

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, 2019
(With Comparative Totals for 2018)

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

INDEPENDENT AUDITORS' REPORT
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SEPTEMBER 30, 2019 AND 2018

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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 year ended September 30, 2019, and the related statement of revenues, expenses and changes in net position, and cash flows for the year 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, 2019, and the respective changes in financial position and cash flows thereof for the fiscal year 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 4 through 9, schedule of the System's proportionate share of the net pension liability on page 27 and schedule of contributions on page 28 and the notes to the required supplementary information on page 29 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 30 and 31 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 relate 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.

Prior Year Comparative Information

The 2018 summarized comparative information included in the basic financial statements and other supplementary information has been derived from the System's 2018 audited financial statements which were audited by other auditors' whose report dated April 9, 2019, expressed an unmodified opinion on those financial statements. Such summarized comparative information does not include sufficient detail to constitute a complete presentation of the 2018 financial statements in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements as of and for the year ended September 30, 2018.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2020, 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.

Best Smith & Co

Washington, D.C.

February 7, 2020

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, 2019 AND 2018

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, 2019 and 2018. 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 \$9.0 and \$7.1 million as of September 30, 2019 and 2018, respectively. The net position increased by \$1.9 million during the year ended September 30, 2019 and increased by \$1.9 million during the year ended September 30, 2018.

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-TV, 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, 2019 and 2018. 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, 2019 AND 2018

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, 2019, 2018 and 2017.

Table 1: Summary of Statements of Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Unrestricted Current Assets	\$ 5,561,646	\$ 4,340,177	\$ 3,061,455
Restricted Current Assets	943,234	728,068	108,584
Capital Assets	5,163,987	4,413,563	4,343,383
Total Assets	<u>\$ 11,668,867</u>	<u>\$ 9,481,808</u>	<u>\$ 7,513,422</u>
Deferred Outflows of Resources	<u>\$ 481,445</u>	<u>\$ 691,192</u>	<u>\$ 822,677</u>
Current Liabilities	\$ 311,421	\$ 191,317	\$ 238,656
Noncurrent Liabilities	2,397,177	2,637,110	2,761,810
Total Liabilities	<u>\$ 2,708,598</u>	<u>\$ 2,828,427</u>	<u>\$ 3,000,466</u>
Deferred Inflows of Resources	<u>\$ 434,319</u>	<u>\$ 252,859</u>	<u>\$ 120,599</u>
Net Position			
Net Investment in Capital Assets	\$ 5,163,987	\$ 4,413,563	\$ 4,792,512
Restricted	943,234	728,068	108,584
Unrestricted	2,900,174	1,950,083	313,938
Total Net Position	<u>\$ 9,007,395</u>	<u>\$ 7,091,714</u>	<u>\$ 5,215,034</u>

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.

For fiscal year 2018, the System's assets amounted to \$9.5 million, of which \$3.3 million represented unrestricted cash and cash equivalents, \$728 thousand represented cash and cash equivalents restricted in purpose, \$211 thousand represented trade and other receivables, \$145 thousand was due from the Government of the Virgin Islands, \$659 thousand represented prepaid expenses and \$4.4 million represented capital assets net of accumulated depreciation. Total current assets increased in fiscal year 2018 by \$1.9 million mainly due to increases in restricted cash of \$619 thousand and an increase in cash and cash equivalents of \$1 million. Total liabilities and deferred inflows of resources amounted to \$3.1 million and decreased by \$40 thousand mainly due to decrease in the compensated absences of \$65 thousand.

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

Statements of Revenues, Expenses and Changes in Net Position – Table 2 summarizes the activities of the System as of September 30, 2019 and 2018.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues	\$ 1,475,610	\$ 1,522,907	\$ 1,369,400
Operating Expenses	<u>(5,241,689)</u>	<u>(3,726,242)</u>	<u>(5,129,315)</u>
Loss from Operations	(3,766,079)	(2,203,335)	(3,759,915)
Non-Capital Appropriations from Government of the U.S. Virgin Islands	4,030,123	4,021,409	3,671,044
Capital Grants from Government of the U.S.V.I	1,450,000	-	-
Other non-operating revenue	200,000	-	-
Insurance Proceeds on Non-Hurricane Related Claims	-	56,977	47,164
Interest Income	<u>1,637</u>	<u>1,629</u>	<u>1,624</u>
Income (Loss)	1,915,681	1,876,680	(40,083)
Loss on Impairment of Capital Assets	-	-	(555,397)
Change in Net Position	<u>\$ 1,915,681</u>	<u>\$ 1,876,680</u>	<u>\$ (595,480)</u>
Net Position – Beginning of Year	<u>7,091,714</u>	<u>5,215,034</u>	<u>5,810,514</u>
Net Position – End of Year	<u>\$ 9,007,395</u>	<u>\$ 7,091,714</u>	<u>\$ 5,215,034</u>

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.

For fiscal year 2018, operating revenues of \$1.5 million reflect contributions from the Corporation for Public Broadcasting of \$1.0 million, tower space rental income of \$63 thousand, underwriting revenue of \$52 thousand, fundraising revenue of \$43 thousand, advertising revenue of \$15 thousand, membership subscriptions and other donations of \$31 thousand, funds from Federal Emergency Management Agency of \$186 thousand, funds from Federal Communications of \$126 thousand and other revenue of \$7 thousand. Operating revenues increased by \$154 thousand from the previous year mainly due to increase in funds from the Federal Communications Commission and FEMA offset by a reduction in other categories.

For fiscal year 2018, operating expenses of \$3.7 million reflect general administration expenses of \$1.5 million, programming expenses of \$1.9 million, fundraising expenses of \$23 thousand and depreciation expense of \$309 thousand. Operating expenses decreased by \$1.4 million, mainly due to decrease in program services, depreciation and management general expenses.

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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

	2019	2018	2017
Non-Capital Appropriations from Government of the Virgin Islands	\$ 4,030,123	\$ 4,021,409	\$ 3,671,044
Grant Revenues – Corporation for Public Broadcasting	968,159	1,001,985	1,012,650
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	156,858	125,993	7,000
Emergency Funds – Federal Emergency Management Agency	9,646	185,960	-
Total Grant Revenues	6,624,775	5,335,347	4,690,694
Operating Revenues	375,681	208,969	349,750
Total Revenues	<u>\$ 7,000,456</u>	<u>\$ 5,544,316</u>	<u>\$ 5,040,444</u>
Grants as a Percentage of Operating Revenue	<u>94.6%</u>	<u>96.2%</u>	<u>93.1%</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, 2019 and 2018 amounted to \$477 thousand and \$379 thousand, respectively. Disposal of obsolete inventory amounted to \$384 thousand during fiscal year 2019.

Summary of Capital Assets – Table 4 summarizes the System's capital assets as of September 30, 2019 and 2018:

Table 4: Summary of Capital Assets

	2019	2018
Land	\$ 1,284,996	\$ 1,284,996
Production and Broadcasting Equipment	6,639,808	6,743,368
Buildings and Improvements	2,934,009	2,907,509
Other	1,796,938	1,627,091
Construction in Progress	586,112	-
Total Capital Assets	13,241,863	12,562,964
Less: Accumulated Depreciation	8,077,876	8,149,401
Net Capital Assets	<u>\$ 5,163,987</u>	<u>\$ 4,413,563</u>

Note 5 to the financial statements provide detailed information regarding the capital assets of the System as of September 30, 2019 and 2018.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018:

	<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. Grant related expenses of \$119 thousand and other expenses of \$107 thousand.

	<u>2018 Budget</u>	<u>2018 Actual</u>	<u>Variance</u>
Total Revenue	\$ 5,568,711	\$ 5,229,825	\$ (338,886)
Total Operating Expenses	(5,568,711)	(2,952,869)	2,615,842
Non-Budgeted Revenues	-	375,565	375,565
Non-Budgeted Expenditures	-	(775,841)	(775,841)
Operating Income (Loss)	<u>\$ -</u>	<u>\$ 1,876,680</u>	<u>\$ 1,876,680</u>

CPB revenue increased by \$19 thousand. Non-budgeted revenues consist of underwriting revenue of \$52 thousand, tower space rental revenue of \$63 thousand, re-packing funds from Federal Communications Commission of \$126 thousand and other revenues of \$135 thousand. The decrease in operating expenses of \$2.6 million is mainly due to decreases in salaries and related expenses of \$1.2 million, electricity expenses of \$103 thousand, PBS dues expenses of \$859 thousand and other expenses of \$482 thousand. Non-budgeted expenses consist of depreciation expense of \$309 thousand, pension expense of \$199 thousand and other expenses of \$268 thousand.

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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 19 worksheets with FEMA Public Assistance. There are 15 on St. Thomas and 4 on St. Croix. We have collected \$173 thousand to date for 4 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 \$3.4 million, for the building of new tower and the purchase of new transmitters and underlying equipment. As of September 30, 2019, total repacking funds received amounted to \$282,851.

As of the date of issuing these financial statements, the System has paid \$756,000 in FCC expenses. The System has \$15,000 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)

STATEMENT OF NET POSITION
 SEPTEMBER 30, 2019
(With Comparative Totals for 2018)

	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	\$ 5,248,607	\$ 3,325,259
Accounts and Other Receivable	76,456	211,240
Due from the Government of the U.S. Virgin Islands	148,665	144,852
Prepaid Expenses	87,918	658,826
Restricted Cash	943,234	728,068
Total Current Assets	<u>6,504,880</u>	<u>5,068,245</u>
Noncurrent Assets		
Capital Assets, net of accumulated depreciation	<u>5,163,987</u>	<u>4,413,563</u>
Total Noncurrent Assets	<u>5,163,987</u>	<u>4,413,563</u>
Total Assets	<u>11,668,867</u>	<u>9,481,808</u>
Deferred Outflows of Resources	<u>481,445</u>	<u>691,192</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 12,150,312</u></u>	<u><u></u></u>
Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Accounts Payable	\$ 57,734	\$ 80,264
Accrued Liabilities	217,311	71,833
Unearned Revenue	8,230	20,490
Compensated Absences – Current Portion	28,146	18,730
Total Current Liabilities	<u>311,421</u>	<u>191,317</u>
Noncurrent Liabilities		
Compensated Absences	169,837	149,896
Net Pension Liability	<u>2,227,340</u>	<u>2,487,214</u>
Total Noncurrent Liabilities	<u>2,397,177</u>	<u>2,637,110</u>
Total Liabilities	<u>2,708,598</u>	<u>2,828,427</u>
Deferred Inflows of Resources	<u>434,319</u>	<u>252,859</u>
Total Liabilities and Deferred Inflows of Resources	<u><u>\$ 3,142,917</u></u>	<u><u></u></u>
NET POSITION		
Net Position		
Net Investment in Capital Assets	\$ 5,163,987	\$ 4,413,563
Restricted	943,234	728,068
Unrestricted	<u>2,900,174</u>	<u>1,950,083</u>
Total Net Position	<u><u>\$ 9,007,395</u></u>	<u><u>\$ 7,091,714</u></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)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2019
(With Comparative Totals for 2018)

	2019	2018
Operating Revenues		
Grants from Corporation for Public Broadcasting	\$ 968,159	\$ 1,001,985
Grant Revenues from Public Broadcasting Service	9,989	-
Funds from Federal Emergency Management Agency	9,646	185,960
Grant Revenues from Federal Communications Commission	156,858	125,993
Tower Space Rental	90,509	62,855
Underwriting	112,800	51,715
Fundraising	57,947	43,100
Advertising	16,130	14,726
Membership Subscriptions and Other Donations	32,623	31,420
Other Operating Revenue	20,949	5,153
Total Operating Revenues	<u>1,475,610</u>	<u>1,522,907</u>
Operating Expenses		
Program Services	3,027,710	1,849,309
Management and General	1,884,910	1,545,126
Fundraising	16,447	22,874
Depreciation	312,622	308,933
Total Operating Expenses	<u>5,241,689</u>	<u>3,726,242</u>
Loss from Operations	<u>(3,766,079)</u>	<u>(2,203,335)</u>
Non-Operating Revenues and Expenses		
Non-capital Appropriations from Government of the U.S. Virgin Islands	4,030,123	4,021,409
Capital Grants from Government of the USVI	1,450,000	-
Other non-operating revenue	200,000	-
Insurance Recoveries	-	56,977
Interest Income	1,637	1,629
Total Non-Operating Revenues and Expenses	<u>5,681,760</u>	<u>4,080,015</u>
Income/(Loss)	<u>1,915,681</u>	<u>1,876,680</u>
Change in Net Position	1,915,681	1,876,680
Net Position, at Beginning of Year	<u>7,091,714</u>	<u>5,215,034</u>
Net Position, at End of Year	<u>\$ 9,007,395</u>	<u>\$ 7,091,714</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)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(With Comparative Totals for 2018)

	2019	2018
Cash Flows Used in Operating Activities		
Receipts from Grants, Customers and Others	\$ 1,606,583	\$ 1,315,128
Payments to Suppliers and Employees	(4,086,783)	(3,395,481)
Net Cash Used in Operating Activities	(2,480,200)	(2,080,353)
Cash Flows Provided by Non-Capital Financing Activities		
Non-Capital Appropriations from Primary Government	4,030,123	4,021,409
Other Proceeds	200,000	-
Insurance Recoveries on Non-Hurricane Related Claims	-	56,977
Net Cash Provided by Non-Capital Financing Activities	4,230,123	4,078,386
Cash Flows Provided by Investing Activities		
Interest Received on Cash and Cash Equivalents	1,637	1,629
Cash Flows Used in Capital and Related Financing Activities		
Purchase of Capital Assets	(1,063,046)	(379,114)
Capital Grants from primary government	1,450,000	-
Net Cash Provided by Capital and related Financing Activities	386,954	(379,114)
Net Increase in Cash and Cash Equivalents	2,138,514	1,620,548
Cash and Cash Equivalents, at Beginning of Year	4,053,327	2,432,779
Cash and Cash Equivalents, at End of Year	\$ 6,191,841	\$ 4,053,327
Cash and Cash Equivalents		
Unrestricted Cash and Cash Equivalents	\$ 5,248,607	\$ 3,325,259
Restricted Cash and Cash Equivalents	943,234	728,068
Total Cash and Cash Equivalents	\$ 6,191,841	\$ 4,053,327
Reconciliation to Net Cash Used in Operating Activities		
Loss from Operation	\$ (3,766,079)	\$ (2,203,335)
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</i>		
Depreciation	312,622	308,933
<i>Change in Assets and Liabilities:</i>		
Accounts and Other Receivable	134,784	(172,250)
Due from the Government of the U.S. Virgin Islands	(3,813)	(37,650)
Prepaid Expenses	570,908	(67,757)
Accounts Payable	(22,530)	3,828
Accrued Liabilities	145,478	(31,766)
Unearned Revenue	(12,260)	(14,295)
Compensated Absences	29,358	(64,869)
Deferred Outflows of Resources	209,746	131,485
Deferred Inflows of Resources	181,460	132,260
Net Pension Liability	(259,874)	(64,937)
Total Adjustments	1,285,879	122,982
Net Cash Used in Operating Activities	\$ (2,480,200)	\$ (2,080,353)

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)

STATEMENT OF CASH FLOWS *(Continued)*
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(With Comparative Totals for September 30, 2018)

	<u>2019</u>	<u>2018</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>\$ 2,208,773</u>	<u>\$ 1,797,509</u>
Donated Services	<u>\$ 13,920</u>	<u>\$ 5,940</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, 2019 AND 2018

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 six 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, 2019, 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, 2019 and 2018 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.

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

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.

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

	<u>Years</u>
Production and Broadcasting Equipment	5-7
Buildings and Improvements	5-40
Other	5-15

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.

Accounting standards require management to disclose and report the impairment of capital assets, and any related insurance recoveries. The organization periodically evaluates whether there has been an impairment of capital assets. As a result of this calculation, an impairment loss amounting to \$555,397 was recognized for the year ended September 30, 2017, related to the aftermath of the hurricanes Irma and Maria. No impairment was deemed required to be recognized for the year ended September 30, 2018.

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 fiscal year. Unpaid annual leave is accrued as a liability of the System, as well as the System's share of related social security taxes and retirement system contributions, if the compensated absence is attributable to past service and it is probable that the System will compensate the employee for the benefits. The amount of compensated absences is computed using salary rates in effect at September 30th. As of September 30, 2019 and 2018, the System reported accrued compensated absences amounting to 197,983 and \$168,626, 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. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Other Postemployment Benefits of OPEB) addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governments. In addition, the Statement establishes standards for recognizing and measuring OPEB liabilities, assets, deferred outflows of resources, deferred inflows of resources, and expenditures/expenses. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The statement is effective for fiscal years beginning after June 15, 2017. The Statement was not adopted by the System. See Footnote 12.

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 2018 financial statements in order to conform to the current year's presentation.

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, 2019 and 2018, cash and cash equivalents consisted of the following deposits in banks and certificate of deposit:

	<u>2019</u>	<u>2018</u>
Restricted:		
Corporation for Public Broadcasting	<u>\$ 943,234</u>	<u>\$ 728,068</u>
Unrestricted:		
Government of the U.S. Virgin Islands	3,901,850	2,410,408
Special Productions	532,317	250,421
Emergency Maintenance	484,516	336,044
Petty Cash	1,200	1,300
Certificate of Deposit	<u>328,724</u>	<u>327,086</u>
Unrestricted Cash and Cash Equivalents	<u>5,248,607</u>	<u>3,325,259</u>
Total Cash and Cash Equivalents	<u>\$ 6,191,841</u>	<u>\$ 4,053,327</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, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Underwriting	\$ 21,900	\$ 34,913
Rent	3,068	5,033
Fundraising	11,100	26,865
Advertisement	4,200	2,330
Employees	-	1,557
FEMA	22,114	139,826
Other	3,720	716
Donation	365	-
Grants	<u>9,989</u>	<u>-</u>
	<u>\$ 76,456</u>	<u>\$ 211,240</u>

As of September 30, 2019 and 2018, the System had an outstanding receivable due from the GVI, a related party, amounting to \$148,665 and \$144,852, to cover operating expenditures.

NOTE 5 CAPITAL ASSETS

Capital assets at September 30, 2019 and 2018 are comprised of the following:

	Balance at September 30, 2018	Additions	Disposals	Balance at September 30, 2019
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	\$ 4,413,563	\$ 750,424	\$ -	\$ 5,163,987

	Balance at September 30, 2017	Additions	Disposals	Balance at September 30, 2018
Non-depreciable assets:				
Land	\$ 1,284,996	\$ -	\$ -	\$ 1,284,996
Depreciable assets:				
Production and broadcasting equipment	6,558,570	184,798	-	6,743,368
Buildings and improvements	2,907,509	-	-	2,907,509
Other	1,549,356	194,316	(116,584)	1,627,088
Total depreciable assets	11,015,435	379,114	(116,584)	11,277,965
Less: accumulated depreciation	(7,957,049)	308,933	(116,584)	(8,149,398)
Total depreciable assets, net	3,058,387	70,181	-	3,128,567
Total capital assets, net	\$ 4,343,383	\$ 70,181	\$ -	\$ 4,413,563

Depreciation expense for the years ended September 30, 2019 and 2018 amount to \$312,622 and \$308,933, respectively.

During September 2017, hurricanes Irma and Maria made landfall in the Virgin Islands affecting the System's assets and operations. In particular, the main office and television studio located at Haypiece Hill on the island of St. Thomas was totally destroyed, including severe damages to communication towers, equipment and vehicles. The System recorded an impairment loss in September 2017. No impairment loss was recorded for September 2019. The System continues to make all necessary efforts to recover losses, however; the final amount to be received is uncertain. See Note 9 for additional details.

The System's construction in progress represents a deposit made for the purchase of a mobile production unit.

NOTE 6 PROGRAMMING DUES

The System is a member station of the Public Broadcasting Service 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, 2018 through June 30, 2019 amounted to \$751,987. During the fiscal year 2019, membership dues payable amounting to \$757,371 was waived by PBS.

Dues for the member year of July 1, 2017 through June 30, 2018 amounted to \$738,276, paid as of September 30, 2017. Unamortized portion amounting to \$553,407 in 2017 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) non capital 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, 2019 and 2018, the System received the following grant revenue from these organizations:

	2019	2018
Government of the Virgin Islands	\$ 4,030,123	\$ 4,021,409
Corporation for Public Broadcasting	968,159	1,001,985
Capital Grant	1,450,000	-
PBS Grant	9,989	-
Re-Packing Fund-FCC	156,858	125,993
	<u>\$ 6,615,129</u>	<u>\$ 5,149,387</u>

During the years ended September 30, 2019 and 2018, the GVI supported \$2,208,773 and \$1,797,509 in salary and related costs through its appropriations to the System.

NOTE 8 TOWER SPACE RENTAL

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, 2019, are as follows:

Year Ending September 30	2019
2019	\$ 92,457
2020	94,011
2021	63,371
2022	30,152
Thereafter	3,914
	<u>\$ 283,905</u>

Tower space rental income for the years ended September 30, 2019 and 2018 amounted to \$90,509 and \$62,855, 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.

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 Repacking 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 \$3.4 million, of which \$156,858 has been disbursed as of September 30, 2019. The Repacking Project will continue simultaneous to the System's recovery efforts previously explained.

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, 2015, the System's required contribution was 20.5% 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, 2018 was \$317,367.

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 (CAFR) for the fiscal year ended September 30, 2019. The CAFR 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 dade, 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 employees who have completed 30 years of credited service or have attained age 60 with at least 10 years of credited service are eligible for a full-service retirement annuity. Members who are considered "safety employees" as defined in the Code are eligible for full retirement benefits when they have earned at least 20 years of service or have reached the age of 55 with at least 10 years of credited 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 salary is used.

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 20.5% of the member's annual salary, effective on January 1, 2015. Employee contribution rates effective on January 1, 2017 are as follows:

NOTE 11 – PENSION LIABILITY*(Continued)*

	Tier I	Tier II
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, 2018
Measurement Date:	September 30, 2018
Measurement Period:	October 1, 2017 – September 30, 2018

The System's proportionate share of employer contributions recognized by GERS was \$43,543 for the Plan's fiscal year ended September 30, 2018.

Pension Liabilities and Expense and Deferred Outflows/Inflows of Resources

As of September 30, 2018, the actuarial calculated net pension liability for the System's proportionate share of the net pension liability of the Plan was \$2,227,340. The net pension liability of the Plan is measured as of September 30, 2018, 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, 2018. Actuarially determined proportionate share information from GERS was estimated by management based on an average four-year respective share of the System's contributions to the Plan relative to all contributions to the Plan.

At September 30, 2018, the System's proportion was .0534%, which was a decrease of .0034% from its proportion measured as of September 30, 2017. The pension liability reported in the System's financial statements is with regards 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 \$43,543.

For the year ended September 30, 2018, the System recognized \$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:

	Deferred Outflows by Resources	Deferred Inflows of Resources
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	-
	\$ 481,445	\$ 434,319

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

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,	
2020	\$ 81,080
2021	70,929
2022	(20,967)
2023	(19,718)
2024	(48,980)
Thereafter	(22,055)
	<u>\$ 40,289</u>

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of September 30, 2018, is provided below, including any assumptions that differ from those used in the October 1, 2018 actuarial valuation. Refer to October 1, 2018 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:	7.0%
Municipal Bond Yield:	4.18%
Discount Rate:	4.25%
Mortality Table:	RP-2014 Blue Collar

Investment Rate of Return

The long-term expected rate of return of 7.0% 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 long-term 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, 2018, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	29%	6.16%
International equity	12%	6.71%
Fixed income	27%	1.71%
Cash	2%	0.91%
Alternative	30%	5.50%

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

The discount rate used to measure the total pension liability was 4.25% as of September 30, 2018 and 3.74% as of September 30, 2017. 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 long-term expected rate of return on plan investments of 7.0% 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 4.18% and 3.64% at September 30, 2018 and 2017, 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 3.20% 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 (2.20%) or 1% higher (4.20%) than the current rate.

1% Decrease (3.25%)	Current Discount (4.25%)	1% Increase (5.25%)
\$2,563,114	\$2,227,340	\$1,950,047

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.

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 2018 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 February 7, 2020, 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.

The U.S. Virgin Islands has been impacted by the Coronavirus Disease (COVID-19), an aggressive and potent pandemic. This pandemic is considered a non-recognized subsequent event, that is, an event that did not exist at the date of the statement of position. The financial impact of the event is unknown and no adjustment has been recorded in the financial statements.

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**

	2019	2018	2017	2016
System's proportion of the net pension liability	0.0534%	0.0568%	0.0522%	0.0571%
System's proportionate share of the net pension liability	\$2,227,340	\$2,487,214	\$2,552,151	\$2,322,908
System's covered-employee payroll	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	701.82%	1,112.43%	1,256.00%	1,144.00%
Plan fiduciary net position as percentage of the total pension liability	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

	2019	2018	2017	2016	2015
Actuarially required contributions	\$142,975	\$142,276	\$136,431	\$114,251	\$95,427
Contributions in relation to the					
actuarially required contributions	43,543	42,715	40,208	41,276	34,354
Contribution deficiency/(excess)	99,432	99,561	96,223	72,975	61,073
Covered-employee payroll	214,172	223,583	203,205	203,050	186,176
Contributions as a percentage of					
covered-employee payroll	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

Valuation Date: October 1, 2018
Measurement Date: September 30, 2018

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	4.25%, net of pension plan investment expense, including inflation
Mortality rates	RP-2014 Blue Collar Healthy Annuitant and Employee Mortality Tables
Municipal bond yield	4.18%

SUPPLEMENTARY INFORMATION

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

STATEMENT OF REVENUES AND EXPENSES PER DIVISION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	WTJX-TV	WTJX-FM	TOTAL
Operating Revenues			
Grants and Funds	\$ 1,144,652	\$ -	\$ 1,144,652
Tower Space Rental	90,509	-	90,509
Underwriting	78,771	34,029	112,800
Fundraising	57,947	-	57,947
Advertising	16,130	-	16,130
Membership Subscriptions and Other Donations	24,388	8,235	32,623
Other Operating Revenue	20,949	-	20,949
Total Operating Revenues	<u>1,433,346</u>	<u>42,264</u>	<u>1,475,610</u>
Non-Operating Revenues			
Contribution from the Government of the U.S. Virgin Islands	5,340,719	139,404	5,480,123
Interest Income	1,637	-	1,637
Other non-operating revenue	200,000	-	200,000
Total Non-Operating Revenues	<u>5,542,356</u>	<u>139,404</u>	<u>5,681,760</u>
Total Revenues	<u>\$ 6,975,702</u>	<u>\$ 181,668</u>	<u>\$ 7,157,370</u>
Operating Expenses			
Program Services			
Salaries	\$ 1,511,700	\$ 74,200	\$ 1,585,900
Program Acquisition	496,629	30,755	527,384
Annual Leave Accrual	29,358	-	29,358
Employee Benefits	485,297	13,345	498,642
Equipment Rental and Maintenance	177,767	-	177,767
Professional Fees	43,406	-	43,406
Utilities	79,570	-	79,570
Travel	36,580	-	36,580
Supplies and Other	15,862	-	15,862
Production	33,241	-	33,241
Total Program Services	<u>2,909,410</u>	<u>118,300</u>	<u>3,027,710</u>
Management and General			
Salaries	395,645	-	395,645
Employee Benefits	226,948	-	226,948
Depreciation	312,622	-	312,622
Payroll Taxes and Contributions	142,835	5,676	148,511
Utilities	192,537	-	192,537

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

STATEMENT OF REVENUES AND EXPENSES PER DIVISION *(Continued)*
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>WTJX-TV</u>	<u>WTJX-FM</u>	<u>TOTAL</u>
Professional Fees	179,581	525	180,106
Production	19,676	-	19,676
Printing and Publication	19,537	-	19,537
Repairs and Maintenance	118,090	-	118,090
Insurance	83,971	-	83,971
Subscriptions and Memberships	11,021	-	11,021
Professional Development/Training	39,966	4,795	44,761
Supplies and Other	118,972	1,362	120,334
Program Acquisition	-	360	360
Automobile	19,985	-	19,985
Equipment Rental and Maintenance	12,392	-	12,392
Small Equipment	70,893	7,844	78,737
Postage and Freight	4,195	-	4,195
Advertising	25,750	380	26,130
Computer Supplies	45,736	1,780	47,516
Security	14,983	-	14,983
FEMA	119,475	-	119,475
Total Management and General	<u>2,174,810</u>	<u>22,722</u>	<u>2,197,532</u>
Fundraising	<u>16,447</u>	<u>-</u>	<u>16,447</u>
Total Operating Expenses	<u>\$ 5,100,667</u>	<u>\$ 141,022</u>	<u>\$ 5,241,689</u>

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

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, 2019 and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated February 7, 2020.

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.

Doris Smith & Co.

Washington, D.C.

February 7, 2020