

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, 2022 and 2021



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

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INDEPENDENT AUDITORS' REPORT

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To the Board of Directors
Virgin Islands Public Broadcasting System
Report on the Audit of the Financial Statements

Opinions

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, 2022 and September 30, 2021, and the related statements 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the System, as of September 30, 2022 and September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 11, as of July 1, 2021 compensation for all System employees is paid by the Primary Government. The System did not record any pension liabilities, related pension expense, and deferred outflows/inflows for the year ended September 30, 2022. The System's outstanding liability will be adjusted as the overall pension liability changes and incremental changes will be reported by the primary government. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, the System adopted the provisions of GASB Statement No.87 Leases. Our opinion is not modified with respect to this matter.

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 25 and the System's schedule of contributions on page 26 and the notes to the supplementary information on page 27 be presented to supplement the basic financial statements. Such

information is the responsibility of management and, 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 GAAS, 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.

Supplementary 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 28 and 29 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 April 5, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's 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 System's internal control over financial reporting and compliance.

Bert Smith & Co.

Washington, D.C.

April 5, 2023

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, 2022 and 2021

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, 2022 and 2021. 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 \$13.1 million and \$11.4 million as of September 30, 2022 and 2021, respectively. The net position increased by \$1.7 million during the year ended September 30, 2022 and \$1.4 million during the year ended September 30, 2021.

Reporting Entity

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

Overview of the Financial Statements

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

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of September 30, 2022 and 2021. 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").

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.

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
 YEARS ENDED SEPTEMBER 30, 2022 and 2021

Summary of Financial Results

Statements of Net Position – Table 1 summarizes the System's Statements of Net Position as of September 30, 2022, 2021 and 2020.

Table 1: Summary of Statements of Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Unrestricted Current Assets	\$ 6,420,810	\$ 6,134,838	\$ 6,658,297
Restricted Current Assets	732,179	737,283	541,980
Noncurrent Assets	144,188	-	-
Capital Assets	<u>9,309,410</u>	<u>7,956,942</u>	<u>5,617,504</u>
Total Assets	<u>\$ 16,606,587</u>	<u>\$ 14,829,063</u>	<u>\$ 12,817,781</u>
Deferred Outflows of Resources	<u>\$ 1,183,938</u>	<u>\$ 1,183,938</u>	<u>\$ 768,156</u>
Current Liabilities	\$ 512,453	\$ 636,626	\$ 344,888
Noncurrent Liabilities	<u>3,632,709</u>	<u>3,608,285</u>	<u>2,826,642</u>
Total Liabilities	<u>\$ 4,145,162</u>	<u>\$ 4,244,911</u>	<u>\$ 3,171,530</u>
Deferred Inflows of Resources	<u>\$ 523,432</u>	<u>\$ 393,047</u>	<u>\$ 455,723</u>
Net Position			
Net Investment in Capital Assets	\$ 9,309,410	\$ 7,956,942	\$ 5,617,504
Restricted	732,179	737,283	541,980
Unrestricted	<u>3,080,341</u>	<u>2,680,818</u>	<u>3,799,200</u>
Total Net Position	<u>\$ 13,121,930</u>	<u>\$ 11,375,043</u>	<u>\$ 9,958,684</u>

For fiscal year 2022, the System's assets amounted to \$16.6 million, of which \$5.3 million represented unrestricted cash and cash equivalents, \$732 thousand represented cash and cash equivalents restricted in purpose, \$246 thousand represented trade, and other receivables, \$305 thousand was due from the Government of the Virgin Islands, \$595 thousand represented prepaid expenses and \$9.3 million represented capital assets net of accumulated depreciation. Total current assets increased in fiscal year 2022 by \$353 thousand mainly due to increase in cash and cash equivalent of \$99 thousand, \$321 thousand in trade and other receivables and decreased by \$67 thousand in prepaid expenses. Non-current assets increased by \$1.4 million, due to purchase of Production & Broadcast equipment for the Repack project, St. Croix building improvement and hurricane replacement purchases. Total liabilities and deferred inflows of resources amounted to 4.7 million and increased by \$31 thousand, mainly due to an increase in unearned revenue of \$77 thousand and an increase of \$130 thousand in deferred outflows related to leases offset by a decreases in accounts payable of \$141 thousand and compensated absences of \$35 thousand.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
 YEARS ENDED SEPTEMBER 30, 2022 and 2021

Statements of Revenues, Expenses and Changes in Net Position – Table 2 summarizes the activities of the System as of September 30, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues	\$ 3,347,450	\$ 3,062,308	\$ 1,921,897
Operating Expenses	<u>(6,415,578)</u>	<u>(5,969,156)</u>	<u>(5,202,377)</u>
Loss from Operations	(3,068,128)	(2,906,848)	(3,280,480)
Non-Capital Appropriations from Government of the U.S. Virgin Islands	4,681,846	3,627,111	4,030,123
Capital Grant from Government of the U.S. Virgin Islands	110,000	-	-
Other non-operating revenue	-	439,111	200,000
Insurance Proceeds	16,717	255,328	-
Interest Income	<u>6,452</u>	<u>1,657</u>	<u>1,646</u>
Income (Loss)	<u>1,746,887</u>	<u>1,416,359</u>	<u>951,289</u>
Change in Net Position	<u>\$ 1,746,887</u>	<u>\$ 1,416,359</u>	<u>\$ 951,289</u>
Net Position – Beginning of Year	<u>11,375,043</u>	<u>9,958,684</u>	<u>9,007,395</u>
Net Position – End of Year	<u>\$ 13,121,930</u>	<u>\$ 11,375,043</u>	<u>\$ 9,958,684</u>

For fiscal year 2022, operating revenues of \$3.3 million reflect contributions from the Corporation for Public Broadcasting of \$1.1 million, funds from Federal Communications (FCC) of \$1.6 million, tower space rental income of \$60 thousand, underwriting revenue of \$163 thousand, fundraising revenue of \$123 thousand, advertising revenue of \$4 thousand, membership subscriptions and other donations of \$55 thousand, funds from Federal Emergency Management Agency of \$192 thousand and other revenue of \$77 thousand. Operating revenues increased by \$285 thousand from the previous year mainly due to increase in revenue from FCC, FEMA and fundraising.

For fiscal year 2022, operating expenses of \$6.4 million reflect programming expenses of \$3.7 million, general administration expenses of \$1.9 million, fundraising expenses of \$114 thousand and depreciation expense of \$699 thousand. Operating expenses increased by \$446 thousand, mainly due to increase in program services and depreciation.

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

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

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
 YEARS ENDED SEPTEMBER 30, 2022 and 2021

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>2022</u>	<u>2021</u>	<u>2020</u>
Non-Capital Appropriations from Government of the Virgin Islands	\$ 4,681,846	\$ 3,627,111	\$ 4,030,123
Grant Revenues – Corporation for Public Broadcasting	1,090,316	1,058,329	1,003,656
Grant Revenues – Capital Grant from the Government of the U.S. Virgin Islands	110,000	-	-
Grant Revenues – Community foundation American Rescue Plan – CPB	-	10,000	-
	-	439,111	-
CARES Act Funds – Corporation for Public Broadcasting	-	-	200,000
Grant Revenues – Federal Communications Commission	1,584,370	1,478,440	473,600
Emergency Funds – Federal Emergency Management Agency	191,628	115,140	55,466
Total Grant Revenues	<u>7,658,160</u>	<u>6,728,131</u>	<u>5,762,845</u>
Operating Revenues	<u>481,136</u>	<u>400,399</u>	<u>389,175</u>
Total Revenues	<u>\$ 8,139,296</u>	<u>\$ 7,128,530</u>	<u>\$ 6,152,020</u>
Grants as a Percentage of Total Revenue	<u>94.1%</u>	<u>94.4%</u>	<u>93.6%</u>

Capital Assets

The System's capital assets include land, buildings, building improvements and equipment. Capital asset additions during the fiscal years ended September 30, 2022 and 2021 amounted to \$2.0 million and \$3.4 million, respectively.

Summary of Capital Assets – Table 4 summarizes the System's capital assets as of September 30, 2022 and 2021:

Table 4: Summary of Capital Assets

	<u>2022</u>	<u>2021</u>
Land	\$ 1,284,996	\$ 1,284,996
Production and Broadcasting Equipment	10,432,348	9,046,708
Buildings and Improvements	3,465,725	3,408,260
Other	2,895,512	2,756,770
Construction in Progress	186,772	25,000
Total Capital Assets	<u>18,265,353</u>	<u>16,521,734</u>
Less: Accumulated Depreciation	<u>8,955,943</u>	<u>8,564,792</u>
Net Capital Assets	<u>\$ 9,309,410</u>	<u>\$ 7,956,942</u>

Note 5 to the financial statements provide detailed information regarding the capital assets of the System as of September 30, 2022 and 2021.

VIRGIN ISLANDS PUBLIC BROADCASTING SYSTEM
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
 YEARS ENDED SEPTEMBER 30, 2022 and 2021

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, 2022 and 2021:

	<u>2022 Budget</u>	<u>2022 Actual</u>	<u>Variance</u>
Total Revenue	\$ 5,670,561	\$ 5,893,495	\$ 222,934
Total Operating Expenses	(5,670,561)	(5,250,259)	420,302
Non-Budgeted Revenues	-	2,268,970	2,268,970
Non-Budgeted Expenses	-	(1,165,318)	(1,165,318)
Income (Loss)	<u>\$ -</u>	<u>\$ 1,746,889</u>	<u>\$ 1,746,889</u>

CPB grant revenue increased by \$31 thousand, other revenues increased by \$183 thousand. Non-budgeted revenues consist \$366 thousand in a grant to repay 8% retroactive payments to personnel affected, re-packing funds from Federal Communications Commission (FCC) of \$1.6 million, Federal Emergency Management Agency (FEMA) \$192 thousand and Government capital grant of \$110 thousand. The decrease in operating expenses of \$420 thousand is mainly due to savings from vacant positions, these funds were repurposed and used for much needed non-budgeted capital improvements. Non-budgeted expenses consist of depreciation expense of \$699 thousand, \$366 thousand for the repayment of 8% retroactive payments to personnel affected and FEMA related expenses of \$81 thousand.

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

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

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.

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, 2022 and 2021

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 has 17 worksheets with FEMA Public Assistance. There are 13 on St. Thomas and 4 on St. Croix. We have collected \$799,352 to date for 7 project worksheets. We have received insurance proceeds of \$294,159 towards 3 project worksheets.

FCC Repack Project

The System was included in the Federal Communications Commission ("FCC") Repack Project. The project consists of certain realignment on the broadcasting frequency by which WTJX would change its broadcasting from channel 44 to channel 36, pursuant to a Transition Plan and Budget approved by the FCC (the "Plan"). As part of the Plan, the FCC will provide all the funding, which is estimated at \$4.7 million, for the building of new tower and the purchase of new transmitters and underlying equipment. As of September 30, 2021, total repacking funds received amounted to \$3,819,261.

As of the date of issuing these financial statements, the Repack project was completed. Both towers are now in service. The overall reimbursed expenditure totaled \$3,877,991.

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, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and Cash Equivalents	\$ 5,347,894	\$ 5,243,906
Cash and Cash Equivalents – Restricted	732,179	737,283
Accounts and Other Receivable	109,474	89,561
Lease Receivable – Short-Term	64,135	-
Due from the Government of the U.S. Virgin Islands	304,791	140,008
Prepaid Expenses	594,516	661,363
Total Current Assets	<u>7,152,989</u>	<u>6,872,121</u>
Noncurrent Assets		
Lease Receivable	72,183	-
Lease Asset, net of accumulated amortization	72,005	-
Capital Assets, net of accumulated depreciation	9,309,410	7,956,942
Total Noncurrent Assets	<u>9,453,598</u>	<u>7,956,942</u>
Total Assets	<u>16,606,587</u>	<u>14,829,063</u>
Deferred Outflows of Resources		
Deferred Amounts Related to Pension	1,183,938	1,183,938
Total Assets and Deferred Outflows of Resources	<u>\$ 17,790,525</u>	<u>\$ 16,013,001</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 144,064	\$ 375,231
Accrued Liabilities	156,687	140,821
Unearned Revenue	78,000	1,060
Lease Liability – Short Term	22,471	-
Compensated Absences – Short-Term	111,231	119,514
Total Current Liabilities	<u>512,453</u>	<u>636,626</u>
Noncurrent Liabilities		
Compensated Absences	115,372	142,519
Lease Liability	51,571	-
Net Pension Liability	3,465,766	3,465,766
Total Non-Current Liabilities	<u>3,632,709</u>	<u>3,608,285</u>
Total Liabilities	<u>4,145,162</u>	<u>4,244,911</u>
Deferred Inflows of Resources		
Deferred Amounts Related to Pension	393,047	393,047
Deferred Amounts Related to Leases	130,385	-
Total Deferred Inflows of Resources	<u>523,432</u>	<u>393,047</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 4,668,594</u>	<u>\$ 4,637,958</u>
NET POSITION		
Net Position		
Net Investment in Capital Assets	\$ 9,309,410	\$ 7,956,942
Restricted	732,179	737,283
Unrestricted	3,080,341	2,680,818
Total Net Position	<u>\$ 13,121,930</u>	<u>\$ 11,375,043</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 REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Grants from Corporation for Public Broadcasting	\$ 1,090,316	\$ 1,058,329
Grant Revenues from Community Foundation	-	10,000
Funds from Federal Emergency Management Agency	191,628	115,140
Grant Revenues from Federal Communications Commission	1,584,370	1,478,440
Lease Revenue - Tower Space Rental	59,519	81,676
Underwriting	162,599	180,545
Fundraising	123,347	4,150
Advertising	4,060	50,367
Membership Subscriptions and Other Donations	54,871	42,827
Other Operating Revenue	76,740	40,834
Total Operating Revenues	<u>3,347,450</u>	<u>3,062,308</u>
Operating Expenses		
Program Services	3,717,666	3,462,809
Management and General	1,885,272	2,017,390
Fundraising	114,019	1,735
Depreciation	698,621	487,222
Total Operating Expenses	<u>6,415,578</u>	<u>5,969,156</u>
Loss from Operations	<u>(3,068,128)</u>	<u>(2,906,848)</u>
Non-Operating Revenues and Expense		
Non-capital Appropriations from Government of the U.S. Virgin Islands	4,681,846	3,627,111
Capital Grant from the Government of the U.S. Virgin Islands	110,000	-
Other Non-Operating Revenue	-	439,111
Insurance Recoveries, including Hurricane Related Claims	16,717	255,328
Interest Income	6,452	1,657
Total Non-Operating Revenues and Expense	<u>4,815,015</u>	<u>4,323,207</u>
Change in Net Position	1,746,887	1,416,359
Net Position, at Beginning of Year	<u>11,375,043</u>	<u>9,958,684</u>
Net Position, at End of Year	<u>\$ 13,121,930</u>	<u>\$ 11,375,043</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, 2022 and 2021

	2022	2021
Cash Flows Used in Operating Activities		
Receipts from Grants, Customers and Others	\$ 3,026,436	\$ 3,043,045
Payments to Suppliers and Employees	<u>(5,618,563)</u>	<u>(4,915,704)</u>
Net Cash Used in Operating Activities	<u>(2,592,127)</u>	<u>(1,872,659)</u>
Cash Flows Provided by Non-Capital Financing Activities		
Non-Capital Appropriations from Primary Government	4,680,936	3,625,782
Insurance recoveries on non-hurricane related claims	16,717	255,328
Other Proceeds	-	439,111
Net Cash Provided by Non-Capital Financing Activities	<u>4,697,653</u>	<u>4,320,221</u>
Cash Flows Provided by Investing Activities		
Interest Received on Cash and Cash Equivalents	<u>6,452</u>	<u>1,657</u>
Cash Flows Used in Capital and Related Financing Activities		
Purchase of Capital Assets	(2,051,089)	(2,826,660)
Leased Asset	(72,005)	-
Capital Grants from the Government of the U.S. Virgin Islands	110,000	-
Net Cash Provided by Capital and related Financing Activities	<u>(2,013,094)</u>	<u>(2,826,660)</u>
Net Increase in Cash and Cash Equivalents	98,884	(377,441)
Cash and Cash Equivalents, at Beginning of Year	<u>5,981,189</u>	<u>6,358,630</u>
Cash and Cash Equivalents, at End of Year	<u>\$ 6,080,073</u>	<u>\$ 5,981,189</u>
Cash and Cash Equivalents		
Unrestricted Cash and Cash Equivalents	\$ 5,347,894	\$ 5,243,906
Restricted Cash and Cash Equivalents	<u>732,179</u>	<u>737,283</u>
Total Cash and Cash Equivalents	<u>\$ 6,080,073</u>	<u>\$ 5,981,189</u>
Reconciliation to Net Cash Used in Operating Activities		
Loss from Operation	\$ (3,068,128)	\$ (2,906,848)
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</i>		
Depreciation	698,621	487,222
Bad debt expense	910	1,329
<i>Change in Assets and Liabilities:</i>		
Accounts and Other Receivable	(19,913)	(19,881)
Lease Receivable	(136,317)	-
Due from the Government of the U.S. Virgin Islands	(164,783)	618
Prepaid Expenses	66,847	(30,022)
Accounts Payable	(231,167)	260,324
Accrued Liabilities	15,866	(650)
Unearned Revenue	76,940	1,060
Compensated Absences	(35,430)	4,205
Deferred Outflows of Resources	-	(415,782)
Deferred Inflows of Resources - Pension	-	(62,676)
Deferred Inflows of Resources - Leases	130,385	-
Lease Liability	74,042	-
Net Pension Liability	-	808,442
Total Adjustments	<u>476,001</u>	<u>1,034,189</u>
Net Cash Used in Operating Activities	<u>\$ (2,952,127)</u>	<u>\$ (1,872,659)</u>

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, 2022 and 2021

	<u>2022</u>	<u>2021</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>\$ 2,802,567</u>	<u>\$ 2,482,927</u>
Donated Services	<u>\$ -</u>	<u>\$ 14,146</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, 2022 and 2021

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 Net Position*** – This category consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

- **Unrestricted 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, 2022, 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, 2022 and 2021 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, 2022 and 2021, the System reported accrued compensated absences amounting to \$226,603 and \$262,033, 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 funds 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 Adopted

Leases – The System implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, in fiscal year 2022. The Statement defines a lease as a legally binding contract that conveys control of the right to use another entity’s nonfinancial asset as specified in the contract. As a lessor the System recognizes a lease receivable and deferred inflows of resources in the financial statements. The lease receivable is measured as the present value of payments expected to be received during the lease at commencement date. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgements include how the System determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term and (3) lease receipts. The System uses the prime rate as the discount for the leases. The lease term includes the non-cancellable period of the lease and the lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The System monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

As a lessee, the System leases ground space for equipment and recognizes a lease liability and an intangible right-to-use asset. The System measures the lease liability at the present value of the payments expected to be made during the lease term. The lease liability is reduced by the principal portion of the lease payments made. The leased asset is initially measured as the initial amount of the lease liability and amortized on a straight-line basis over the lease term.

The System did not restate the fiscal year 2021 amounts. The cumulative effect of the changes did not result in a change to net position.

New Accounting Pronouncements – Accounting Pronouncements Issued but Not Yet Adopted

GASB Statement No. 100 – Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62 – This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction) of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates and changes in to or within the financial reporting entity and describes the transactions or other events that constitute those

changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

GASB Statement No. 101 – *Compensated Absences* – This Statement establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). This Statement defines a compensated absence as leave for which employees may receive one or more (a) cash payments when the leave is used for time off; (b) other cash payments, such as payment for unused leave upon termination of employment; or (c) noncash settlements, such as conversion to defined benefit postemployment benefits. The Statement further defines salary-related payments as obligations that a government incurs related to providing leave in exchange for services rendered and requires note disclosures regarding long-term liabilities for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 99 – *Omnibus 2022* – This Statement addresses practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) requirements related to leases; (2) PPPs; and (3) SBITAs. The requirements of these provisions of the Statement are effective for reporting periods beginning after June 15, 2022. Further, this Statement addresses specific provisions about the following: (1) requirements related to financial guarantees; and (2) the classification and reporting of derivative instruments within the scope of Statement No. 53. The requirements of these provisions are effective beginning after June 15, 2023.

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, 2022 and 2021, cash and cash equivalents consisted of the following deposits in banks and certificate of deposit:

	<u>2022</u>	<u>2021</u>
Restricted:		
Corporation for Public Broadcasting	\$ 732,179	\$ 737,283
Unrestricted:		
Government of the U.S. Virgin Islands	3,443,218	3,174,820
Special Productions	693,288	593,524
FCC Repacking	-	128,120
Emergency Maintenance	681,431	819,574
FEMA Funds Account	195,316	194,342
Petty Cash	2,200	1,500
Certificate of Deposit	332,441	332,026
Unrestricted Cash and Cash Equivalents	<u>5,347,894</u>	<u>5,243,906</u>
Total Cash and Cash Equivalents	<u>\$ 6,080,073</u>	<u>\$ 5,981,189</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, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Underwriting	\$ 61,460	\$ 46,764
Rent	1,633	1,583
Fundraising	14,000	-
Advertisement	1,750	-
FEMA	-	22,114
Other	30,631	19,100
	<u>\$ 109,474</u>	<u>\$ 89,561</u>

As of September 30, 2022 and 2021, the System had an outstanding receivable due from the Government, amounting to \$304,791 and \$140,008, respectively, to cover accrued payroll expenses.

NOTE 5 CAPITAL ASSETS

Capital assets at September 30, 2022 and 2021 are comprised of the following:

	Balance at September 30, 2021	Additions	Disposals	Balance at September 30, 2022
Non-depreciable assets:				
Land	\$ 1,284,996	\$ -	\$ -	\$ 1,284,996
Construction in Progress	25,000	161,772	-	186,772
Non-depreciable assets:	<u>1,309,996</u>	<u>161,772</u>	<u>-</u>	<u>1,471,768</u>
Depreciable assets:				
Production and broadcasting equipment	9,046,708	1,648,456	(262,816)	10,432,348
Buildings and improvements	3,408,260	57,465	-	3,465,725
Other	2,756,770	183,396	(44,654)	2,895,512
Total depreciable assets	<u>15,211,738</u>	<u>1,889,317</u>	<u>(307,470)</u>	<u>16,793,585</u>
Less: accumulated depreciation	<u>(8,564,792)</u>	<u>(698,621)</u>	<u>307,470</u>	<u>(8,955,943)</u>
Total depreciable assets, net	<u>6,646,946</u>	<u>1,190,696</u>	<u>-</u>	<u>7,837,642</u>
Total capital assets, net	<u>\$ 7,956,942</u>	<u>\$1,352,468</u>	<u>\$ -</u>	<u>\$ 9,309,410</u>
	Balance at September 30, 2020	Additions	Disposals	Balance at September 30, 2021
Non-depreciable assets:				
Land	\$ 1,284,996	\$ -	\$ -	\$ 1,284,996
Construction in Progress	586,112	25,000	(586,112)	25,000
Non-depreciable assets:	<u>1,871,108</u>	<u>25,000</u>	<u>(586,112)</u>	<u>1,309,996</u>
Depreciable assets:				
Production and broadcasting equipment	7,142,573	2,238,727	(334,592)	9,046,708
Buildings and improvements	3,134,242	274,018	-	3,408,260
Other	1,881,743	875,027	-	2,756,770
Total depreciable assets	<u>12,158,558</u>	<u>3,387,772</u>	<u>(334,592)</u>	<u>15,211,738</u>
Less: accumulated depreciation	<u>(8,412,162)</u>	<u>(487,222)</u>	<u>334,592</u>	<u>(8,564,792)</u>
Total depreciable assets, net	<u>3,746,396</u>	<u>2,900,550</u>	<u>-</u>	<u>6,646,946</u>
Total capital assets, net	<u>\$ 5,617,504</u>	<u>\$2,925,550</u>	<u>\$ (586,112)</u>	<u>\$ 7,956,942</u>

Depreciation expense for the years ended September 30, 2022 and 2021 amount to \$698,621 and \$487,222, 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, 2022 through June 30, 2023 amounted to \$630,776, was paid as of September 30, 2022. Unamortized portion amounting to \$473,082 in FY 2022 is included as part of prepaid expenses in the accompanying statement of net position.

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

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, 2022 and 2021, the System received the following grant revenue from these organizations:

	<u>2022</u>	<u>2021</u>
Government of the Virgin Islands	\$ 4,681,846	\$ 3,627,111
Corporation for Public Broadcasting	1,090,316	1,497,440
Capital Grant from the Government of the U.S. Virgin Islands	110,000	-
Community Foundation	-	10,000
Re-Packing Fund-FCC	1,584,370	1,478,440
FEMA Grants	191,628	115,140
	<u>\$ 7,658,160</u>	<u>\$ 6,728,131</u>

During the years ended September 30, 2022 and 2021, the GVI supported \$2,802,567 and \$2,358,179 in salary and related costs through its appropriations to the System.

NOTE 8 LEASES

Lease Receivables

The System implemented Governmental Accounting Standards Board (GASB) Statement 87, Leases in fiscal year 2022. The System has entered into contractual arrangements as a lessor for certain tower facilities. The leases require monthly payments for a term of 5 years. Leases include the option to extend and those deemed reasonably certain to be exercised have been factored into the determination of lease receivable. The System recognized \$59,519 and \$6,452 in lease revenue and interest income, respectively, during the fiscal year ended September 30, 2022. As of September 2022, lease receivables totaled \$136,317 and deferred inflows of resources totaled \$130,385.

Lease Liability

The System entered into a contractual arrangement as a lessee for ground space for equipment installation. As of September 30, 2022, the lease liability totaled \$74,042. The value of the leased asset (right-to-use) was \$95,358 with an accumulated amortization of \$23,353.

NOTE 9 COMMITMENTS AND CONTINGENCIES

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

The Government of the Virgin Islands Department of Property and Procurement provides casualty insurance on System assets under a blanket insurance policy covering both the primary Government and certain autonomous agencies. In FY 2022, the System received \$16,717 in insurance proceeds from the Government of the U.S. Virgin Islands.

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 \$3,819,261 has been disbursed as of September 30, 2022. The Re-Packing Project has been completed as of the date of this report for total reimbursed expenditures of \$3,877,991.

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 increased just a little over pre-pandemic amounts. Management is no longer monitoring the impact of COVID-19 on its financial liquidity and operations as of the date of this report.

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.

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, 2022. The Report also provides detailed historical trend information showing the progress in accumulating sufficient assets to pay benefits when due. In addition, GERS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained from the Employees' Retirement System of the Government of the Virgin Islands, GERS Complex, 3438 Kronpindsens Gade, St. Thomas, and VI 00802.

NOTE 11 NET PENSION LIABILITY

Net Pension Liability

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

Plan Description and Benefits

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

There are two tiers within the plan:

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

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

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

Funding and Contribution Policy

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

NOTE 11 – PENSION LIABILITY*(Continued)*

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

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

Valuation Date:	October 1, 2021
Measurement Date:	September 30, 2021
Measurement Period:	October 1, 2020 – September 30, 2021

The System’s proportionate share of employer contributions recognized by GERS was \$53,570 for the Plan’s fiscal year ended September 30, 2021.

Pension Liabilities and Expense and Deferred Outflows/Inflows of Resources

As of July 1, 2021, the Primary Government processes compensation for all of the System’s employees. The System’s related pension liability, expense and deferred outflows/inflows will be accounted for by the Primary Government.

Actuarial information related to the pension plan can be obtained from the GERS.

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

NOTE 13 SUBSEQUENT EVENTS

The Authority’s management has evaluated subsequent events through April 5, 2023, the date the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that exist at the balance sheet date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events that did not exist at the balance sheet date, but disclosures of such events, if any, are included in the accompanying notes.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

**The schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the measurement date (September 30 of the previous fiscal year). The data presented is as of the last period of pension liability allocation for the System – September 30, 2021.*

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

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

**The schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the measurement date (September 30 of the previous fiscal year). The data presented is as of the last period of pension liability allocation for the System – September 30, 2021.*

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

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

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

Methods and assumptions used to determine contribution rates:

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

**The data presented is as of the last period of pension liability allocation for the System – September 30, 2021.*

SUPPLEMENTARY INFORMATION

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

STATEMENTS OF REVENUES AND EXPENSES PER DIVISION
 FOR THE YEARS ENDED SEPTEMBER 30, 2022 and 2021

	WTJX-TV	WTJX-FM	TOTAL	
			2022	2021
Operating Revenues				
Grants and Funds	\$ 2,866,313	\$ -	\$ 2,866,313	\$ 2,661,909
Lease Revenue - Tower Space Rental	59,519	-	59,519	81,676
Underwriting	68,600	93,999	162,599	180,545
Fundraising	114,565	8,782	123,347	51,258
Advertising	4,060	-	4,060	3,259
Membership Subscriptions and Other				
Donations	42,585	12,287	54,872	42,827
Other Operating Revenue	76,740	-	76,740	40,834
Total Operating Revenues	<u>3,232,382</u>	<u>115,068</u>	<u>3,347,450</u>	<u>3,062,308</u>
Non-Operating Revenues				
Contribution from the Government of the U.S. Virgin Islands	4,493,150	188,696	4,681,846	3,627,111
Capital Grant from the Government of the U.S. Virgin Islands	110,000	-	110,000	-
Interest Income	6,452	-	6,452	1,657
Insurance Proceeds	16,717	-	16,717	255,328
Other non-operating revenue	-	-	-	439,111
Total Non-Operating Revenues	<u>4,626,319</u>	<u>188,696</u>	<u>4,815,015</u>	<u>4,323,207</u>
Total Revenues	<u>\$ 7,868,701</u>	<u>\$ 303,764</u>	<u>\$ 8,162,465</u>	<u>\$ 7,385,515</u>
Operating Expenses				
Program Services				
Salaries	\$ 1,851,056	\$ 87,159	\$ 1,938,215	\$ 1,712,812
Program Acquisition	724,294	10,880	735,174	743,736
Annual Leave Accrual	(35,430)	-	(35,430)	5,763
Employee Benefits	689,833	27,930	717,763	638,788
Equipment Rental and Maintenance	184,056	-	184,056	206,873
Utilities	14,284	5,194	19,478	71,035
Travel	26,616	922	27,538	17,709
Supplies and Other	29,456	-	29,456	52
Production	32,251	43,240	75,491	66,041
Lease Amortization Expense	23,353	-	23,353	-
Lease Interest Expense	2,572	-	2,572	-
Total Program Services	<u>3,542,341</u>	<u>175,325</u>	<u>3,717,666</u>	<u>3,462,809</u>
Management and General				
Salaries	26,929	-	26,929	285,088
Employee Benefits	370,506	5,000	375,506	411,261
Depreciation	698,621	-	698,621	487,222
Payroll Taxes and Contributions	141,732	6,668	148,400	151,868
Utilities	292,045	-	292,045	239,966
Professional Fees	173,710	-	173,710	189,234
Production	32,377	-	32,377	7,996
Printing and Publication	14,027	-	14,027	16,310
Repairs and Maintenance	133,506	579	134,085	105,341
Insurance	115,597	-	115,597	129,157
Subscriptions and Memberships	11,272	-	11,272	2,851
Professional Development/Training	29,117	4,291	33,408	11,175
Supplies and Other	150,018	2,359	152,377	142,951
Bad Debt Expense	910	-	910	-

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, 2022 and 2021

	<u>WTJX-TV</u>	<u>WTJX-FM</u>	<u>TOTAL</u>	
			<u>2022</u>	<u>2021</u>
Program Acquisition	-	22,632	22,632	22,161
Automobile	37,083	-	37,083	32,355
Equipment Rental and Maintenance	2,150	-	2,150	1,452
Small Equipment	46,611	12,656	59,267	96,667
Postage and Freight	19,114	920	20,034	19,584
Advertising	27,910	-	27,910	5,443
Computer Supplies	83,778	5,971	89,749	62,949
Security	15,363	-	15,363	11,830
FCC Repacking	81,742	-	81,742	21,252
FEMA	18,699	-	18,699	50,499
Total Management and General	<u>2,522,817</u>	<u>61,076</u>	<u>2,583,893</u>	<u>2,504,612</u>
Fundraising	<u>113,039</u>	<u>980</u>	<u>114,019</u>	<u>1,735</u>
Total Operating Expenses	<u>\$ 6,178,197</u>	<u>\$ 237,381</u>	<u>\$ 6,415,578</u>	<u>\$ 5,969,156</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, 2022 and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated April 5, 2023.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Bert Smith & Co.

Washington, D.C.

April 5, 2023