

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)

*INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS AND REPORTS AND
SCHEDULES REQUIRED BY THE UNIFORM GUIDANCE*

For the year ended September 30, 2019

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
TABLE OF CONTENTS
SEPTEMBER 30, 2019

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)	4 - 14
FINANCIAL STATEMENTS:	
Statement of Net Position	15 - 16
Statement of Revenues, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18 - 19
Notes to the Financial Statements	20 - 49
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of the University's Proportionate Share of the Net Pension Liability	51
Schedule of the University's Contributions	52
Notes to Schedule of the University's Contributions	53
Schedule of the University's Proportionate Share of the Other Postemployment Benefits Liability	54
Schedule of Expenditures of Federal Awards	55 - 62
Notes to Schedule of Expenditure of Federal Awards	63 - 64
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 <i>GOVERNMENT AUDITING STANDARDS</i>	65 - 66
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	67 - 69
Schedule of Findings and Questioned Costs	70 - 80
Summary Schedule of Prior Year Findings	81



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
University of the Virgin Islands
(A Component Unit of the Government of the U.S. Virgin Islands):

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the University of the Virgin Islands (a Component Unit of the Government of the U.S. Virgin Islands) (the "University"), as of and for the year ended September 30, 2019, which collectively comprise the University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with generally accepted accounting principles 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 of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of 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.

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To the Board of Trustees of
University of the Virgin Islands
(A Component Unit of the Government of the U.S. Virgin Islands):
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the discretely presented component unit of the University as of September 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

Going Concern

As discussed in Note 20, the University has a deficit of approximately \$21 million. The University is highly dependent on funding from the Government of the Virgin Islands (the "Government") to repay obligations and fund its operations. Approximately 33% of the University's total revenues are derived from the Government's appropriations. The Government is in a significant net deficit position and currently faces significant fiscal, economic, and liquidity challenges related to the increasing net deficit, high levels of debt and unfunded pension obligations. There can be no assurance that the Government's actions will be sufficient to permit continued funding of the University such that its operations and activities will not be curtailed or ceased in the future. Considering that the University depends significantly on appropriations from the Government, the financial condition and liquidity of the University could be affected. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States require that management's discussion and analysis on pages 4 through 14 and the Schedule of the University's Proportionate Share of the Net Pension Liability, Schedule of the University's Contributions, and Schedule of the University's Proportionate Share of the Other Postemployment Benefits Other Than Pension Plans on pages 51 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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, 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 financial statements, and other knowledge we obtained during our audit of the 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.



To the Board of Trustees of
University of the Virgin Islands
(A Component Unit of the Government of the U.S. Virgin Islands):
Page 3

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement. The accompanying Schedule of Expenditures of Federal Awards included on pages 55 through 62, is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we also have issued our report dated January 29, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

BDO USVI, LLC

January 29, 2021
St. Thomas, U.S. Virgin Islands

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The following discussion presents an overview of the financial position and activities of the University of the Virgin Islands (a Component Unit of the Government of the U.S. Virgin Islands) (the "University") for the fiscal year ended September 30, 2019, with selected comparative information for the year ended September 30, 2018. This discussion also includes some of management's insights and analysis of the University's financial performance for the year. The discussion and analysis is designed to focus on current activities, resulting changes and current known facts. The financial statements, notes to the financial statements, and this discussion are the responsibility of management.

The financial reporting entity consists of the University and its component units which are legally separate organizations for which the University is financially accountable. The primary government consists of the University, and one blended component unit.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and it is either able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. The primary government may also be financially accountable for organizations that are fiscally dependent on it if there is a potential for the organizations to provide specific financial benefits to the primary government or impose specific financial burdens on the primary government regardless of whether the organizations have separate elected governing boards, governing boards appointed by higher levels of government or jointly appointed boards. The University is financially accountable for all of its component units.

The financial operations and position of two institutional cooperative organizations: Foundation for the University of the Virgin Islands (the "Foundation") and Foundation for the Reichhold Center for the Arts (the "Reichhold Foundation"), are considered component units of the University and are included by blended and discrete presentation, respectively, in the University's financial statements.

Blended Component Unit: The Foundation, a blended component unit, although legally separate, is reported as if it was part of the primary government because it operates for the sole purpose of assisting and supporting the University in accomplishing its charitable and educational mission, engages collaboratively with the University in its fundraising efforts, and provides services entirely to the University. Complete financial statements of the Foundation can be obtained by contacting the University's administrative offices.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Discretely Presented Component Unit: The Reichhold Foundation is a not-for-profit corporation organized exclusively for charitable and educational purposes with its principal emphasis on the arts in the Virgin Islands. The resources (and income thereon), which the Reichhold Foundation holds and invests, are restricted to the activities of the University. Since the University does not appoint a voting majority of the Reichhold Foundation's governing body nor is the Reichhold Foundation fiscally dependent on the University, the University is not considered to be financially accountable for the Reichhold Foundation. However, as the resources held by the Reichhold Foundation can only be used by, or for the benefit of the University, the Reichhold Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The financial statements of the discretely presented component unit have a September 30 year-end, the same as the University's financial statements year-end. Complete financial statements of the Reichhold Foundation can be obtained by contacting the Reichhold Foundation's administrative offices.

The financial statements encompass the University of the Virgin Islands and its component units; however, Management's Discussion and Analysis focuses only on the operations of the University, including the Foundation, which is treated as a blended component unit. It excludes its discretely presented component unit.

Reporting Entity

The University is a component unit of the Government of the U.S. Virgin Islands (the "Government"). It was organized under Act 852 of March 16, 1962, in accordance with Section 16(a) of the revised Organic Act of the U.S. Virgin Islands of 1954, as amended.

The University receives substantial financial and other support from the Government. In addition, the University is exempt from all taxes and special assessments of the U.S. Virgin Islands or any taxing authority or body thereof.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the University. The basic financial statements present information about the University as a primary government, which includes the University's blended component unit. This information is presented separately from the University's discretely presented component unit.

The accounting and reporting policies of the University conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities. The Governmental Accounting Standards Board ("GASB") is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business type activities, as defined by GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities. Accordingly, the University's financial statements have been presented 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. All significant transactions related to internal service activities such as publications, and institutional computing, as well as, inter-fund receivable and payable balances and transactions, have been eliminated where appropriate.

The basic financial statements of the University include the following: (1) Statement of Net Position, (2) Statement of Revenues, Expenses, and Changes in Net Position, (3) Statement of Cash Flows, and (4) Notes to the Financial Statements. The first two statements are further discussed in the next sections. The Statement of Cash Flows shows changes in cash and cash equivalents, resulting from operating, non-capital and capital financing and investing activities, which include cash receipts and cash disbursements information, and the Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

Statement of Net Position

The Statement of Net Position presents information on all the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is the difference between: (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the University is improving or deteriorating. The net position is displayed in three parts: net investment in capital assets, restricted and unrestricted. Restricted net position may either be expendable or nonexpendable and are those assets that are restricted by law on third-party agreements or by an external donor. Unrestricted net position, while it is generally designated for specific purposes, is available for use by the University to meet current expenses for any purpose. The Statements of Net Position, along with all of the University's basic financial statements, are prepared under the accrual basis of accounting, whereby revenues are recognized when the service is provided and expenses are recognized when others provide the service to the University, regardless of when cash is exchanged. Assets and liabilities included in the statements of net position are classified as current or noncurrent.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, net position, is one indicator of the current financial condition of the University.

	Fiscal Year 2019	Fiscal Year 2018	Change
Assets:			
Current assets	\$ 24,316,821	\$ 19,239,057	\$ 5,077,764
Non-current assets:			
Capital assets, net	60,250,742	58,180,007	2,070,735
Other	<u>75,878,051</u>	<u>67,450,874</u>	<u>8,427,177</u>
Total assets	<u>160,445,614</u>	<u>144,869,938</u>	<u>15,575,676</u>
Deferred outflows of resources:			
Deferred loss resulting from debt refinancing	4,312,234	4,562,597	(250,363)
Deferred amounts related to pensions	<u>12,484,384</u>	<u>13,113,994</u>	<u>(629,610)</u>
Total deferred outflows	<u>16,796,618</u>	<u>17,676,591</u>	<u>(879,973)</u>
Total assets and deferred outflows	<u>\$ 177,242,232</u>	<u>\$ 162,546,529</u>	<u>\$ 14,695,703</u>
Liabilities:			
Current liabilities	\$ 9,869,542	\$ 9,640,793	\$ 228,749
Non-current liabilities	<u>170,021,137</u>	<u>179,912,438</u>	<u>(9,891,301)</u>
Total liabilities	<u>179,890,679</u>	<u>189,553,231</u>	<u>(9,662,552)</u>
Deferred inflows of resources:			
Deferred inflows related to OPEB	967,758	677,144	290,614
Deferred inflows related to pension	<u>17,622,637</u>	<u>4,589,181</u>	<u>13,033,456</u>
Total deferred inflows of resources	<u>18,590,395</u>	<u>5,266,325</u>	<u>13,324,070</u>
Total liabilities and deferred inflows of resources	198,481,074	194,819,556	3,661,518
Total net (deficit) position	<u>(21,238,842)</u>	<u>(32,273,027)</u>	<u>11,034,185</u>
Total liabilities and net (deficit) position	<u>\$ 177,242,232</u>	<u>\$ 162,546,529</u>	<u>\$ 14,695,703</u>

Current assets

Current assets consist primarily of cash, cash equivalents and receivables. The increase in current assets of \$5 million is due to an inflow of cash for the preparation of the 2020 census.

The University's current assets of \$24.3 million cover the current liabilities of \$9.8 million. The current ratio of 2.5 increased when compared to fiscal year 2018, by 0.5. The change is primarily due to an increase in cash on hand.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Capital assets

One of the critical factors in continuing the quality of the University's academic and research programs is the development and renewal of capital assets. The University continues to implement its long-range plan to modernize its complement of older buildings along with a balanced investment in new construction. Capital assets additions totaled \$4.5 million and \$6.4 million for fiscal years 2019 and 2018, respectively.

During fiscal year 2019, the University had construction in progress of \$15 million which is associated with the construction of the Medical School facilities and restoration of buildings impacted by the 2017 hurricanes. The University entered into construction contract of approximately \$19 million for the construction of the Medical School facilities. As of September 30, 2019, outstanding commitments of \$3.5 million had not yet been incurred.

Capital asset additions primarily represent replacement and improvements to existing buildings, as well as significant investments in equipment. Depreciation expense was \$2.4 million and \$2.5 million for fiscal years 2019 and 2018, respectively.

On September 6, 2017 and September 20, 2017, Hurricanes Irma and Maria devastated the University and the U.S. Virgin Islands. The Hurricanes caused infrastructure-related damages disrupting the activities and operations of the University. During the year ended September 30, 2018, the University recognized an impairment loss of \$10.4 million.

Other Non-current assets

Non-current assets include restricted cash and cash equivalents, restricted deposits with trustee, students' loans receivables and endowment investments at fair value. The increase of non-current assets by \$10 million is related with an increase of \$8 million in investments and an increase in \$2 million in capital assets due to the construction activity, following the 2017 hurricanes.

Current liabilities

Current liabilities consist primarily of accounts payable and accrued liabilities, unearned revenue, and the current portion of the long-term liabilities. Current liabilities totaled \$9.8 million on September 30, 2019, as compared to \$9.6 million on September 30, 2018.

Non-current liabilities, including long-term debt

Non-current liabilities consist of long-term debt and other obligations for which the principal is due more than one year from the Statement of Net Position date. Non-current liabilities totaled \$170 million and \$180 million in fiscal years September 30, 2019 and 2018, respectively. The decrease in non-current liabilities of \$9.9 million is attributable to the change in assumptions surrounding the net pension liability.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Under a loan agreement executed February 2015 with the U.S. Department of Education Capital Financing Loan program, the University was authorized to request advances up to \$19 million under the Series 2015-1 loan. During fiscal year 2019, \$2.7 million was drawn down against the \$19 million loan.

The University of the Virgin Islands has been participating in the U.S. Department of Education’s Historically Black College and University (“HBCU”) Capital Financing Program (“Program”) since 2009. The Program was established to provide federal assistance to facilitate low-cost capital basis for HBCUs, which enables them to continue and expand their educational mission and enhance their significant role in American higher education. The Program’s enabling legislation provides for a Designated Bonding Authority (“DBA”) to act as the Department’s agent. The DBA works with the HBCU to determine, among other things, if the institution has the necessary credit standing to qualify for a loan. The Program does not require the institution to provide an investment grade or bond market credit rating. The University of the Virgin Islands was vetted and deemed eligible for this Program and has executed several loan agreements since 2009.

Net position

Net position represents the residual amount in the University’s assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Total net position at September 30, 2019 and 2018, is summarized as follows:

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
Net position:		
Net investment in capital assets	\$ (17,628,283)	\$ (19,385,387)
Restricted	40,931,559	38,250,424
Deficit	<u>(44,542,118)</u>	<u>(51,138,064)</u>
Total net (deficit) position	<u>\$ (21,238,842)</u>	<u>\$ (32,273,027)</u>

Restricted, non-expendable net position consists of assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. Restricted, non-expendable assets include endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted, expendable net position consists of restricted, expendable assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. Restricted, expendable assets include resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Restricted non-expendable assets was \$13.8 million in 2019. Restricted expendable assets comprised of grants of \$9.2 million, scholarships of \$14.3 million, loans of \$882 thousand, debt service of \$2.5 million, and other of \$131 thousand, totaling \$27 million total restricted expendable net position.

Unrestricted net position is the net position amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position. It represents resources derived from student tuition and fees, local government appropriations, sales and services of educational activities and auxiliary enterprises. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff. While unrestricted net position may be designated for specific purposes by action of management or the Board, they are available for use, at the discretion of the governing board, to meet current expenses for any purpose. For fiscal year September 30, 2019, the University shows a deficit of approximately \$21.2 million due, principally, to the cumulative effect of recognizing the net pension and OPEB liability.

Net investment in capital assets consists of the University's capital assets, net of accumulated depreciation, reduced by outstanding debt obligations that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to deferred loss from debt refinancing, and deferred amounts related to pensions and OPEB.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents information on how the University's net position changed during the reporting periods. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The purpose of this statement is to present the revenues earned, both operating and non-operating, and the expenses paid and accrued, and any other revenues, expenses, gains and losses earned or spent by the University during the reporting periods.

Generally, operating revenues are used to provide goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

A summarized comparison of the University's revenues, expenses, and changes in net position for the years ended September 30, 2019 and 2018, follows:

	Fiscal Year 2019	Fiscal Year 2018	Change
Operating revenues:			
Tuition and fees, net of scholarship allowance	\$ 16,095,779	\$ 12,879,895	\$ 3,215,884
Federal grants and contracts	25,414,971	18,234,797	7,180,174
State grants and contracts	3,150,548	3,235,438	(84,890)
Auxiliary enterprises	1,546,324	1,502,714	43,610
Other operating revenues	<u>370,632</u>	<u>1,865,253</u>	<u>(1,494,621)</u>
Total operating revenues	46,578,254	37,718,097	8,860,157
Operating expenses	<u>90,066,295</u>	<u>77,208,424</u>	<u>12,857,871</u>
Net operating loss	(43,488,041)	(39,490,327)	(3,997,714)
Non-operating revenues (expenses):			
Local government appropriation	33,470,184	24,784,701	8,685,483
Federal Pell Grant program	4,419,640	3,450,932	968,708
Other non-operating income	2,521,592	5,892,057	(3,370,465)
Insurance proceeds	11,779,746	13,920,500	(2,140,754)
Loss on impairment of capital assets	-	(10,372,523)	10,372,523
Interest on indebtedness	(2,857,419)	(3,064,965)	207,546
Local government contributions-OPEB	<u>196,278</u>	<u>185,855</u>	<u>10,423</u>
Total non-operating revenues, net	<u>49,530,021</u>	<u>34,796,557</u>	<u>14,733,464</u>
Income/(loss) before other revenues	6,041,980	(4,693,770)	10,735,750
Capital appropriations	<u>4,992,205</u>	<u>4,992,206</u>	<u>(1)</u>
Change in net position	11,034,185	298,436	10,735,749
Net position:			
At beginning of year	<u>(32,273,027)</u>	<u>(32,571,463)</u>	298,436
At end of year	<u>\$ (21,238,842)</u>	<u>\$ (32,273,027)</u>	<u>\$ 11,034,185</u>

The University supplements the funds it receives from student tuition and fees, with local government appropriations, federal and local sponsored programs, private gifts and grants, and investment income. The University manages the financial resources from these efforts to fund its operating activities.

Tuition and local government appropriations are the primary source of funding for the University's academic programs. There is a direct relationship between the growth or reduction in local government support and the University's ability to restrain tuition and fee increases. The University strives to provide students with access to a quality education at an affordable cost. The University continues to foster a strong relationship and partnership with the local government and recognizes the importance of its continued support.

Auxiliary enterprises include the revenues derived from bookstore sales, residence halls and campus housing fees, Wellness Center membership fees, and ticket and concession stand sales. There was no significant change in this area.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Operating revenues increased by 23% resulting from an increase in grants and contracts awarded to the University as well as an increase in bad debt collections in fiscal year 2019. Other revenues consist mainly of capital appropriations received from the Government to meet outstanding capital debt obligations. Other non-operating revenues consist of investment income, gifts, and insurance proceeds.

During 2019, the University was awarded a grant of \$15.5 million from the U.S. Department of Commerce to conduct the 2020 Census of the United States Virgin Islands. The University was required to commence with preparations for the 2020 Census during 2019 and this also increased expenses for this decennial activity.

The decrease in other revenues of \$1.5 million is directly attributable to a reduction in revenue from miscellaneous sources, including rental revenue and ticket sales.

For fiscal year September 30, 2019, operating expenses totaled \$90 million including compensation and benefits of \$46.6 million, supplies and other expenditures of \$26.7 million, depreciation expense of \$2.5 million, scholarships of \$10 million, and utilities of \$4.2 million.

A comparative summary of the University's operating expenses by object categories for the years ended September 30, 2019 and 2018, is as follows:

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
Compensation and benefits	\$ 46,623,686	\$ 46,456,064
Supplies and other	26,773,195	18,150,843
Depreciation	2,488,964	2,586,790
Scholarships	10,052,267	7,282,839
Utilities	<u>4,128,183</u>	<u>2,731,888</u>
 Total operating expenses	 <u>\$ 90,066,295</u>	 <u>\$ 77,208,424</u>

Compensation and benefits is the largest category of expenses, representing 52% of the operating expenses. The University is committed to recruiting and retaining outstanding faculty and staff and the compensation package is one way to successfully compete with peer institutions and non-academic employers.

Supplies and other expenses increased as a result of increased replacement of supplies and other items which were lost during the 2017 hurricanes.

Scholarships expenses increased as a result of an increased in enrollments during 2019, following the 2017 hurricanes.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

A comparative summary of the University's total operating expenses by functional classification for the years ended September 30, 2019 and 2018, is as follows:

<u>Function:</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
Instruction	\$ 15,652,007	\$ 15,255,027
Institutional support	17,627,231	12,451,879
Research	13,890,382	12,181,083
Operation and maintenance of plant	10,438,540	7,681,509
Student aid	6,693,284	6,215,157
Public service	5,517,304	5,847,999
Academic support	6,570,962	5,509,974
Auxiliary enterprises	5,204,900	3,977,724
Student services	5,256,852	4,729,174
Depreciation	2,488,964	2,586,790
Other	<u>725,869</u>	<u>772,108</u>
Total expenses by function	<u>\$ 90,066,295</u>	<u>\$ 77,208,424</u>

Expenditure programs with the increases were instruction, institutional support, research, operation and maintenance of plant, student aid, academic support, auxiliary enterprises, and student services. The expenditures with decreases were public service, depreciation, and other.

Factors Impacting Future Periods

During fiscal year 2019, the University continued to feel the impact of economic contraction. The University's President and the Board continue to explore new ways to address the reduction in revenues in the face of increasing expenditures.

The University seeks to utilize online education as a method for better supporting students by providing additional options for studies. The offering of online degrees would necessitate offering a full complement of general education courses. The University is offering many general education courses online through additional faculty training or external partnerships.

**UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Financial Condition

The University is highly dependent on funding from the Government of the U.S. Virgin Islands ("GVI") to repay obligations and fund its obligations. Approximately 33% of the University's total revenues are derived from government appropriations. GVI is in net deficit position and currently faces significant fiscal, economic, and liquidity challenges related to the increasing net deficit, high levels of debt and unfunded pension and OPEB obligations. The challenge of unfunded pension liabilities was addressed through increases in the contribution rates of the employers and members participating in the GVI's multiple employer cost-sharing pension plan. The adoption of Other Post-employment Benefits ("OPEB"), is also being addressed through this initiative. The administrator of the pension and OPEB plans, Government Employees' Retirement System, is an independent and separate agency of GVI.

Request for Information

This financial report is designed to provide a general overview of the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Vice President for Administration and Finance. The executive offices of the University are located at #2 John Brewer's Bay, St. Thomas, Virgin Islands 00802-9990.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

ASSETS	University	Reichhold Foundation
Current assets:		
Cash and cash equivalents	\$ 16,805,845	\$ 99,211
Accounts receivable, net of allowance for doubtful accounts of \$2,239,816	6,057,814	1,000
Inventories	424,675	-
Prepaid expenses and other current assets	1,028,487	-
Total current assets	24,316,821	100,211
Non-current assets:		
Restricted cash and cash equivalents	43,020	-
Restricted deposits with trustee	5,140,617	-
Students loans receivable, net of allowance for doubtful accounts of \$241,075	414,318	-
Investments at fair value	-	11,934,021
Restricted investments at fair value	69,297,305	-
Accounts receivable	-	2,000
Loan receivable, RT Park	982,791	-
Capital assets, net	60,250,742	-
Total non-current assets	136,128,793	11,936,021
Total assets	160,445,614	12,036,232
Deferred outflows of resources:		
Deferred loss resulting from debt refinancing	4,312,234	-
Deferred amounts related to pensions	12,484,384	-
Total deferred outflows of resources	16,796,618	-
Total assets and deferred outflows of resources	\$ 177,242,232	\$ 12,036,232
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,093,180	\$ 58,000
Unearned revenue	4,144,199	-
Current portion of long-term liabilities	2,632,163	-
Total current liabilities	9,869,542	58,000
Non-current liabilities:		
Long-term debt	79,559,096	-
Accrued vacation	4,359,922	-
Net pension liability	74,920,851	-
Other post-employment benefit liability	10,859,868	-
Other long-term liabilities	321,400	-
Total non-current liabilities	170,021,137	-
Total liabilities	179,890,679	58,000

(continues)

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

(continued)

	<u>University</u>	<u>Reichhold Foundation</u>
Deferred inflow of resources:		
Deferred amounts related to OPEB	\$ 967,758	\$ -
Deferred amounts related to pension	<u>17,622,637</u>	<u>-</u>
Total deferred inflows of resources	<u>18,590,395</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>198,481,074</u>	<u>58,000</u>
Net position:		
Net investment in capital assets	(17,628,283)	-
Restricted non-expendable	13,885,796	-
Restricted expendable:		
Grants	9,182,028	-
Scholarships	14,353,764	-
Loans	881,742	-
Debt service	2,497,460	-
Other	130,769	-
Unrestricted (deficit)	<u>(44,542,118)</u>	<u>11,978,232</u>
Total net (deficit) position	<u>(21,238,842)</u>	<u>11,978,232</u>
Total liabilities and net (deficit) position	<u>\$ 177,242,232</u>	<u>\$ 12,036,232</u>

(concluded)

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

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>University</u>	<u>Reichhold Foundation</u>
Revenues		
Operating revenues:		
Tuition and fees	\$ 16,095,779	\$ -
Federal grants and contracts	25,414,971	-
State grant and contracts	3,150,548	-
Auxiliary enterprises	1,546,324	-
Other	370,632	-
Net investment income	-	478,356
Cancellation of grant	-	300,000
In-kind contribution	-	175,459
	<u>46,578,254</u>	<u>953,815</u>
Total operating revenues		
Expenses		
Salaries:		
Faculty	9,974,023	-
Exempt staff	14,724,783	-
Nonexempt wages	7,911,010	-
Benefits	14,013,870	-
Scholarships	10,052,267	-
In-kind contribution	-	175,459
Contributions to the University	-	224,666
Utilities	4,128,183	-
Supplies and other services	26,047,326	116,157
Depreciation	2,488,964	-
Other expenses	725,869	-
	<u>90,066,295</u>	<u>516,282</u>
Total operating expenses		
Operating (loss)/income	(43,488,041)	437,533
Non-operating revenues (expenses):		
Local government appropriation	33,470,184	-
Federal Pell Grant program	4,419,640	-
Endowment gifts	679,016	-
Net investment income	1,842,576	-
Insurance proceeds	11,779,746	-
Local government contributions - OPEB	196,278	-
Interest on indebtedness	(2,857,419)	-
	<u>49,530,021</u>	<u>-</u>
Total non-operating revenues, net		
Increase in net position before capital appropriations	6,041,980	437,533
Local government capital appropriations	4,992,205	-
Increase in net position	11,034,185	437,533
Net (deficit) position at beginning of the year	(32,273,027)	11,540,699
Net (deficit) position at end of the year	<u>\$ (21,238,842)</u>	<u>\$ 11,978,232</u>

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

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>University</u>	<u>Reichhold Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees collected	\$ 12,021,865	\$ -
Grants and contracts collected	32,208,939	-
Auxiliary enterprises and other collected revenues	1,916,956	-
Contributions received	-	100
Interest, dividends, and realized gains on investments	-	478,256
Payments of contributions to the University	-	(282,666)
Payments to suppliers and vendors	(25,372,406)	(135,574)
Payments to employees	(33,074,894)	-
Payments for utilities	(4,218,183)	-
Payments for benefits	(14,013,870)	-
Payments for scholarships	(5,632,627)	-
	<u>(36,164,220)</u>	<u>60,116</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Local government appropriations	33,470,184	-
Federal Pell Grant Program	4,419,640	-
Endowment gifts	679,016	-
	<u>38,568,840</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Local government capital appropriations	4,992,205	-
Insurance proceeds	11,779,746	-
Purchase of capital assets	(4,559,699)	-
Proceeds from capital debt	2,798,006	-
Principal paid on capital debt	(2,712,326)	-
Interest paid on capital debt	(3,107,782)	-
	<u>9,190,150</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and redemption of investments	4,134,278	157,514
Net investment income	(1,842,579)	-
Purchases of investments	(7,570,084)	(162,475)
	<u>(5,278,385)</u>	<u>(4,961)</u>
Net change in cash, cash equivalents, and restricted cash	6,316,385	55,155
Cash, cash equivalents, and restricted cash, at beginning of the year	<u>15,673,097</u>	<u>44,056</u>
Cash, cash equivalents, and restricted cash, at end of the year	<u>\$ 21,989,482</u>	<u>\$ 99,211</u>

(continues)

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(continued)

	<u>University</u>	<u>Reichhold Foundation</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH PRESENTED IN THE STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 16,805,845	\$ 99,211
Restricted cash and cash equivalents	43,020	-
Restricted deposits with trustee	<u>5,140,617</u>	<u>-</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 21,989,482</u>	<u>\$ 99,211</u>
RECONCILIATION OF OPERATING (LOSS)/INCOME TO NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES		
Operating (loss)/income	\$ (43,488,041)	437,533
Adjustments to reconcile operating (loss)/income to net cash (used in)/provided by operating activities:		
Depreciation	2,488,964	-
Bad debt expenses	521,290	-
Pension expense	3,801,804	-
OPEB expense	757,399	-
Contributions received - OPEB	196,278	-
Donation of stocks	(992)	-
Net gain on investments	(856,138)	(124,917)
Changes in assets and liabilities, net:		
Grants and contracts receivable	3,643,420	-
Student loans receivables	(2,838)	-
Other accounts receivables	(3,092,075)	-
Contributions receivable	-	2,000
Inventories	108,323	-
Prepaid expenses and other current assets	(85,447)	-
Accounts payable and accrued liabilities	80,695	(254,500)
Unearned revenue	228,216	-
Accrued vacations	<u>(465,078)</u>	<u>-</u>
Net cash (used in)/provided by operating activities	<u>\$ (36,164,220)</u>	<u>\$ 60,116</u>

(concluded)

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

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
REPORTING ENTITY

The University of the Virgin Islands (the “University”) is a component unit of the Government of the U.S. Virgin Islands (“GVI”). It was organized under Act 852 of March 16, 1962, in accordance with Section 16(a) of the Revised Organic Act of the U.S. Virgin Islands of 1954, as amended.

The University receives substantial financial and other support from GVI and is exempt from all taxes and special assessments of the U.S. Virgin Islands or any taxing authority or body thereof.

The University is a higher education institution that offers four-year liberal arts degree and master’s degree programs in teacher education, business and public administration and associates degree in arts and occupational programs. The University operates through campuses on the islands of St. Thomas and St. Croix, and have a satellite office in St. Martin.

The financial reporting entity consists of the University and its component units which are legally separate organizations for which the University is financially accountable. Primary government consists of the University and its blended component unit.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. The primary government may also be financially accountable for organizations that are fiscally dependent on it if there is a potential for the organizations to provide specific financial benefits to the primary government or impose specific financial burdens on the primary government regardless of whether the organizations have separate elected governing boards, governing boards appointed by higher levels of government or jointly appointed boards. The University is financially accountable for all its component units.

The financial statements encompass the University and its two component units, the Foundation for the University of the Virgin Islands (the “Foundation”) and the Foundation for the Reichhold Center for the Arts (“Reichhold Foundation”), included by blended and discrete presentation, respectively.

Component units

A component unit is reported as blended when either (1) the component unit’s governing body is substantively the same as the University, and (a) there is a financial benefit or burden relationship between the University and the component unit, or (b)

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

management of the University has operational responsibility for the component unit, or (2) the component unit provides services entirely, or almost entirely, to the University or otherwise exclusively, or almost exclusively, benefits the University, or (3) the component unit's outstanding debt is expected to be repaid entirely or almost entirely with resources of the University.

Blended component unit - The following component unit, although, legally separate, is reported as if it was part of the primary government because it operates for the sole purpose of assisting and supporting the University in accomplishing its mission:

Foundation for the University of the Virgin Islands

The Foundation is a legally separate entity from the University and is governed by separate board. The Foundation is a not-for-profit corporation organized for the sole purpose of assisting and supporting the University in accomplishing its charitable and educational mission. Because the Foundation was established for the purpose of supporting the core mission and purposes of the University, engages collaboratively with the University in its fundraising efforts, and provides services entirely to the University, the Foundation has been determined to be a blended component unit. Complete financial statements of the Foundation can be obtained by contacting the University's administrative offices.

Discretely presented component unit - The discretely presented component unit is legally separate from the University. This entity is reported as a discretely presented component unit because a financial benefit/burden situation exists. The following is presented as a discrete component unit:

Foundation for the Reichhold Center for the Arts

The Reichhold Foundation is a not-for-profit corporation organized exclusively for charitable and educational purposes with its principal emphasis on the arts in the Virgin Islands. The Reichhold Foundation provides financial assistance incidental to maintaining and operating the Reichhold Center for the Arts located on the St. Thomas campus. The resources (and income thereon), which the Reichhold Foundation holds and invests, are restricted to the activities of the University.

Since the University does not appoint a voting majority of the Reichhold Foundation's governing body nor is the Reichhold Foundation fiscally dependent on the University, the University is not considered to be financially accountable for the Reichhold Foundation. However, as the resources held by the Reichhold Foundation can only be used by, or for the benefit of the University, the Reichhold Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The financial statements of the discretely presented component unit have a September 30 year-end, as the University's financial statements year-end.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

The Reichhold Foundation conforms to the requirements of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit Entities*, (“ASC 958”). ASC 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories according to externally (donor) imposed restrictions: unrestricted, temporarily restricted, and permanently restricted net assets. However, when the Reichhold Foundation is incorporated in the financial statements of the University, it conforms to the requirements of the Governmental Accounting Standards Board. Complete financial statements of the Reichhold Foundation can be obtained by contacting the Reichhold Foundation’s administrative offices at 2 John Brewers Bay, St. Thomas, VI 00802.

The following is a summary of the significant accounting policies followed by the University:

Measurement Focus and Basis of Accounting

The accounting and reporting policies of the University conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities. The Governmental Accounting Standards Board (“GASB”) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business type activities, as defined by GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. Accordingly, the University’s financial statements have been presented 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. All significant transactions related to internal service activities such as publications, telecommunications and institutional computing have been eliminated where appropriate.

Cash, cash equivalents, and restricted cash

The University considers all cash held in banks and investments with a maturity of three months or less from the date of purchase as cash and cash equivalents for financial reporting purposes.

Investments

Investments in marketable securities are reported at fair value, which is based upon values provided by the University’s custodians or current market quotations. Investment income, including changes in fair value of investments, is recognized as gain/(loss) in the accompanying statement of revenues, expenses, and changes in net position.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Investments in alternative strategies are reported at fair value, whose fair values have been estimated by management in the absence of readily determinable fair values. The estimated fair value of alternative strategies is based on valuations provided by the external investment managers as of September 30. Because investments in alternative strategies are not readily marketable, their estimated value is subject to uncertainty and therefore, may differ from the value that would have been used had a ready market for such investments existed.

Students and other receivables, and allowance for doubtful accounts

Students and other receivables are reported at the estimated net realizable amount. The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses on existing receivables that may become uncollectible based on evaluations of the collectability of the receivables and prior credit loss experience. The bad debt expense for the fiscal year ended September 30, 2019, amounted to \$521,290.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market, and consist primarily of textbooks available for sale to students. The University evaluates bookstore inventory on a quarterly basis to determine inventory movement on merchandise. The University determines and write-off inventory damaged or obsoleted twice a year. Any textbooks which have remained unsold for four years are written-off.

Capital assets

The University's capital assets consist of land, buildings, infrastructure and improvements, furniture and equipment, library resources, and construction in progress. Capital assets are recorded at cost or, if donated, at acquisition value at the date of donation. It is the policy of the University to capitalize expenditures according to the Board approved thresholds by category (see below) and to remove from the accounts major items retired. Net interest costs on debt related to construction in progress are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, generally 25 to 50 years for buildings and infrastructure, 5 to 20 years for equipment and library materials, including computer and computer software, and 7 to 30 years for land improvements. Renovations to buildings and other capital assets that significantly increase the value or extend the useful life of the asset is capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Description	Capitalization Threshold
Land	\$1
Land improvements	1
New buildings	1
Betterment and improvement of buildings	10,000
Infrastructure	10,000
Machinery and equipment	2,500
Library collection	1
Computer software	50,000

Impairment of capital assets

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The University evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage, among others.

The University reviews the carrying value of its capital assets to determine if circumstances exist indicating impairment. If facts or circumstances support the possibility of impairment, an impairment is recognized in the year the impairment occurs.

Impairment losses are reported in the statement of revenues, expenses, and change in net position net of any realizable insurance recovery. For impairment losses recoverable through disaster assistance programs sponsored by higher levels of government (such as Federal Emergency Management Agency), the loss would be reported separately from the grant awarded for recovery purposes. Any impairment adjustment to the carrying value of a capital asset would be treated as a proportionate reduction of both the reported value of the asset and its accumulated depreciation, based on the notion that the impairment represents the effective retirement of a portion of the asset.

Deferred outflows of resources

The University reports separate sections in the Statement of Net Position for deferred inflows of resources and deferred outflows of resources. These separate financial statement elements represent a consumption or receipt of resources that applies to a future period and therefore will not be recognized as an inflow or outflow of resources until then. The University includes in the deferred outflows of resources reporting category the deferred charges on refunded debt resulting from the difference in the carrying value of the refunded debt and its reacquisition price.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability and changes of assumptions about future economic or demographic factors or other inputs are reported as deferred outflows of resources and inflows of resources related to pensions. The University reports in the deferred outflows of resources and in the deferred inflows of resources the deferred components which are amortized over the average of the expected remaining service lives of its employees, and pension contributions made after the measurement date of September 30, 2015, and before October 1, 2018.

Unearned revenues

Unearned revenue consists primarily of cash received in advance of an event, such as student tuition and fees related to tuition for future fiscal years. At September 30, 2019, approximately \$4.1 million of tuition and fees collected that relate to the remainder of the fall semester are deferred.

Pension

For purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the University reports amounts on the same basis as reported by the Government Employees Retirement System ("GERS"). For information about the fiduciary net position of GERS, recognition of benefit payments, and additions to deductions from fiduciary net position, see GERS's separately issued audit report available at www.usvigiers.com/Reports/AuditedFinancialReports.aspx.

Other postemployment benefits

The Government provides other postemployment benefits ("OPEB") of healthcare, prescription, dental, and life insurance coverage. These benefits are provided in accordance with Title 3, Chapter 25, Subchapter VIII of the Virgin Island's Code as part of a multiple employer defined benefit OPEB plan, in which the University participates. For purpose of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the University reports amounts on the same basis as reported by the Government of the Virgin Islands.

Net position

The University's net position is classified as follows:

Net investment in capital assets - represents the University's capital assets, net of accumulated depreciation, reduced by outstanding debt obligations that are attributable to the acquisition, construction, or improvement of those assets.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are required to be included in this component of net position. To the extent proceeds from issuance of debt has been received but not yet expended for capital assets or deferred inflow of resources attributable to the unspent amount, such amounts are not included as a component of net investment in capital assets.

Restricted, non-expendable - net position consists of restricted, nonexpendable assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted, nonexpendable assets include endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted, expendable - net position consists of restricted, expendable assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted, expendable assets include resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted - net position is the net position amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position. It represents resources derived from student tuition and fees, state appropriations, sales and services of educational activities and auxiliary enterprises. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff. While unrestricted net position may be designated for specific purposes by actions of management or the Board of Trustees, they are available for use, at the discretion of the governing board, to meet current expenses for any purpose. As of September 30, 2019, the University has an accumulated deficit of approximately \$21.2 million.

When an expense is incurred that can be paid using either restricted or unrestricted resources, it is generally the University's practice to use restricted resources first to the extent permissible, then unrestricted resources when they are needed.

Classification of revenues and expenses

The University has classified its revenues and expenses as either operating or non-operating.

Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises; and some Federal, state and local grants and contracts.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Non-operating revenues include activities that have the characteristics of non-exchange transactions, and other revenue sources that are defined as non-operating, such as state appropriations, Federal Pell grants, gifts, and investment income. Gifts to the endowment fund are classified as other non-operating revenues.

The University classifies all expenses as operating, except for interest expense and losses on disposal of capital assets, if any, which are classified as non-operating.

Gifts, pledges, and contributions

Pledges of financial support from organizations and individuals representing an unconditional promise to give are recognized once all eligibility requirements, including time requirements, have been met. In the absence of such promise, revenue is recognized when the gift is received. Gift and contributions are recognized when received. Endowments pledges generally do not meet eligibility requirements, as defined, and are not recorded as assets until the related gift has been received. Unconditional promises that are expected to be collected in future years are recorded at the present value of the estimated future cash flows.

Grants and contracts

The University has been awarded grants and contracts for which the funds have not been received or expenses made for the purpose specified in the award. These awards have not been reflected in the accompanying financial statements but represent commitments of sponsors to provide funds for specific research or training projects. For grants that have allowable cost provisions, the revenue will be recognized as the related expenditures are made. For grants with work completion requirements, the revenue is recognized as the work is completed, and for grants without either of the above requirements, the revenue is recognized as it is received.

Tuition and fees

Student tuition and fee revenues are reported net of scholarship discounts and allowances in the accompanying statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the differences between the stated charge for goods and services provided by the University, and the amount that is paid by students and third parties making payments on behalf of students. The scholarship discounts and allowance for the fiscal year ended September 30, 2019, amounted to \$265,464.

Effect of recent GASB statements

Under GASB Statement No. 72, *Fair Value Measurement and Application*, (“GASB 72”) the University values investments at quoted market prices when available. If quoted market prices are not available, fair values are based on quoted market

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

prices of comparable instruments or values obtained from independent pricing services. Fair value is described as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at a measurement date. GASB 72 establishes a hierarchy of inputs for valuation techniques used to measure fair value. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets and liabilities. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management’s assumption of the default rate among underlying mortgages of a mortgage-backed security.

2. BLENDED COMPONENT UNIT CONDENSED FINANCIAL INFORMATION

Following is the Foundation’s condensed financial information as of and for the fiscal year ended September 30, 2019:

Condensed information from Statement of Financial Position

Current assets	\$ 210,203
Non-current assets, excluding capital assets	71,368,213
Capital assets, less accumulated depreciation	<u>113,000</u>
Total assets	<u>\$ 71,691,416</u>
Current liabilities	<u>42,522,323</u>
Total liabilities	42,522,323
Net assets:	
Restricted non-expendable	13,885,796
Restricted expendable	<u>15,283,297</u>
Total net assets	<u>29,169,093</u>
Total liabilities and net assets	<u>\$ 71,691,416</u>

Condensed information from Statement of Revenue, Expenses, and Changes in Net Assets

Operating expenses	\$ (1,908,999)
Non-operating revenues	<u>2,838,532</u>
Change in net assets	929,533
Net assets:	
Net assets at beginning of year	<u>28,239,560</u>
Net assets at end of year	<u>\$ 29,169,093</u>

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Operating activities:	
Contribution received	\$ 1,388,577
Loan interest received	42,817
Interest, dividends, and realized gains received	428,048
Payments for University programs and awards	(1,806,797)
Payments for service fees and investment advisory fees	(40,828)
Payments for general and administrative functions	(50,813)
Payments from/(to) University	<u>(1,968,080)</u>
Net cash used in operating activities	(2,007,076)
Investing activities:	
Proceeds from loan repayments made by RT Park	253,994
Proceeds from the sale and redemption of investment	4,247,115
Proceeds from other loan repayments	868
Purchases of investments	<u>(4,640,811)</u>
Net cash used in investing activities	<u>(138,834)</u>
Net change in cash and cash equivalents	(2,145,910)
Cash and cash equivalents at beginning of year	<u>3,830,307</u>
Cash and cash equivalents at end of year	<u>\$ 1,684,397</u>

3. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

All the operating cash of the University is pooled into one bank account. Cash balances by funds represent the cash that is allocated to each fund of the University. By law, banks or trust companies designated as depository of public funds of the Government and its various agencies, authorities and instrumentalities, are to maintain corporate surety bond or pledge collateral satisfactory to the Commissioner of Finance of GVI to secure all governmental funds deposited.

At September 30, 2019, the University's carrying amounts of cash and cash equivalents were covered by federal deposit insurance, corporate surety bonds or by collateral held by GVI.

As of September 30, 2019, cash and cash equivalents amounted to approximately \$16.8 million and restricted cash and cash equivalents amounted to approximately \$5.2 million.

Restricted cash is for the purpose of maintaining liquidity for the purpose they were created, including supporting the release of funds to the University.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

4. ACCOUNTS RECEIVABLE

The University's accounts receivable as of September 30, 2019, are composed of the following:

	<u>Amount</u>
Students	\$ 4,443,078
U.S. Federal Government	2,637,973
U.S. Virgin Islands Government	607,294
Due from related party (RT Park)	250,000
Other	<u>359,285</u>
	8,297,630
Less: Allowance for doubtful accounts	<u>(2,239,816)</u>
Accounts receivable, net	<u>\$ 6,057,814</u>

The bad debt expense for the fiscal year ended September 30, 2019, amounted to \$521,290.

5. INVESTMENTS

The Board of Trustees (the "Board"), as the governing Board, is responsible for the management of the University's investments and establishes investment policy, which is carried out by the Vice President for Administration and Finance. The University and the Reichhold Foundation have a formal investment policy approved by their corresponding Board of Trustees, which contains a requisite section on addressing risks.

In fiscal year 2014, the Board passed a resolution to transfer all the University's investments to the Foundation's investments portfolio for management and investment purposes.

Investments are recorded at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The University measures and records its investments using fair value measurement guidelines, as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Level 2: Inputs are other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3: Inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

At September 30, 2019, the University had the following recurring fair value measurements:

	Fair Value Measurement	Level 1	Level 2	Level 3
Equity securities	\$ 5,147,110	\$ 5,147,110	\$ -	\$ -
Fixed income securities	110,986	110,986	-	-
Mutual funds	943,312	943,312	-	-
Common fund:				
Multi strategy bond fund	17,569,509	-	-	17,569,509
Multi strategy equity fund	34,850,047	-	-	34,850,047
Multi strategy intermediate fund	<u>7,208,710</u>	<u>-</u>	<u>-</u>	<u>7,208,710</u>
Total investment at fair value	<u>65,829,674</u>	<u>6,201,408</u>	<u>-</u>	<u>59,628,266</u>
Investments measured at the net asset value (NAV):				
Private capital fund	<u>3,467,631</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 69,297,305</u>	<u>\$ 6,201,408</u>	<u>\$ -</u>	<u>\$ 59,628,266</u>

At September 30, 2019, the Reichhold Foundation had the following recurring fair value measurements:

	Fair Value Measurement	Level 1	Level 2	Level 3
Corporate bonds and U.S. debt securities	\$ 145	\$ -	\$ 145	\$ -
Mutual funds	566,053	566,053	-	-
Fixed income	3,834,782	3,834,782	-	-
Equity securities	<u>7,533,041</u>	<u>7,533,041</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 11,934,021</u>	<u>\$ 11,933,876</u>	<u>\$ 145</u>	<u>\$ -</u>

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Equity securities - Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Mutual funds - Investments in mutual funds are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which market prices are readily available.

Fixed income securities - Investments in fixed income securities are classified as Level 2, since their pricing is based on multiple sources of information that include market data and/or quoted prices from either market that are not active or are for the identical or similar assets in an active market.

Alternative strategies - The Foundation invests in certain alternative strategies that are essentially funds of funds. The Multi-Strategy Bond Fund and the Multi-Strategy Equity Fund are classified as Level 3, since these contain underlying investments for which their pricing is based on multiple sources of information that include market data and/or quoted prices from either markets that are not active or are for the identical or similar assets in an active market, as well as underlying investments for which valuation is based on unobservable inputs. Common fund's marketable funds pricing and valuation processes are built upon a base of independent third-party pricing for the majority of fund holdings. Independent third-party pricing sources are used to price all security positions for which a readily determinable market price is available. Securities for which a third-party pricing sources are not available are priced on a "fair value" basis, subject to review and approval by the Fair Value Committee. The University values its private capital funds using the net asset value ("NAV") provided by the private investment companies as a practical expedient.

The University applies the practical expedient to its private capital funds on an investment-by-investment basis, and consistently with the University's entire position in a particular investment, unless it is probable that the University will sell a portion of an investment at an amount different from the NAV of the investment. The Foundation can make redemptions from the Multi-Strategy funds on a monthly basis upon five business days' notice.

6. RISK

There are many factors that can affect the value of investments. Some, such as custodial credit risk or concentration of credit risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risk and changes in interest rates.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Interest-rate risk

Interest-rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The prices of fixed income securities with longer maturity time tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations.

Credit risk

Credit risk is the risk that the University and the Reichhold Foundation will not recover their investment due to the inability of the counterparty to fulfill its obligation. The University's and the Reichhold Foundation's investments issued or explicitly guaranteed by the United States Government are not considered to be exposed to credit risk.

As of September 30, 2019, the University and Reichhold Foundation's credit quality distribution for securities was as follows:

	<u>University Carrying Value</u>	<u>Reichhold Carrying Value</u>	<u>Credit Agency Rating</u>
Multi-Strategy Bond Fund	\$ 17,569,509	\$ 566,053	AA (average rating)
Intermediate Term Fund	7,208,710	-	AA (average rating)
State street Inst US Govt MM Fund	3,467,627	11,367,968	AAA (average rating)
Blackrock Core Alpha Bond Fund*	<u>41,051,459</u>	<u>-</u>	AAA through B, Derivatives, Not Rated and Other
	<u>\$ 69,297,305</u>	<u>\$ 11,934,021</u>	

* At least 80% of this fund is comprised obligations issued or guaranteed by the U.S. Government.

Custodial credit risk

Custodial credit risk related to investments is the risk that, in the event of failure of the counterparty to a transaction, the University and the Reichhold Foundation may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. At September 30, 2019, the custody of these investments is held by the trust department of a commercial bank in the name of the University and the Reichhold Foundation, and the portfolio is managed by a brokerage firm.

7. DONOR-RESTRICTED ENDOWMENTS

The University's endowment consists of donations from individuals, private corporations and the Federal government. The fund was established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net position associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

The University classifies as restricted nonexpendable net position (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as restricted nonexpendable net position is classified as restricted expendable net position.

The University has a spending policy that establishes specific terms under which endowment funds can be spent. The Board must consider the use of funds for spending on a year-to-year basis. The policy spending rate per annum shall be not more than 5% on the entire value of the donor-restricted endowment fund, unless the donor stipulates otherwise.

Restricted Investments

Subject to the intent of a donor expressed in a gift instrument, the Foundation may appropriate for expenditures or accumulate so much of the investments as the Board of Directors determines to be prudent for the uses, benefits, purposes and duration for which each of the separate endowments in the investments are established. In making a determination to appropriate or accumulate, the Foundation shall act in good faith, with the care of an ordinary prudent person in a like position would exercise under similar circumstances and shall consider, if relevant, the following factors:

- the duration and preservation of the investments
- the purposes of the Foundation and the investments
- general economic conditions
- the possible effect of inflation or deflation
- the expected total return from income and the appreciation of investments
- other resources of the Foundation
- the Foundation's investment policy

The policy spending rate per annum for the investments shall be not more than five percent. The amount available for appropriation during each fiscal year shall be calculated by applying the policy spending rate to the average of the previous three fiscal years' beginning period endowment values. Any special appropriation or decision not to spend the amount indicated by the spending formula must be approved in advance by the Board of Directors.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

8. STUDENT LOANS RECEIVABLE

Student loans receivable are generally repayable over a maximum period of 10 years and bear interest at varying rates, once the loan is classified as repayment status. Student loans receivable are normally classified in repayment status at the time a recipient no longer maintains student status in the University, but such classification may be further extended in certain cases. At September 30, 2019, student loans receivable amounted to \$414,318.

9. CAPITAL ASSETS

Changes in capital assets for the year ended September 30, 2019, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 7,485,112	\$ -	\$ -	\$ 7,485,112
Construction in progress	<u>13,235,047</u>	<u>3,849,589</u>	<u>(1,991,888)</u>	<u>15,092,748</u>
Total capital assets not being depreciated	<u>20,720,159</u>	<u>3,849,589</u>	<u>(1,991,888)</u>	<u>22,577,860</u>
Capital assets being depreciated:				
Land improvements	2,856,943	15,939	-	2,872,882
Buildings, fixed equipment, improvements, and infrastructure	73,519,841	2,147,405	-	75,667,246
Equipment and library materials	<u>13,460,912</u>	<u>538,654</u>	<u>-</u>	<u>13,999,566</u>
Total capital assets being depreciated	<u>89,837,696</u>	<u>2,701,998</u>	<u>-</u>	<u>92,539,694</u>
Less: Accumulated depreciation:				
Land improvements	(2,192,068)	(54,855)	-	(2,246,923)
Buildings, fixed equipment, improvements, and infrastructure	(41,723,845)	(1,679,674)	-	(43,403,519)
Equipment and library materials	<u>(8,461,935)</u>	<u>(754,435)</u>	<u>-</u>	<u>(9,216,370)</u>
Total accumulated depreciation	<u>(52,377,848)</u>	<u>(2,488,964)</u>	<u>-</u>	<u>(54,866,812)</u>
Total capital assets being depreciated, net	<u>37,459,848</u>	<u>213,034</u>	<u>-</u>	<u>37,672,882</u>
Total capital assets, net	<u>\$ 58,180,007</u>	<u>\$ 4,062,623</u>	<u>\$ (1,991,888)</u>	<u>\$ 60,250,742</u>

Interest cost capitalized in construction in progress amounted to \$114,395, for the year ended September 30, 2019.

The University evaluated its capital assets for impairment and no impairment was considered necessary for the year ended September 30, 2019.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

10. NON-CURRENT LIABILITIES

Changes in non-current liabilities for the year ended September 30, 2019, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less: Amounts Due Within One Year</u>
Notes payable:					
HBCU	\$ 58,197,444	\$ 2,798,006	\$ 2,621,482	\$ 58,373,968	\$ 2,512,592
First Bank	23,224,192	-	-	23,224,192	-
Other	706,355	-	113,256	593,099	119,571
Total notes payable	82,127,991	2,798,006	2,734,738	82,191,259	2,632,163
Accrued vacation	4,825,000	454,525	919,603	4,359,922	919,603
Other long-term liabilities	300,300	21,100	-	321,400	-
Total	<u>\$ 87,253,291</u>	<u>\$ 3,273,631</u>	<u>\$ 3,654,341</u>	<u>\$ 86,872,581</u>	<u>\$ 3,551,766</u>

11. NOTES PAYABLE

During the year 2015, the University entered into two capital project loan agreements for the medical school with HBCU under Series 2015 3-1 and Series 2015 3-2. During the year 2019, the University received advances amounting to \$2,798,006, related with Series 2015 3-1. The University also entered into a loan agreement with First Bank of Puerto Rico for a Medical School Loan. A variable rate was assigned to all the loans.

During fiscal year 2011, the University entered into two capital project loan agreements ("loan agreements"). Under the loan agreements, the University was authorized to drawdown advances up to \$44 million under the Series 2011-2 Bonds and up to \$16 million under the Series 2011-3 Bonds. The 2011-2 Bonds have serial maturity dates through August 1, 2034, and the 2011-3 Bonds have maturity dates through August 1, 2040. Interest payments are due February and August. Interest on the 2011-2 Bonds is calculated at 3.48% and interest on the 2011-3 Bonds is variable and calculated from the date of each advance using the long-term U.S. Treasury Rate on that day.

During 1994, the construction of certain academic facilities and a water distribution system was completed by the University. The amounts originally advanced by the United States Department of Education were converted to a note payable. As of September 30, 2019, the amount outstanding was \$473,518. The note is payable, along with the related interest, in semi-annual installments of \$75,284, including interest, over a term of 30 years, and bears interest at an annual rate of 5.5%. The note is secured by a general obligation of GVI.

For the year ended September 30, 2019, the interest expense was \$2,857,419. This amount is included in the accompanying statement of revenues, expenses, and changes in net position.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Future principal and interest payments on notes payables are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,632,163	\$ 1,901,298	\$ 4,533,461
2021	1,720,591	3,278,331	4,998,922
2022	2,883,902	3,724,947	6,608,849
2023	5,158,299	2,967,163	8,125,462
2024	2,220,681	2,907,106	5,127,787
2025-2029	10,893,735	8,633,329	19,527,064
2030-2034	12,888,617	6,526,867	19,415,484
2035-2039	13,253,640	9,401,640	22,655,280
2040-2044	14,780,421	9,970,120	24,750,541
2045-2047	<u>15,759,210</u>	<u>1,155,480</u>	<u>16,914,690</u>
Total	<u>\$ 82,191,259</u>	<u>\$ 50,466,281</u>	<u>\$ 132,657,540</u>

The loan and reimbursement agreements contain various covenants which, among other things, require the University to comply with certain affirmative and negative covenants. At September 30, 2019, the University was in compliance with the required covenants.

12. LEASES

The University has several non-cancelable operating leases, primarily for the facilities being used by the University's Small Business Development Center and Virgin Islands Development and Disabilities ("VIUCEDD") and the 2020 Census which expire over the next three years. These leases generally contain renewal options for periods ranging from one to five years.

Future minimum lease payments under non-cancelable operating leases as of September 30, 2019, are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 1,096,806
2021	67,303
2022	<u>28,537</u>
Total minimum lease payments	<u>\$ 1,192,646</u>

Total rent expense related to these agreements amounted to \$749,846 for the year ended September 30, 2019.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

13. ACCRUED VACATIONS

The University pays vacation time to all eligible employees. Vacation time is accrued based on years of service. Accruals are made based on the following:

<u>Length of service</u>	<u>Hours/week</u>	<u>Rate of accrual</u>	<u>Annual accrual</u>
0-3 years	35	8.75 hours per month	15 days
3+ years	35	12.25 hours per month	21 days
0-3 years	40	10 hours per month	15 days
3+ years	40	14 hours per month	21 days

As of September 30, 2019, the University had accrued \$4,359,922 for vacation.

14. RETIREMENT PLAN

The University has two retirement plans in which all eligible employees are required to participate. The following is a brief description of each plan.

(a) *Teachers Insurance and Annuity Association- College Retirement Equities Fund (“TIAA- CREF”)* - is a defined contribution pension plan covering participating, full-time faculty members and other exempt employees, under which the contributions, including employees’ contributions, are used to purchase annuities. There are no unfunded past service costs, and vested benefits are equal to the annuities purchased under TIAA-CREF. The University’s Board of Trustees administers, establishes and amends benefit provisions of the TIAA-CREF.

Plan members are required to contribute 8.0% of their annual covered salary, and the University is required to contribute 14.5% of the annual covered payroll. The University and the plan member’s contributions to TIAA-CREF for the year ended September 30, 2019, was \$2,645,678.

(b) *Employees’ Retirement System of the Government of the Virgin Islands (“GERS”)*

Plan Description

Full time employees of the University are members of the Employees’ Retirement System of the Government of the Virgin Islands (“GERS”), a cost-sharing, multiple-employer, defined benefit pension plan (the “Plan”) established as of October 1, 1959 under Title 3, Chapter 27 of the Virgin Islands Code to provide retirement, death and disability benefits.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

The plan covers all employees of the Government and its component units 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 are eligible for a full-service retirement annuity when they have completed 30 years of credited service or have attained the age of 60 with at least 10 years of credited service. Regular employees who have attained the age of 50 with at least 10 years of credited service can 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 salary the member earned within the last ten years of service, subject to the maximum salary limitation in effect during such service. Average compensation for Tier II members is determined by averaging the most recent five 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.

Contribution Information

Contributions to GERS are established by the Board of Trustees of GERS. The Government's required employer contribution for Tier I and Tier II members was 20.5% of member's annual salary. Contributions to the pension plan from the University were \$1,388,610 for the year ended September 30, 2019.

Contributions to GERS are established by the Board of Trustees of GERS. The Government's required employer contributions for Tier I and Tier II members, was 20.5% of the member's annual salary during the year ended September 30, 2019. Effective January 1, 2020, the Government's required contribution will increase to 23.5% of the Tier I and Tier II member's annual salary.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Employee contribution rates (as a percentage of payroll) were as follows during fiscal year 2018:

Tier I member contributions became 11% of annual salary for regular employees.

Tier II member contributions became 11.5% of annual salary for regular employees.

Prior to June 29, 2000, member contributions were refundable without interest upon withdrawal from employment before retirement. Effective July 1, 2009, GERS Board of Trustees approved an effective annual interest rate on refunded contributions of 2% per annum.

Additional Information Regarding the Pension Plan

To obtain additional information regarding the audited financial statements of the pension plan, requests for information may be made to:

<http://www.usvigiers.com/reports/auditedfinancialreports.aspx>

Pension Plan Expense

The University's proportionate share of pension expense is computed based on the percentage of actual employer contributions to total contributions to the plan for the previous year ended September 30, 2018. Pension expense, reported for the year ended September 30, 2019, amounted to \$3,801,804.

Pension Liability

The net pension liability of the University reported as of September 30, 2019, was as follows:

<u>Total Net Pension Liability of the Plan</u>	<u>University's Proportionate Share Percentage</u>	<u>Net Pension Liability</u>
\$ 4,172,779,890	1.7955%	\$ 74,920,851

The net pension liability at September 30, 2019 was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportionate share of the net pension liability was \$74.9 million or 1.7955% of the total net pension liability of the Plan. At September 30, 2019, the University's proportion decreased by 0.14 percentage points from its proportion reported as of September 30, 2019.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Deferred Outflows and Inflows of Resources

In computing the net pension liability, consideration was given to differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability and changes of assumptions about future economic or demographic factors or other inputs are reported as deferred outflows of resources related to pensions.

Investment Rate of Return

The long-term expected rate of return of 7.0% on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of returns (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 pension plan's target asset allocation as of the measurement date of September 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Inflows</u>
Domestic equity	29 %	6.16 %
International equity	12 %	6.71 %
Fixed income	27 %	1.71 %
Cash	2 %	0.91 %
Alternatives	<u>30 %</u>	5.50 %
Total asset class	<u>100 %</u>	

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Discount Rate

The discount rate used to measure total pension liability was 4.25% as of September 30, 2018. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate, including the increases in the employee contribution rates effective January 1, 2017. Based on these assumptions, the pension 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 pension 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. As of September 30, 2018, that rate was 4.18%.

Detailed information about the pension plan’s fiduciary net position is available in the separately issued GERS financial report at:

<http://www.usvigiers.com/benefits/actuarialreport.aspx>.

15. OTHER POST-EMPLOYMENT BENEFITS

GVI provides other postemployment benefits (“OPEB”) of healthcare, prescription, dental and life insurance coverage. These benefits are provided in accordance with Title 3, Chapter 25, Subchapter VIII of the Virgin Island’s Code as part of a multiple employer defined benefit OPEB plan, in which the University participates. All employees who retire from government service after attaining age fifty-five (55) with at least thirty (30) years of service, except for policemen and firemen who can retire with at least twenty (20) years of service, are eligible for these benefits.

Healthcare, prescription, and dental insurance is provided through negotiated contracts with private insurance companies. Participants in the plan may elect coverage for their spouses and dependent children. Participants are required to contribute 35% of medical, prescription, and dental premiums. Employees covered by benefits terms. At September 30, 2018, the following employees were covered by the benefit terms:

<u>Description</u>	<u>Total</u>
Service and disability retirees	51
Active employees	<u>445</u>
Total	<u>496</u>

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

The contribution requirements of plan members are legislated within the Virgin Island’s Code and may be amended by the Virgin Islands Legislature. Payments paid by the Government of the Virgin Islands does not qualify as a special funding situation. The University recognized \$196,278 of revenues related to the cost paid by the Government of the Virgin Islands for the University’s retirees. The plan is a non-trusted pay-as-you-go plan, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GAB 75, and expenditures are paid as they become due.

At September 30, 2019, the University reported a total OPEB liability for its proportionate share of 1.34% as of the measurement date of October 1, 2018, which was an increase of .05% from its proportionate share measured as of October 1, 2017. The proportionate share is determined based on the respective census data. The University’s proportionate share of total OPEB liability is \$10,859,868 at September 30, 2019.

Expense and Deferred Inflows of Resources

The University recognized expenses of \$757,399, inclusive of amortization of deferred inflows of OPEB related items for the year ended September 30, 2019. At September 30, 2019, the University reported deferred inflows of resources from change in actuarial assumptions or other inputs of \$967,758.

The amounts of the University’s balances of deferred inflows of resources related to OPEB will be recognized in OPEB expense as follow:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 202,019
2021	202,019
2022	202,019
2023	202,019
2024	128,173
Thereafter	<u>31,509</u>
Total	<u>\$ 967,758</u>

Actuarial Assumptions

The postemployment benefit plan is an unfunded plan. An actuarial valuation was conducted of the amount required to fund the plan, involving assumptions about the probability of the occurrence of the events in the future. Actuarial assumptions used in the computation of the total OPEB liability were as follow:

Valuation date	October 1, 2017
Measurement date	October 1, 2018

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Report date	September 30, 2019
Actuarial cost method	Entry age normal cost method
Amortization method	Recognition period of 6 years
Salary increases	Payroll growth of 3.25% per year
Discount rate	Beginning of year rate of 3.35% End of year rate of 3.64% S&P Municipal Bond 20-year high grade rate index as of September 30, 2017
Healthcare cost trend rates	Pre-medicare increases of 7% in 2018 to 4.50% in 2023 Medicare increases of 5.50% in 2018 to 4.50% in 2023 Dental increases of 5.50% in 2018 to 4.50% in 2023
Inflation	2.25% implicit rate in healthcare trend analysis
Retirees share of costs	35% of Medical and dental premiums and noncontributory life insurance coverage
Mortality	RP-2014 Blue Collar Mortality Generational Table adjusted 110% with scale MP-2015 for healthy lives For disability retirees, RP-2014 Disable Mortality Generational Table adjusted 125% with scale MP-2015
Marital status	Assumed 50% of future male retirees and 25% of future female retirees cover spouses in retirement husbands assumed to be 3 years older than spouse subsidized coverage of spouses and dependents ceases upon death
Actuarial experience study	The actuarial assumptions used in the October 1, 2017; valuation was based on the results of an actuarial experience study for the period October 1, 2014 - September 30, 2015

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the discount rate was 1% less than and 1% greater than the discount rate that was used (3.64%) in measuring the total OPEB liability.

	<u>1% Decrease in Discount Rate 2.64%</u>	<u>Current Single Discount Rate 3.64%</u>	<u>1% Increase in Discount Rate 4.64%</u>
University's proportionate share of the total OPEB liability:	<u>\$ 12,790,447</u>	<u>\$ 10,859,868</u>	<u>\$ 9,262,323</u>

Healthcare Trend Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if a healthcare trend rate is 1% less than and 1% greater than the assumed 7% rate used.

	<u>1% Decrease in Healthcare Trend Rate 6%</u>	<u>Current Single Healthcare Trend Rate 7%</u>	<u>1% Increase in Healthcare Trend Rate 8%</u>
University's proportionate share of the total OPEB liability:	<u>\$ 9,121,848</u>	<u>\$ 10,859,868</u>	<u>\$ 13,110,777</u>

16. FUNCTIONAL INFORMATION

The University's operating expenses by functional classification as of September 30, 2019, were as follows:

<u>Functional Classification</u>	<u>Salaries and Benefits</u>	<u>Supplies and other services</u>	<u>Scholarship and other services</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Other Expenses</u>	<u>Total</u>
Instruction	\$ 12,408,226	\$ 3,166,615	\$ 24,387	\$ 52,779	-	-	\$ 15,652,007
Research	8,271,669	3,954,351	1,559,889	104,473	-	-	13,890,382
Public service	3,982,277	1,371,547	126,274	37,206	-	-	5,517,304
Academic support	2,248,302	3,198,683	1,123,580	397	-	-	6,570,962
Student services	2,446,346	2,179,764	-	630,742	-	-	5,256,852
Institutional Support	11,793,800	4,869,108	937,426	26,897	-	-	17,627,231
Operation/plant maintenance	4,128,336	3,307,819	-	3,002,385	-	-	10,438,540
Student aid	326,457	634,591	5,724,349	7,887	-	-	6,693,284
Auxiliary	1,018,273	3,364,848	556,362	265,417	-	-	5,204,900
Depreciation	-	-	-	-	2,488,964	-	2,488,964
Other	-	-	-	-	-	725,869	725,869
	<u>\$ 46,623,686</u>	<u>\$ 26,047,326</u>	<u>\$ 10,052,267</u>	<u>\$ 4,128,183</u>	<u>\$ 2,488,964</u>	<u>\$ 725,869</u>	<u>\$ 90,066,295</u>

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

17. RELATED PARTY TRANSACTIONS

As of September 30, 2019, the University and the Foundation was owed \$386,077 and \$596,714, respectively, from the University of the Virgin Islands Research and Technology Park Corporation (“RT Park”) for payroll paid on its behalf. The RT Park is a public corporation and a component unit of the GVI.

As of September 30, 2019, the University was owed \$42,522,323 from the Foundation for payments made on its behalf. This amount is considered as inter-fund transaction and was eliminated from the balance sheet for consolidation presentation purposes between the University and the Foundation.

Appropriations received from GVI for the year ended September 30, 2019, amounted to \$33,470,184.

18. CONTINGENCIES

The University participates in various federally funded programs including the U.S. Department of Education and student financial assistance under Title IV of the Higher Education Act of 1965, as amended. These financial assistance programs are routinely subject to compliance audits by the grantor and/or federal agency. Such grantor and/or federal agencies have the authority to determine liabilities as well as to limit, suspend, or terminate federal student financial assistance programs.

Other federal programs are also subject to audits. Such audits could result in claims against the resources of the University. No provision has been made for any liabilities, which may arise from such audits since the amount, if any, cannot be determined at this date.

In addition, the University is a defendant in various lawsuits arising from its normal operations. It is management’s opinion, after consulting with its legal counsels, that any losses resulting from these lawsuits will not have a significant effect on the University’s financial position and operations.

19. RISK MANAGEMENT

The University has commercial insurance to mitigate its exposure to certain losses involving real and personal property (including windstorm, flood and earthquake damages) and comprehensive general and automobile claims.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Each commercial insurance policy maintained by the University contains specific policy limits and deductibles. A summary of the commercial insurance maintained by the University is as follows:

<u>Coverage</u>	<u>Deductible</u>	<u>Policy Limit</u>
Real and personal property:		
Windstorm	\$500,000 per event	\$20 million per event
Flood	\$500,000 per event	\$20 million per event
Earthquake	\$500,000 per event	\$40 million per event
All other	\$10,000 per event	\$20 million per event
Automobile		\$1 million per event
Comprehensive general liabilities		\$1 million per event
Professional liability		\$1 million per event
First excess general liability		\$900,000
Officers and Directors		\$1 million per event

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past fiscal years.

The University has approximately \$440 thousand in construction commitment as of September 30, 2019.

20. FINANCIAL CONDITION

The University has a deficit of approximately \$21 million. The University is highly dependent on funding from the GVI to repay obligations and fund its obligations. Approximately 33% of the University's total revenues are derived from government appropriations. GVI is in a significant net deficit position and currently faces significant fiscal, economic, and liquidity challenges related to the increasing net deficit, high levels of debt and unfunded pension and OPEB obligations.

Such downgrades are likely to negatively impact GVI's ability to access credit markets or to access them at supportable rates in the foreseeable future. The challenge of unfunded pension liabilities was addressed through increases in the contribution rates of the employers and members participating in GVI's multiple employer cost-sharing pension plan.

The administrator of the pension plan, GERS, is an independent and separate agency of GVI. To date, revenues pledged for debt service have not been significantly impacted by GVI's financial condition and it is unknown what impact, if any, GVI's financial condition will have on the University. The University's budget for fiscal year 2020 is not expected to change. There can be no assurance that the GVI's actions will be sufficient to permit continued funding of the University such that its operations and activities will not be curtailed or ceased in the future.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Pursuant to the provisions of GASB Statement No. 75, as discussed in Note 15 to the financial statements, the University's net position (deficit) of its business-type activities included other post-employment benefits ("OPEB") liability, in the amount of \$10,859,868, as of the year ended September 30, 2019.

21. SUBSEQUENT EVENTS

The University is making significant progress towards restoring its facilities which were damaged by Hurricanes Irma and Maria in September 2017. The University is in the process of tabulating the associated costs and expenses with respect to remediation, clean-up, mitigation, and the restoration of services.

- The University commenced the permanent repairs to its hurricane-damaged facilities in January 2018. The University has spent \$5.1 million on campus restoration, with the largest project being the restoration of the West Hall Dormitory, with a final cost of \$1.9 million. Repairs commenced on the Reichhold Center for the Arts, with an actual cost to date of \$965 thousand, and the School of Business with an actual cost of \$770 thousand. The Administration and Conference Center, and Sports and Fitness Center with actual costs \$364 thousand and \$530 thousand, respectively, are also included in this restoration efforts.
- In November 13, 2019, the University refinanced a portion of its long-term debt with the U.S. Department of Education, which allowed the institution to take advantage of better interest rates. The University also purchased the West Bay building, located directly adjacent to the University's St. Thomas campus, for the sum of \$8.4 million. The University plans to convert the facility into a Research and Business Innovation Center that will bring together, in a creative and collaborative educational environment students, researchers and technology-related businesses
- The RT Park settled 100% of the loan due to the University of the Virgin Islands in February 2020.
- In March of 2020, the territory was directly impacted by the COVID 19 virus. As a result, the University converted all classes to online classes and proceeded with the semester. The University provided refunds for the remaining balance of student's room and board charges, however, the semester continued, as planned. Currently, the territory is impacted by a decline in revenues from tourism, however, as of the date of this report, there have been no direct impacts to the University's Government funding. The territory is taking advantage of all opportunities for recovery and support being provided by the Government.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

- In August of 2020, the University was selected to receive Public Institution deferment on its loans through the Historically Black College and University Capital Financing Program. This resulted in the University being reimbursed for 100% of the payments made during the deferment period (October 1, 2019 - August 1, 2020).

The University insures all of its properties and is in the process of working with the insurance provider to recover the losses related to damages to the insured properties. In an effort to close potential shortfalls and to serve returning students, the University continues to work closely with Federal agencies to maximize its recovery from all available sources, subject to any sub limits and retentions. While inflows of Federal and private funds continue to bolster the reconstruction activity, the eventual amount and timing for receipt of such funds cannot be predicted at this time.

The University evaluated subsequent events through January 29, 2021, the date on which the audited financial statements were available to be issued. There are no material subsequent events that would require further disclosure in the University's audited financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
University's proportion of the Net Pension Liability	1.7954%	1.9869%	2.0943%	2.0471%
University's proportionate share of the Net Pension Liability	\$ 74,920,851	\$ 91,924,998	\$ 85,271,734	\$ 63,173,875
University's covered-employee payroll	\$ 7,911,010	\$ 7,515,486	\$ 7,230,037	\$ 6,526,549
University's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	947%	1223%	1179%	968%
Plan net position as percentage of the total pension liability	15%	17%	20%	27%

**The amounts presented for each fiscal year are as of the measurement date (September 30) of the previous year. This schedule is intended to show a 10-year trend. Information for years before 2014, is not available.*

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS
SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 1,404,569	\$ 1,491,530	\$ 1,500,992	\$ 1,531,380
Contributions in relation to the contractually required contributions	1,404,569	1,491,530	1,500,992	1,531,380
Contribution deficiency (excess)	-	-	-	-
Covered-employee payroll	7,911,010	7,427,200	7,515,486	7,230,037
Contributions as a percentage of covered- employee payroll	18%	20%	20%	21%

**The amounts presented are for the fiscal year noted. This schedule is intended to show a 10-year trend. Information for years before 2014, is not available.*

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS
SEPTEMBER 30, 2019

Valuation Date October 1, 2018
Measurement Date September 30, 2019

Actuarially determined contribution rates are calculated as of September 30, 2018, one year prior to the 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 using the level percent of salary funding method
Amortization method	Level dollar, closed group
Remaining amortization period	20 years
Asset valuation method	Market value
Inflation	2.50%
Salary increases	3.25% including inflation
Investment rate of return	3.20%, net of pension plan investment expense, including inflation
Retirement age	65 for inactive vested participants
Mortality rates	RP-2014 Blue Collar Healthy Annuitant and Employee Mortality Table using Scale MP-2015

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE
OF THE OTHER POSTEMPLOYMENT BENEFITS LIABILITY
SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u>
Measurement period ended October 1,	2018	2017
University's proportionate share of the Net OPEB Liability (percentage)	1.34%	1.29%
University's proportionate share of the Net OPEB Liability (amount)	\$ 10,859,868	\$ 10,589,360
Total Net OPEB Liability	\$ 10,859,868	\$ 10,589,360
University's employee covered payroll	\$ 7,911,010	\$ 7,427,200
Total OPEB Liability as a percentage of the University's employee covered payroll	137.3%	142.6%

The authority does not have assets accumulated in a trust that meets the criteria of Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Potential factors that may significantly decrease/increase the Government's total OPEB liability reported as of September 30, 2019, include discount rate, inflation rate, salary increases, payroll growth, healthcare inflation, retiree contribution increase rate, medical aging factors, healthcare participation, healthcare cost trends, mortality rates, and other demographic assumptions.

The discount rate changed from 3.35% for the opening balance as of September 30, 2018 to the discount rate of 3.64% as of September 30, 2019. This change resulted in a decrease in total OPEB liability.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>CFDA No.</u>	<u>Federal Grantor/Program or Cluster Title</u>	<u>Pass-through Entity Identification Number</u>	<u>Student Financial Assistance</u>	<u>Research & Development Cluster</u>	<u>Higher Education Institutional Aid</u>	<u>Small Business Development</u>	<u>Other Programs</u>	<u>Total Federal Expenditures</u>	<u>Award Provided to Subrecipients</u>
STUDENT FINANCIAL ASSISTANCE CLUSTER:									
UNITED STATES DEPARTMENT OF EDUCATION									
<i>U.S. Department of Education Direct Programs:</i>									
84.007	Federal Supplemental Educational Opportunity Grant		\$ 75,441	\$ -	\$ -	\$ -	\$ -	\$ 75,441	\$ -
84.033	Federal Work-Study Program		94,066	-	-	-	-	94,066	-
84.063	Federal Pell Grant Program		4,419,640	-	-	-	-	4,419,640	-
84.268	Federal Direct Student Loan		3,650,857	-	-	-	-	3,650,857	-
	TOTAL UNITED STATES DEPARTMENT OF EDUCATION		<u>8,240,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,240,004</u>	<u>-</u>
RESEARCH AND DEVELOPMENT CLUSTER:									
UNITED STATES DEPARTMENT OF AGRICULTURE									
<i>U.S. Department of Agriculture Direct Programs:</i>									
10.025	Plant & Animal Disease Pest Control & Animal Care		-	40,155	-	-	-	40,155	-
10.202	Cooperative Extension Service		-	46,356	-	-	-	46,356	-
10.203	Agricultural Experiment Station Under Hatch Act		-	1,266,119	-	-	-	1,266,119	-
10.308	Resident Instruction Grants for Insular Areas		-	111,866	-	-	-	111,866	-
10.322	Distance Education Grants for Institutions of Higher Educ.		-	50,247	-	-	-	50,247	-
10.500	Cooperative Extension Service		-	1,118,409	-	-	-	1,118,409	-
10.902	Soil & Water Conservation		-	4,436	-	-	-	4,436	-
10.950	Agricultural Statistics Report		-	895	-	-	-	895	-
	<i>Sub-total Department of Agriculture Direct Programs</i>		-	2,638,483	-	-	-	2,638,483	-
<i>U.S. Department of Agriculture Pass-through from:</i>									
10.170	Virgin Islands Department of Agriculture - Specialty Crop Block Program:								
	Jicama Production and Market Potent	3/20/2019	-	10,403	-	-	-	10,403	-
	Propagating Guava berry A High Value	3/5/2019	-	208	-	-	-	208	-
	Turmeric Product & Market Potential in the Virgin Islands	8/23/17	-	55,962	-	-	-	55,962	-
	Sweet Potato Weed Control	COOP 3/11/16	-	5,927	-	-	-	5,927	-
10.215	University of Georgia - Sustainable Agricultural Research & Education:								
	SARE Model State Program Assistance	RD309-137/S001478	-	39,122	-	-	-	39,122	-
	Sustainable Agriculture Research & Education-SARE	RD309-134/S001279	-	2,078	-	-	-	2,078	-
	SARE-Professional Development Program	RD309-134/S001296	-	2,195	-	-	-	2,195	-
	SARE-Professional Development Program	SUB001838	-	10,008	-	-	-	10,008	-
	Educational Material for Cover Crop	UFDSPO0012289	-	1,664	-	-	-	1,664	-
	<i>Sub-total Department of Agriculture Pass-through programs</i>		-	127,567	-	-	-	127,567	-
	TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE		-	<u>2,766,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,766,050</u>	<u>-</u>

(continues)

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

CFDA No.	Federal Grantor/Program or Cluster Title	Pass-through Entity Identification Number	Student Financial Assistance	Research & Development Cluster	Higher Education Institutional Aid	Small Business Development	Other Programs	Total Federal Expenditures	Award Provided to Subrecipients
UNITED STATES DEPARTMENT OF COMMERCE									
<i>U.S. Department of Commerce Direct Programs:</i>									
11.427	Fisheries Development & Utilization		\$ -	\$ 135	\$ -	\$ -	\$ -	\$ 135	\$ 6,883
11.008	NOAA Mission Related Education Awards		-	50,617	-	-	-	50,617	-
11.478	Center for Sponsored Coastal Ocean Research		-	(40,233)	-	-	-	(40,233)	-
11.482	Coral Reef Conservation		-	109,103	-	-	-	109,103	-
N/A	V.I. Census 2020		-	2,877,722	-	-	-	2,877,722	-
11.999	Marine Debris Program		-	486	-	-	-	486	906
	<i>Sub-total Department of Commerce Direct Programs</i>		-	2,997,830	-	-	-	2,997,830	7,789
<i>U.S. Department of Commerce Pass-through from:</i>									
11.012	University of Miami - CARICCOS - Enhancing Coastal Intelligence	2016-2017-007	-	88,032	-	-	-	88,032	-
11.417	University of Puerto Rico - Sea Grant Support NOAA - VI Marine Advisory Service FY14-18	A-151-2-14 UPR	-	24,157	-	-	-	24,157	-
	USVI Marine Advisory	NA100AR4170062	-	(88)	-	-	-	(88)	-
	Marine Protected Areas USVI	2018-2019-003	-	31,103	-	-	-	31,103	-
	USVI Marine Advisory	2018-2019-004	-	47,499	-	-	-	47,499	-
	Early Life Hist Stages of Coral	2018-2019-014	-	20,450	-	-	-	20,450	-
11.427	HJR Reef scaping - Fisheries Development & Utilization	PSA 2/12/2018	-	(12,693)	-	-	-	(12,693)	-
11.433	University of South Carolina - Marine Fisheries Initiative - Filing Life Hist Info Fisheries	16-2997	-	36,938	-	-	-	36,938	-
11.432	University of Miami - NOAA Cooperative Institutes - Coral Reef Monitoring Program	S18-04	-	83,571	-	-	-	83,571	-
	Coordination and Development of Research & Monitoring Activities in VI	SPC00-1012	-	114,198	-	-	-	114,198	-
	Maturity Reef Fishes USVI	719633-712683	-	1,461	-	-	-	1,461	-
11.478	Florida Gulf Coast University - Center for Sponsored Coastal Ocean Research - ECOHAB: CIGUATOX	17024-UVI-001	-	9,231	-	-	-	9,231	-
11.482	William Marsh Rice University - Coral Reef Conservation - Tracking and Mitigation the Impacts	R1A-061	-	3,069	-	-	-	3,069	-
	<i>Sub-total U.S. Department of Commerce Pass-through programs:</i>		-	446,928	-	-	-	446,928	-
	TOTAL UNITED STATES DEPARTMENT OF COMMERCE		-	3,444,758	-	-	-	3,444,758	7,789

(continues)

**UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

CFDA No.	Federal Grantor/Program or Cluster Title	Pass-through Entity Identification Number	Student Financial Assistance	Research & Development Cluster	Higher Education Institutional Aid	Small Business Development	Other Programs	Total Federal Expenditures	Award Provided to Subrecipients
	UNITED STATES DEPARTMENT OF THE INTERIOR								
	<i>U.S. Department of the Interior Direct Program -</i>								
15.945	Cooperative Research & Training Systems-NPS		-	27,852	-	-	-	27,852	-
15.875	Economic, Political and Social Development of the Territories		-	-	-	-	128,922	128,922	-
	<i>Sub-total Department of the Interior Direct Program</i>		-	27,852	-	-	128,922	156,774	-
	<i>U.S. Department of the Interior Pass-through from -</i>								
15.875	Virgin Islands Department of Planning & Natural Resources - Economic, Social & Political Development of the Territories -		-	-	-	-	-	-	-
	Ocean Acidification Coral Reef Program	USVI-CRI-5/D16AP00101	-	36,521	-	-	-	36,521	-
	Emergence & Impacts Red Algae	CRI-USVI-6/D17AP00070	-	65,215	-	-	-	65,215	-
	Determined Nursery Grown Coral Outplant Success Between Genotypes	SA-CZMP20191005	-	9,312	-	-	-	9,312	-
	Office of the Governor - Climate Change Vulnerability Assessment	G0010MBT17	-	106,959	-	-	-	106,959	67,976
	<i>Sub-total U.S. Department of the Interior Pass-through programs:</i>		-	218,007	-	-	-	218,007	67,976
	TOTAL UNITED STATES DEPARTMENT OF THE INTERIOR		-	245,859	-	-	128,922	374,781	67,976
	UNITED STATES GEOLOGICAL SURVEY								
15.805	Asst to State Water Resource Research		-	98,107	-	-	-	98,107	-
	TOTAL UNITED STATES GEOLOGICAL SURVEY		-	98,107	-	-	-	98,107	-
	UNITED STATES NATIONAL AERONAUTICS & SPACE ADMINISTRATION								
	<i>U.S. National Aeronautics & Space Administration Direct Program -</i>								
43.008	EDUCATION PROGRAM		-	884,586	-	-	-	884,586	-
	<i>Sub-total U.S. National Aeronautics & Space Administration Direct Program</i>		-	884,586	-	-	-	884,586	-

(continues)

**UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Federal Grantor/Program or Cluster Title</u>	<u>Pass-through Entity Identification Number</u>	<u>Student Financial Assistance</u>	<u>Research & Development Cluster</u>	<u>Higher Education Institutional Aid</u>	<u>Small Business Development</u>	<u>Other Programs</u>	<u>Total Federal Expenditures</u>	<u>Award Provided to Subrecipients</u>
	<i>U.S. National Aeronautics & Space Administration Pass-through from:</i>								
43.001	University of South Florida - Basic Research Educational Outreach - Laying the Foundation of the MBON Network	80NSSC18K0318	-	8,782	-	-	-	8,782	-
43.008	College of Charleston - EDUCATION PROGRAM: Effects of Watershed Development	521202-UVI	-	22,379	-	-	-	22,379	-
43.012	Space Telescope Science Institute - Space Technology - 3-D Magneto-Hydrodynamic Simulation	HST-AR-15053-001-A	-	15,413	-	-	-	15,413	-
	<i>Sub-total U.S. National Aeronautics & Space Administration Pass-through programs</i>		-	46,574	-	-	-	46,574	-
	TOTAL UNITED NATIONAL AERONAUTICS & SPACE ADMINISTRATION		-	931,160	-	-	-	931,160	-
	UNITED STATES DEPARTMENT OF ENERGY								
	<i>U.S. Department of Energy Pass-through from:</i>								
81.123	Norfolk State University - NNSA HBCU Program	F10400061-14-11	-	300,452	-	-	-	300,452	-
	TOTAL UNITED STATES DEPARTMENT OF ENERGY		-	300,452	-	-	-	300,452	-
	UNITED STATES NATIONAL SCIENCE								
	<i>U.S. National Science Foundation Direct Programs:</i>								
47.049	Mathematical & Physical Sciences		-	33,962	-	-	-	33,962	-
47.050	Geosciences		-	22,584	-	-	-	22,584	-
47.074	Biological Sciences		-	18,745	-	-	-	18,745	-
47.076	Education & Human Resources		-	1,158,161	-	-	-	1,158,161	-
47.079	Office of International & Integrative Activities		-	3,451,847	-	-	-	3,451,847	-
47.083	Office of International Science & Engineering		-	38,159	-	-	-	38,159	-
N/A	Intergovernmental Personnel Agreement		-	-	-	-	15,921	15,921	-
	<i>Sub-total U.S. National Science Foundation Direct Programs</i>		-	4,723,458	-	-	15,921	4,739,379	-

(continues)

**UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

CFDA No.	Federal Grantor/Program or Cluster Title	Pass-through Entity Identification Number	Student Financial Assistance	Research & Development Cluster	Higher Education Institutional Aid	Small Business Development	Other Programs	Total Federal Expenditures	Award Provided to Subrecipients
47.050	<i>U.S. National Science Foundation Pass-through from:</i> Arkansas State University-Jonesboro - Geosciences - RUI: Beyond Cleaning Symbiosis	SA15-052-16-1	-	19,800	-	-	-	19,800	-
	Cornell University - Geosciences - Ionospheric Irreg Investigation II	70817-10703	-	4,729	-	-	-	4,729	-
	Arizona State University - Geosciences - GOLD: Sparks for change	17-075	-	19,801	-	-	-	19,801	-
47.079	Florida Gulf Coast University - Greater Caribbean Center	17056-NSF-UVI-01	-	72,339	-	-	-	72,339	-
	University of South Alabama - Office of International & Integrative Activities - PIRE Advancing Global Strategies	A17-0170-S0001	-	167,934	-	-	-	167,934	-
	University of South Florida - PIRE Synergistic Water Energy System	2104-1185-00-A	-	99,923	-	-	-	99,923	-
	<i>Sub-total U.S. National Science Foundation Pass-through programs</i>		-	384,526	-	-	-	384,526	-
	TOTAL UNITED STATES NATIONAL SCIENCE FOUNDATION		-	5,107,984	-	-	15,921	5,123,905	-
	UNITED STATES DEPARTMENT OF HEALTH & HUMAN SERVICES								
	<i>U.S. Department of Health & Human Services Direct Program -</i>								
93.859	Biomedical & Research Training		-	491,062	-	-	-	491,062	-
	<i>Sub-total U.S. Department of Health & Human Services Direct Program</i>		-	491,062	-	-	-	491,062	-
	<i>U.S. Department of Health & Human Services Pass-through from:</i>								
93.307	Yale University - Minority & Health Disparities:								
	YALETCC Health Disparities Res Year 3	M17A1264 (A10932)	-	101,227	-	-	-	101,227	-
93.424	ECHORN Year 5	M12A11250(A08627)	-	22,188	-	-	-	22,188	-
	Association of State & Territorial Health Officials - Building Capacity of the Public Health System - Climate Ready Territories	62-11405	-	18,473	-	-	-	18,473	-
93.840	Yale University - Pediatric ECHORN Cohort Study - Translation & Implementation Science Research for Heart, Lung, Blood Diseases & Sleep Disorders	GR105030 (CON-80001591)	-	19,398	-	-	-	19,398	-
	<i>Sub-total U.S. Department of Health & Human Services Pass-through programs</i>		-	161,286	-	-	-	161,286	-

(continues)

**UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

CFDA No.	Federal Grantor/Program or Cluster Title	Pass-through Entity Identification Number	Student Financial Assistance	Research & Development Cluster	Higher Education Institutional Aid	Small Business Development	Other Programs	Total Federal Expenditures	Award Provided to Subrecipients
	TOTAL UNITED STATES DEPARTMENT OF HEALTH & HUMAN SERVICES		-	652,348	-	-	-	652,348	-
	OTHER PROGRAMS:								
	UNITED STATES DEPARTMENT OF AGRICULTURE								
	<i>U.S. Department of Agriculture Direct Program -</i>								
10.500	Cooperative Extension Service		-	-	-	-	239,730	239,730	-
	<i>U.S. Department of Agriculture Pass-through Programs:</i>								
10.500	Kansas State University -								
	Cooperative Extension Service -								
	4H Military Partnership Program	S15063-03	-	-	-	-	919	919	-
	4H Military Partnership Grant	S19111	-	-	-	-	2,267	2,267	-
	<i>Sub-total U.S. Department of Agriculture Pass-through programs</i>		-	-	-	-	3,186	3,186	-
	TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE		-	-	-	-	242,916	242,916	-
	SMALL BUSINESS ADMINISTRATION								
	<i>Small Business Administration Direct Program -</i>								
59.037	Small Business Development Center		-	-	-	574,202	-	574,202	-
	TOTAL SMALL BUSINESS ADMINISTRATION		-	-	-	574,202	-	574,202	-
	UNITED STATES DEPARTMENT OF LABOR								
	<i>United States Department of Labor Program -</i>								
17.504	Consultation Agreements		-	-	-	-	265,450	265,450	-
	TOTAL UNITED STATES DEPARTMENT OF LABOR		-	-	-	-	265,450	265,450	-
	UNITED STATES DEPARTMENT OF EDUCATION								
	<i>United States Department of Education Direct Programs:</i>								
84.224	Assistive Technology		-	-	-	-	111,157	111,157	-
84.031B	Higher Education Institution Aid		-	-	2,884,434	-	-	2,884,434	-
84.938	Disaster Recovery Assistance for Education		-	-	-	-	1,133,270	1,133,270	-
	<i>Sub-total U.S. Department of Education Direct Programs</i>		-	-	2,884,434	-	1,244,427	4,128,861	-
	<i>United States Department of Education Pass-through from:</i>								
84.287	Virgin Islands Department of Education -								
	21st Century Community Learning Program	GC071DOE14	-	-	-	-	(143,332)	(143,332)	-
	<i>Sub-total U.S. Department of Education Pass-through Programs</i>		-	-	-	-	(143,332)	(143,332)	-
	TOTAL UNITED STATES DEPARTMENT OF EDUCATION		-	-	2,884,434	-	1,101,095	3,985,529	-

(continues)

**UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>CFDA No.</u>	<u>Federal Grantor/Program or Cluster Title</u>	<u>Pass-through Entity Identification Number</u>	<u>Student Financial Assistance</u>	<u>Research & Development Cluster</u>	<u>Higher Education Institutional Aid</u>	<u>Small Business Development</u>	<u>Other Programs</u>	<u>Total Federal Expenditures</u>	<u>Award Provided to Subrecipients</u>
	UNITED STATES DEPARTMENT OF HEALTH & HUMAN SERVICES								
	<i>United States Department of Health Services Direct Programs:</i>								
93.600	Head Start		-	-	-	-	620,839	620,839	-
93.632	University Centers for Excellence		-	-	-	-	80,823	80,823	-
	<i>Sub-total U.S. Department of Health & Human Services Direct Programs</i>		-	-	-	-	701,662	701,662	-
	<i>United States Department of Health Services Pass-through Programs:</i>								
93.110	University of Miami - Maternal & Child Health Federal Programs: Child Development & Multi-Disciplinary Facility	SPC-000504	-	-	-	-	27,764	27,764	-
93.249	Child Development & Multi-Disciplinary Facility Columbia University - Public Health Training Centers - ACT Public Health	SPC-001154	-	-	-	-	9,566	9,566	-
93.434	Virgin Islands Department of Health & Human Services - Road to Success Early Child Care - Every Student Succeeds Act/Preschool Development Grants	3 GG008408-03	-	-	-	-	2,678	2,678	-
	<i>Sub-total U.S. Department of Health & Human Services Pass-through Programs</i>	MOA 4/4/2019	-	-	-	-	107,282	107,282	-
	TOTAL UNITED STATES DEPARTMENT OF HEALTH & HUMAN SERVICES		-	-	-	-	848,952	848,952	-
	UNITED STATES DEPARTMENT OF DEFENSE								
	<i>United States Department of Defense Direct Program -</i>								
12.630	Basic Applied & Advanced Research in Engineering Science		-	61,335	-	-	-	61,335	-
	TOTAL UNITED STATES DEPARTMENT OF DEFENSE		-	61,335	-	-	-	61,335	-
	UNITED STATES ENVIRONMENTAL PROTECTION AGENCY								
	<i>United States Environmental Protection Agency Direct Program -</i>								
66.808	Solid Waste Management Assistance Grants		-	18,877	-	-	-	18,877	-
	<i>Sub-total United States Environmental Protection Agency Direct Program</i>		-	18,877	-	-	-	18,877	-

(continues)

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>CFDA No.</u>	<u>Federal Grantor/Program or Cluster Title</u>	<u>Pass-through Entity Identification Number</u>	<u>Student Financial Assistance</u>	<u>Research & Development Cluster</u>	<u>Higher Education Institutional Aid</u>	<u>Small Business Development</u>	<u>Other Programs</u>	<u>Total Federal Expenditures</u>	<u>Award Provided to Subrecipients</u>
	<i>United States Environmental Protection Agency Pass-through Programs:</i>								
66.716	Extension Foundation - Research, Development, Public Education Outreach Studies:								
	Pesticide Safety, Improving Tools	83698001	-	15,173	-	-	-	15,173	-
	Pesticide Safety Workshops	SA-2019-2	-	10,496	-	-	-	10,496	-
	<i>Sub-total United States Environmental Protection Agency Pass-through Programs</i>		-	25,669	-	-	-	25,669	-
	TOTAL UNITED STATES ENVIRONMENTAL PROTECTION AGENCY		-	44,546	-	-	-	44,546	-
	TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 8,240,004</u>	<u>\$ 13,652,599</u>	<u>\$ 2,884,434</u>	<u>\$ 574,202</u>	<u>\$ 2,603,256</u>	<u>\$ 27,954,495</u>	<u>\$ 75,765</u>

(concluded)

See accompanying notes to schedule of expenditures of federal awards.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the University of the Virgin Islands (the "University") and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. The Schedule is prepared from the University's accounting records and is not intended to present its financial position or the results of its operations.
- b. The financial transactions are recorded by the University in accordance with the terms and conditions of the grants, which are consistent with accounting principles generally accepted in the United States of America.
- c. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable or when actually paid, whichever occurs first.

3. CATALOG OF FEDERAL DOMESTIC ASSISTANT ("CFDA") NUMBER

The CFDA numbers included in the Schedule are determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalog of Federal Domestic Assistance. CFDA numbers are presented for those programs for which such numbers were available.

4. MAJOR FEDERAL PROGRAMS

Major programs are identified in the summary of auditors' results section in the Schedule of Findings and Questioned Costs. Federal programs are presented by federal agency.

5. LOAN PROGRAMS

During the fiscal year ended September 30, 2019, the University processed \$3,650,857 of new loans under the Federal Direct Student Loans Program (CFDA No. 84.268). Only new loans made during the fiscal year ended September 30, 2019, relating to this program are reported as expended.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

6. INDIRECT COST RATE

The University has a federally negotiated indirect cost agreement applicable to all programs, with an effective date of October 1, 2017 to September 30, 2027. The negotiated and approved rates are 68% on-campus and 37% off-campus.

7. CONTINGENCIES

The University participates in various federally funded programs including the U.S. Department of Education, including programs of student financial assistance under Title IV of the Higher Education Act of 1965, as amended. These financial assistance programs are routinely subject to compliance audits by the grantor and/or federal agency. Such grantor and/or federal agencies have the authority to determine liabilities as well as to limit, suspend, or terminate federal student financial assistance programs.

Other federal programs are also subject to audits. Such audits could result in claims against the resources of the University. No provision has been made for any liabilities, which may arise from such audits since the amount, if any, cannot be determined at this date.



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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 Trustees of
University of the Virgin Islands
(A Component Unit of the Government of the U.S. Virgin Islands):

We have audited, in accordance with the auditing standards generally accepted in the United States 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 business-type activities and the discretely presented component unit of the University of the Virgin Islands (a Component Unit of the Government of the U.S. Virgin Islands) (the "University") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 29, 2021.

We also included an emphasis-of-matter paragraph in our report on the financial statements related to going concern issue due to the fiscal, economic, and liquidity challenges of the Government of the US Virgin Islands and the fact that the University is reliant on the support from the Government.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



To the Board of Trustees of
University of the Virgin Islands
(A Component Unit of the Government of the U.S. Virgin Islands)
Page 66

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of 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.

University's Response to Findings

University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USVI, LLC

January 29, 2021
St. Thomas, U.S. Virgin Islands



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of
University of the Virgin Islands
(A Component Unit of the Government of the U.S. Virgin Islands):

Report on Compliance for Each Major Federal Program

We have audited the University of the Virgin Islands' (the "University") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2019. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.



To the Board of Trustees of
University of the Virgin Islands
(A Component Unit of the Government of the U.S. Virgin Islands):
Page 68

Opinion on Each Major Federal Program

In our opinion, the University of the Virgin Islands complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-003. Our opinion on each major federal program is not modified with respect to this matter.

The University's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.



To the Board of Trustees of
University of the Virgin Islands
(A Component Unit of the Government of the U.S. Virgin Islands):
Page 69

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-003, that we consider to be significant deficiency.

The University's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USVI, LLC

January 29, 2021
St. Thomas, U.S. Virgin Islands

**UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements Section

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP (*unmodified, qualified, adverse or disclaimer*): Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

Type of auditors' report issued on compliance for major federal programs (*unmodified, qualified, adverse or disclaimer*) Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.031	Higher Education Institutional Aid
84.938	Disaster Recovery Assistant
Various	Student Financial Assistance Cluster
Various	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Section II - Financial Statements Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting.

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Finding Number 2019-001

Material Weakness in Internal Controls over Compliance and Compliance with Financial Reporting Requirements (Repeated in 2018 Report, Finding No. 2018-002)

Criteria

Article 2.5, the University's Financial Policies, establishes that the accounting shall be based in general accepted accounting principles as established by the Governmental Accounting Standards Board (GASB).

Article 3.2 (G), the University's Financial Policies, establishes that all accounts and financial reports must be accurate, clear, and complete and fully consistent with generally accepted standards of accounting and reporting.

A fundamental element of a system of internal control is an effective financial statement close process. Such a process is essential in enabling organizations to prepare timely and accurate financial statements. This process helps the University ensure that all financial transactions are properly recorded, appropriately supported, and subjected to supervisory review. The financial statement close process begins with accounting data recorded in the University's general ledger and culminates in the preparation of the University's financial statements, including identification and documentation of relevant disclosures that are required under generally accepted accounting principles.

Condition

During our audit, we noted the following areas still need to be addressed:

- The trial balance as of September 30, 2019, was provided to us in various occasions because of significant changes made to balances and transactions resulting from analyses performed by management.
- Our audit procedures revealed that there are significant delays in producing financial statements at the year-end close. Thirty post-closing adjustments were provided to us after the audit procedures were performed. The University's management did not analyze certain balances and transactions periodically throughout the year to accelerate the account analyses and expedite the year-end closing process including:
 - ◆ Bank account balances and reconciliations
 - ◆ Long-term debt balances and transactions
 - ◆ Accounts payable and accrued liabilities
 - ◆ Net pension liability and related deferred outflows and inflows
 - ◆ Impairment of capital assets and depreciation
 - ◆ Schedule of Expenditures of Federal Awards

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

- The University does not periodically reconcile balances in the general ledger with the corresponding subsidiary ledgers used for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). As part of our audit procedures, we found differences between the general ledger accounts used to prepare the SEFA and the subsidiary ledgers, which at that moment could not be reconciled. Differences were later reconciled, after extensive management review and analysis of those differences.
- The University does not reconcile the cash accounts on a timely basis which resulted in various in significant adjustments and delays in the audit processes.
- Long-term debt rollforward had errors as principal payments balance was incorrect resulting in an understatement of the current and long-term balances.
- As part of our audit procedures, we requested the general journal of the audit period to perform the journal entry test. In various occasions, the University provided us with the general journal report, and with the audited beginning account balances of the previous year and the ending account balance of the audit year, we performed a roll-forward to test the completeness of the transactions. However, the University was not able to provide a general journal report to enable us to prove the accuracy and completeness of the journal entries.
- During our audit, we found that certain accounts payable balances were not reconciled in monthly basis.
- During the audit, we noted that the Pension Net liability account and Deferred Outflows and Inflows of resources were not reconciled with the actuarial valuation report as of October 1, 2018 and Pension Reporting Package as of September 30, 2019.
- Analysis of impairment and depreciation of assets are not performed on a timely basis, thus, resulting in post-closing adjustments.

Cause

This situation occurs because the University has not enforced, effective and efficient accounting and financial reporting policies and procedures to address these requirements. In addition, the University financial accounting and reporting structure is not designed to gather the necessary information efficiently and effectively to permit timely analysis of transactions and balances and proper reconciliation of accounts. The review and analyses of certain accounts are performed late in the year-end closing process.

Effect

The overall effect is that complete and accurate financial information may not be readily available, thus impacting management decisions taken throughout the year. In addition, errors or irregularities may occur and not be detected on a timely basis.

**UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Questioned Costs

None

Recommendation

The University should continue its efforts to review and revise its current accounting and financial reporting structure such as the establishment or revision of policies and procedures, periodic reconciliation and analyses throughout the year and additional training to accounting personnel related to accounting and financial reporting matters including explanation of the year-end closing process.

The University should establish a formal deadline for the preparation of all Federal Awards reconciliations that should require a preparer and reviewer signoff. Also, the University should document errors found, and the disposition or investigation of such errors, if any. Finally, the University should investigate and document any reconciling item not properly explained, or that has remained for an unusual period of time without being recorded.

View of responsible officials

The University concurs with this recommendation.

To implement the recommendation, the Acting Controller will review and revise the accounting and financial reporting structure; the Director of Accounting will implement a process to reconcile and analyze material transactions on a monthly basis; and the University will provide Banner Finance training to Controller office personnel, grant administrators and support staff. In addition, the Acting Controller will work with the Director of Grants to implement a formal process to review and reconcile grant activity on a quarterly basis. The University anticipates implementing the recommendation by January 2021.

Responsible official

Earlyn Casimir, Special Assistant to the Vice President for Administration and Finance
Stacey Chados, Acting Controller

**UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Finding Number 2019-002

Material Weakness in Internal Controls over Compliance and Compliance with Financial Reporting Requirements - Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans (Repeated in 2018 Report, Finding No. 2018-001)

Criteria

Article 2.5, the University's Financial Policies, establishes that the accounting shall be based in general accepted accounting principles as established by the Governmental Accounting Standards Board (GASB).

Article 3.2 (G), the University's Financial Policies, establishes that all accounts and financial reports must be accurate, clear, and complete and fully consistent with generally accepted standards of accounting and reporting.

A fundamental element of a system of internal control is an effective financial statement closing process. Such a process is essential in enabling the University to prepare timely and accurate financial statements. This process helps the University ensure that all financial transactions are properly recorded, appropriately supported, and subjected to supervisory review. The financial statement closing process begins with accounting data recorded in the University's general ledger and culminates in the preparation of the University's financial statements, including identification and documentation of relevant disclosures that are required under generally accepted accounting principles.

Condition

The financial statements and the notes to the financial statements provided to us, were materially misstated because the University did not implement the requirements of GASB Statement No. 75 "Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans" ("OPEB") to recognize the liability, deferred outflows and inflows of resources related with OPEB.

Cause

This situation occurs because the Government of the Virgin Islands has not enforced, effective and efficient accounting and financial reporting policies and procedures to address the implementation of the GASB Statement No. 75 on a timely basis, as consequence, the University did not have the necessary information to implement and recognize the proportionate share of the OPEB liability, deferred outflows and inflows of resources, and expenses related with OPEB in the correspondent period as requested by this statement.

**UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Effect

The overall effect is that the financial information presented in the basic financial statement were materially misstated. The University must implement the GASB Statement No. 75 "Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans" ("OPEB") to recognize the liability, deferred outflows and inflows of resources related with OPEB in the basic financial statements.

Recommendation

The University should continue its efforts to review and revise its current accounting and financial reporting structure such as the establishment of a designated person which be in charge to be alert of all the regulations and GASB pronouncements that apply to the University to properly implement when are required.

Views of responsible officials

The University concurs with this recommendation.

As a component unit of the Government of the Virgin Islands (GVI), the University participates in the Government's health insurance plan, which provides health benefits to University retirees. As a result, the University is required to include the proportionate share of Other Post Employment Liabilities (OPEB), within the audited financial statements. The University substantially completed its audited financial statements for fiscal year 2019 in March 2020; however, it did not receive the OPEB analysis for the year ended September 30, 2019 until October 2020. The University recognizes that this information is the responsibility of an outside entity, and also recognizes that the University is ahead of the GVI in the issuance of audited statements. The University also recognizes that this is a material transaction, which will significantly impact the financial statements. The University will be meeting with Management of the GVI, to reiterate the significance of timely issuance of the University's complete financial statements and will continue working with the GVI and its counterparts, to ensure efficiency in compiling and evaluating this information.

Responsible officials

Earlyn Casimir, Special Assistant to the Vice President for Administration and Finance
Stacey Chados, Acting Controller

**UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Section III - Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by 2 CFR 200.516(a) of the Uniform Guidance (for example, material weaknesses, significant deficiencies and material instances of noncompliance, including questioned costs and material abuse).

**UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Finding No. 2019-003

Significant Deficiency in Internal Controls over Compliance and Compliance with Special Reporting Requirements.

CFDA No. 84.063

Federal Pell Grant Program

Criteria

34 CFR 668.22 states that an Institution must refund the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the Institution’s determination that the student withdrew as defined in paragraph (1) (3) of this section.

Condition

Of our sample of ten (10) students in a population of seventeen (17) dropout students, we noted in three (3) students that the return of funds to the Department of Education, was realized after the required time limit of forty-five 45 days.

<u>Student ID</u>	<u>Determination of Withdrawal Date</u>	<u>Last day to Return to Department of Education</u>	<u>Electronic Transfer Date</u>	<u>Excess Days</u>
094381	February 20, 2019	April 6, 2019	May 21, 2019	45
092159	October 24, 2018	December 8, 2018	March 6, 2019	88
102265	March 20, 2019	May 4, 2019	June 20, 2019	47

Cause

This deficiency occurred due to a delay in the procedures between the date the student’s request for withdrawal and the date when the withdrawal was processed by the person in charge.

Effect

Non-compliance with timeframe requirement can be interpreted by the awarding agency as failure to follow the established procedures regarding the return of Title IV and may result in imposing of sanctions or other adverse actions.

Questioned Costs

None

Recommendation

The University of the Virgin Islands should immediately undertake a process to review its internal control procedures to ensure that they comply with the parameters stated in the Compliance Supplement.

**UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

View of responsible officials

The University concurs with this finding.

Previously students did not have access to withdraw from their courses directly. Students were required to visit the Registrar's office and complete a withdrawal form. This form needed to be signed by the professor on file for each course based on the date of withdrawal. The Registrar's office has implemented an online process where students will now be able to withdraw from classes online using BanWeb through mycampus.uvi.edu. Students will have the option to withdraw online or in person without the signatures of the Professors. The signature of the Dean will be required for Administrative Withdrawal.

Corrective Plan for internal processing:

Office of the Registrar

- Responsible for tracking student enrollment activity, including complete withdrawals with last date of attendance and effective dates (online or paper withdrawal activity)
- Weekly withdrawal lists are sent to the Office of the Financial Aid
- Weekly grade changes are sent to the Office of Financial Aid

Office of Financial Aid

- Upon receiving weekly notifications of grade changes and/or withdrawal lists, responsible for reviewing identified students for Title IV eligibility and R2T4 calculation requirements
- R2T4 documentation processing as applicable
- Student Information System (Banner) data entry for FA Transaction Date (a print screen copy of the RSIAREV and TSAAREV will be confirmed and attached to R2T4 student documentation)

Accounting / Business Services

- Notification will be sent to Accounting to include the 'feed date' or Electronic Transfer Date for timely processing when R2T4 data is entered and a repayment is due.

Responsible official

Mrs. Cheryl Roberts, Director of Financial Aid

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Pell					
		Sample		Population	
Sample Description	OPEID	Number of Students Receiving Pell	Amount of Pell Disbursed	Number of Students Receiving Pell	Amount of Pell Disbursed
Eligibility Test	00394600	33	\$ 120,348	1,155	\$ 4,437,656
Return of Title IV Test	00394600	10	\$ 14,434	17	\$ 23,646

Direct Loans					
		Sample		Population	
Sample Description	OPEID	Number of Students Receiving Direct Loans	Amount of Direct Loans Disbursed	Number of Students Receiving Direct Loans	Amount of Direct Loans Disbursed
Eligibility Test	00394600	9	\$ 65,358	460	\$ 3,650,857
Return of Title IV Test	00394600	1	\$ 10,984	3	\$ 25,051

Findings					
Finding Number	Student ID	OPEID	Pell Disbursed	Pell Under- payment	Pell Over- payment
2019-003	094381	00394600	\$ 1,524	\$ -	\$ 869
2019-003	092159	00394600	\$ 2,873	\$ -	\$ 1,060
2019-003	102265	00394600	\$ 3,797	\$ -	\$ 1,203

UNIVERSITY OF THE VIRGIN ISLANDS
(A Component Unit of the Government of the U.S. Virgin Islands)
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
SEPTEMBER 30, 2019

Finding Reference Number	Finding Description	Questioned Cost	Finding Current Status
2018-001	Financial Statements Finding	None	Uncorrected (see finding 2019-002)
2018-002	Financial Statements Finding	None	Uncorrected (see finding 2019-001)
2018-003	Federal Work Study - Special Reporting Requirements	None	Corrected



Corrective Action plan

Year Ended September 30, 2019

Finding No. 2019-001 - Material Weakness in Internal Controls

The University concurs with this recommendation.

To implement the recommendation, the Acting Controller will review and revise the accounting and financial reporting structure; the Director of Accounting will implement a process to reconcile and analyze material transactions on a monthly basis; and the University will provide Banner Finance training to Controller office personnel, grant administrators and support staff. In addition, the Acting Controller will work with the Director of Grants to implement a formal process to review and reconcile grant activity on a quarterly basis. The University anticipates implementing the recommendation by January 2021.

Contact person for corrective action: Acting Controller

Anticipated Completion Date: January 2021



Corrective Action plan

Year Ended September 30, 2019

Finding No. 2019-002 - Material Weakness in Internal Controls and Compliance with Financial Reporting Requirements - OPEB

The University concurs with this recommendation.

As a component unit of the Government of the Virgin Islands (GVI), the University participates in the Government's health insurance plan, which provides health benefits to University retirees. As a result, the University is required to include the proportionate share of Other Post Employment Liabilities (OPEB), within the audited financial statements. The University substantially completed its audited financial statements for fiscal year 2019 in March 2020; however, it did not receive the OPEB analysis for the year ended September 30, 2019 until October 2020. The University recognizes that this information is the responsibility of an outside entity, and also recognizes that the University is ahead of the GVI in the issuance of audited statements. The University also recognizes that this is a material transaction, which will significantly impact the financial statements. The University will be meeting with Management of the GVI, to reiterate the significance of timely issuance of the University's complete financial statements, and will continue working with the GVI and its counterparts, to ensure efficiency in compiling and evaluating this information.

Contact Person for corrective action: Vice President for Administration and Finance | CFO

Anticipated completion date: December 2020



Corrective Action plan

Year Ended September 30, 2019

Finding No. 2019-003- Significant Deficiency in Internal Controls over Compliance and Compliance with Special Reporting Requirements- Return of Title IV funds

The University concurs with this finding.

Previously students did not have access to withdraw from their courses directly. Students were required to visit the Registrar's office and complete a withdrawal form. This form needed to be signed by the professor on file for each course based on the date of withdrawal. The Registrar's office has implemented an online process where students will now be able to withdraw from classes online using BanWeb through mycampus.uvi.edu. Students will have the option to withdraw online or in person without the signatures of the Professors. The signature of the Dean will be required for Administrative Withdrawal.

Corrective Plan for internal processing:

Office of the Registrar

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- Weekly withdrawal lists are sent to the Office of the Financial Aid
- Weekly grade changes are sent to the Office of Financial Aid

Office of Financial Aid

- Upon receiving weekly notifications of grade changes and/or withdrawal lists, responsible for reviewing identified students for Title IV eligibility and R2T4 calculation requirements
- R2T4 documentation processing as applicable
- Student Information System (Banner) data entry for FA Transaction Date (a print screen copy of the RSIAREV and TSAAREV will be confirmed and attached to R2T4 student documentation)

Accounting / Business Services

- Notification will be sent to Accounting to include the 'feed date' or Electronic Transfer Date for timely processing when R2T4 data is entered and a repayment is due.

Contact person for corrective action: Registrar

Anticipated Completion Date: January 2021