whole. Accordingly, no adjustments to its financial statements are recorded.

**NOTE 13      SUBSEQUENT EVENTS**

The Authority's management has evaluated subsequent events through March 10, 2021, 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

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**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**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
System's proportion of the net pension liability	0.0500%	0.0534%	0.0568%	0.0522%	0.0571%
System's proportionate share of the net pension liability	\$2,657,324	\$2,227,340	\$2,487,214	\$2,552,151	\$2,322,908
System's covered-employee payroll	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	13.13%	701.82%	1,112.43%	1,256.00%	1,144.00%
Plan fiduciary net position as percentage of the total pension liability	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially required contributions	\$138,762	\$142,975	\$142,276	\$136,431	\$114,251	\$95,427
Contributions in relation to the actuarially required contributions	47,495	43,543	42,715	40,208	41,276	34,354
Contribution deficiency/(excess)	91,267	99,432	99,561	96,223	72,975	61,073
Covered-employee payroll	202,388	214,172	223,583	203,205	203,050	186,176
Contributions as a percentage of covered-employee payroll	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, 2019

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Valuation Date: October 1, 2019  
Measurement Date: September 30, 2019

Actuarially determined contribution rates are calculated as of September 30, 2017, 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	2.50%
Salary increases	3.25% including inflation
Discount rate	2.67%, net of pension plan investment expense, including inflation
Mortality rates	RP-2014 Blue Collar Employee Healthy Annuitant Employee Mortality Tables
Municipal bond yield	2.66%

## SUPPLEMENTARY INFORMATION

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**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, 2020 and 2019

	WTJX-TV	WTJX-FM	TOTAL	
			2020	2019
<b>Operating Revenues</b>				
Grants and Funds	\$ 1,532,722	\$ -	\$ 1,532,722	\$ 1,144,652
Tower Space Rental	94,011	-	94,011	90,509
Underwriting	70,689	60,242	130,931	112,800
Fundraising	62,151	-	62,151	57,947
Advertising	11,820	-	11,820	16,130
Membership Subscriptions and Other				
Donations	27,681	11,440	39,121	32,623
Other Operating Revenue	51,141	-	51,141	20,949
Total Operating Revenues	<u>1,850,215</u>	<u>71,682</u>	<u>1,921,897</u>	<u>1,475,610</u>
<b>Non-Operating Revenues</b>				
Contribution from the Government of the U.S. Virgin Islands	3,886,209	143,914	4,030,123	5,480,123
Interest Income	1,646	-	1,646	1,637
Other non-operating revenue	200,000	-	200,000	200,000
Total Non-Operating Revenues	<u>4,087,855</u>	<u>143,914</u>	<u>4,231,769</u>	<u>5,681,760</u>
Total Revenues	<u>\$ 5,938,070</u>	<u>\$ 215,596</u>	<u>\$ 6,153,666</u>	<u>\$ 7,157,370</u>
<b>Operating Expenses</b>				
Program Services				
Salaries	\$ 1,587,901	\$ 77,910	\$ 1,665,811	\$ 1,585,900
Program Acquisition	181,234	18,806	200,040	527,384
Annual Leave Accrual	59,844	-	59,844	29,358
Employee Benefits	529,757	14,384	544,141	498,642
Equipment Rental and Maintenance	199,426	-	199,426	177,767
Professional Fees	51,940	-	51,940	43,406
Utilities	68,332	1,516	69,848	79,570
Travel	28,882	189	29,071	36,580
Supplies and Other	10,234	-	10,234	15,862
Production	48,614	11,500	60,114	33,241
Total Program Services	<u>2,766,164</u>	<u>124,305</u>	<u>2,890,469</u>	<u>3,027,710</u>
Management and General				
Salaries	380,784	-	380,784	395,645
Employee Benefits	386,723	-	386,723	226,948
Depreciation	334,286	-	334,286	312,622
Payroll Taxes and Contributions	149,800	5,960	155,760	148,511
Utilities	257,618	-	257,618	192,537

**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, 2020 and 2019

	<u>WTJX-TV</u>	<u>WTJX-FM</u>	<u>TOTAL</u>	
			<u>2020</u>	<u>2019</u>
Professional Fees	147,596	3,301	150,897	180,106
Production	12,395	-	12,395	19,676
Printing and Publication	20,660	-	20,660	19,537
Repairs and Maintenance	90,322	-	90,322	118,090
Insurance	87,661	-	87,661	83,971
Subscriptions and Memberships	24,829	-	24,829	11,021
Professional Development/Training	12,517	2,557	15,074	44,761
Supplies and Other	104,588	948	105,536	120,334
Program Acquisition	-	13,710	13,710	360
Automobile	23,471	-	23,471	19,985
Equipment Rental and Maintenance	1,777	-	1,777	12,392
Small Equipment	51,841	1,779	53,620	78,737
Postage and Freight	4,752	78	4,830	4,195
Advertising	21,471	3,180	24,651	26,130
Computer Supplies	61,428	2,387	63,815	47,516
Security	11,987	-	11,987	14,983
FCC Repacking	32,946	-	32,946	31,869
FEMA	33,749	-	33,749	87,606
Total Management and General	<u>2,253,201</u>	<u>33,900</u>	<u>2,287,101</u>	<u>2,197,532</u>
Fundraising	<u>24,807</u>	<u>-</u>	<u>24,807</u>	<u>16,447</u>
Total Operating Expenses	<u>\$ 5,044,172</u>	<u>\$ 158,205</u>	<u>\$ 5,202,377</u>	<u>\$ 5,241,689</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**

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, 2020 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 10, 2021.

**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*.

### **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.

*Bort Smith & Co.*

Washington, D.C.

March 10, 2021