

AUDITED FINANCIAL STATEMENTS AND  
REPORTS AND SCHEDULE REQUIRED BY  
THE UNIFORM GUIDANCE

University of the Virgin Islands  
(A Component Unit of the Government of the U.S. Virgin Islands)  
Year Ended September 30, 2021  
With Reports of Independent Auditors



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The better the world works.



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

Audited Financial Statements and  
Reports and Schedule Required by the Uniform Guidance

Year Ended September 30, 2021

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# Financial Statements



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## Report of Independent Auditors

Management and the Board of Trustee

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the University of the Virgin Islands (the University) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University at September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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



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### **Substantial Doubt About the University's Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the University will continue as a going concern. As discussed in Note 16 to the financial statements, to finance its operations, the University is highly dependent on appropriations from the Government, which has experienced financial difficulties leading to uncertainty as to its ability to fully satisfy its obligations. The University has stated that substantial doubt exists about the University's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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



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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17, Schedule of the University's Proportionate Share of the Net Pension Liability, Schedule of the University's Contributions, Schedule of the University's proportionate share of the Other Postemployment Benefits (OPEB) Liability, and notes on pages 68 through 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2026, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Ernst + Young LLP*

May 29, 2026

# University of the Virgin Islands

## Management's Discussion and Analysis

Year Ended September 30, 2021

The following discussion presents an overview of the financial position and activities of the University of the Virgin Islands (the University) for the fiscal year ended September 30, 2021, with selected comparative information for the year ended September 30, 2020. 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.

### **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.

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.

# University of the Virgin Islands

## Management's Discussion and Analysis (continued)

Year Ended September 30, 2021

The financial operations and position of two institutional cooperative organizations: The Foundation for the University of the Virgin Islands, Inc. (the Foundation) and The Foundation for the Reichhold Center for the Arts (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.

### **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 U.S. 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, this 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.

# University of the Virgin Islands

## Management's Discussion and Analysis (continued)

Year Ended September 30, 2021

### **Overview of the 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.

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.

# University of the Virgin Islands

## Management's Discussion and Analysis (continued)

Year Ended September 30, 2021

### **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 non-expendable 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 Statement of Net Position, along with all the University's basic financial statements, is 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 Statement of Net Position are classified as current or noncurrent.

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.

# University of the Virgin Islands

## Management's Discussion and Analysis (continued)

Year Ended September 30, 2021

	Fiscal Year 2021	Fiscal Year 2020	Change
<b>Assets</b>			
Current assets	\$ 31,750,233	\$ 27,136,444	\$ 4,613,789
Noncurrent assets:			
Capital assets, net	89,116,208	77,608,349	11,507,859
Other	87,800,097	73,988,551	13,811,546
Total assets	208,666,538	178,733,344	29,933,194
<b>Deferred outflows of resources</b>			
Deferred charge on debt refunding	–	7,334,303	\$ (7,334,303)
Pension related outflows	19,202,687	22,089,954	(2,887,267)
OPEB related outflows	2,939,716	351,351	2,588,365
Total deferred outflows of resources	22,142,403	29,775,608	(7,633,205)
Total assets and deferred outflows of resources	\$ 230,808,941	\$ 208,508,952	\$ 22,299,989
<b>Liabilities</b>			
Current liabilities	\$ 30,463,154	\$ 12,386,040	\$ 18,077,114
Noncurrent liabilities	108,408,466	198,835,942	(90,427,476)
Total liabilities	138,871,620	211,221,982	(72,350,362)
<b>Deferred inflows of resources</b>			
Pension related inflows	19,400,732	19,300,101	100,631
OPEB related inflows	563,720	765,739	(202,019)
Total deferred inflows of resources	19,964,452	20,065,840	(101,388)
Total liabilities and deferred inflows of resources	158,836,072	231,287,822	(72,451,750)
Total net position (deficit)	71,972,869	(22,778,870)	94,751,739
Total liabilities and net position (deficit)	\$ 230,808,941	\$ 208,508,952	\$ 22,299,989

### ***Current Assets***

Current assets consist primarily of cash, cash equivalents, and receivables. The increase in current assets of \$4.6 million is due to an inflow of cash funding from the “Coronavirus, Aid, Relief, and Economic Security (CARES)” Act to aid in the University’s defense against the global COVID-19 pandemic. The University’s current assets of \$31.8 million cover the current liabilities of \$30.4 million. The current ratio of 1.04 decreased when compared to fiscal year 2020, by 1.17. The change is due primarily to the increase in notes payable.

# University of the Virgin Islands

## Management's Discussion and Analysis (continued)

Year Ended September 30, 2021

### ***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. During fiscal year 2021, the University continued construction in progress associated with the Medical School facilities and restoration of buildings impacted by the 2017 hurricanes. The University entered into a construction contract of approximately \$19.0 million for the Medical School facilities. As of September 30, 2021, the debt associated with the construction of the Medical School has been refinanced. During fiscal year 2020, the University also entered into a \$15.0 million long-term debt agreement, for which the proceeds would be used for the construction of the Innovation Center. As of September 30, 2021, outstanding commitments of \$4.8 million have 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 \$2.6 million and \$2.4 million for fiscal years 2021 and 2020, respectively.

### ***Other Noncurrent Assets***

Other noncurrent assets include restricted cash and cash equivalents, restricted deposits with trustee(s), students loan receivables, and endowment investments at fair value. The increase in noncurrent assets of \$13.8 million is related primarily to an increase of \$19.7 million in investments which is offset by a decrease in deposits with trustee of \$6.7 million during the fiscal year.

### ***Current Liabilities***

Current liabilities consist primarily of accounts payable and accrued liabilities, unearned revenues, and the current portion of long-term liabilities. The increase of \$18 million in current liabilities is due primarily to an increase in notes payable of \$23.2 which is offset by a decrease in accounts payable and accrued liabilities of \$3.4 million.

# University of the Virgin Islands

## Management's Discussion and Analysis (continued)

Year Ended September 30, 2021

### *Noncurrent Liabilities*

Noncurrent 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. Noncurrent liabilities amounted to \$108.4 million and \$198.8 million in fiscal years September 30, 2021, and 2020, respectively. The change in noncurrent liabilities of \$90.4 million is attributable to a \$70.5 million decrease in bonds payable, a \$23.4 million decrease in notes payable, as well as an increase in OPEB liability of \$3.9 million.

The University 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 HBCUs 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 was vetted and deemed eligible for this Program and has executed several loan agreements since 2009. Given the challenges faced during the COVID-19 pandemic the University was provided with COVID relief funds for the forgiveness of debt in the amount of \$72.5 million.

Under a loan agreement executed in February 2015, as part of the Program, the University was authorized to request advances up to \$19.0 million under the Series A 2015-1 Bonds. This loan was refinanced during fiscal year 2020, to allow the University to take advantage of the current market interest rates.

University of the Virgin Islands

Management’s Discussion and Analysis (continued)

Year Ended September 30, 2021

***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 summarized at September 30, 2021, and 2020, follows:

	<b>Fiscal Year 2021</b>	<b>Fiscal Year 2020</b>
Net position:		
Net investment in capital assets, net of related debt	\$ 88,804,889	\$ (10,993,010)
Restricted	67,765,639	30,928,498
Unrestricted position (deficit)	<u>(84,597,659)</u>	<u>(42,714,358)</u>
Total net position (deficit)	<u>\$ 71,972,869</u>	<u>\$ (22,778,870)</u>

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. In addition, the net investment in capital assets consists of deferred outflows of resources and deferred inflows of resources that are attributable to deferred losses from debt refinancing.

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. Restricted, non-expendable assets and expendable assets were \$8.2 million and \$59.6 million in 2021, respectively.

# University of the Virgin Islands

## Management's Discussion and Analysis (continued)

Year Ended September 30, 2021

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 2021, the University shows a net position of approximately \$72 million due primarily to the cumulative effect of the reduction in bond payables associated with the forgiveness of debt.

### **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 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

## Management's Discussion and Analysis (continued)

Year Ended September 30, 2021

A summarized comparison of the University's revenues, expenses, and changes in net position for the years ended September 30, 2021 and 2020, follows:

	Fiscal Year 2021	Fiscal Year 2020	Change
Operating revenues:			
Tuition and fees (net of scholarship allowance)	\$ 11,421,760	\$ 12,521,349	\$ (1,099,589)
Federal grants and contracts	42,031,975	35,461,176	6,570,799
State grants and contracts	4,319,656	4,058,355	261,301
Auxiliary enterprises	938,447	1,100,924	(162,477)
Other operating revenues	1,189,385	3,570,732	(2,381,347)
Total operating revenues	59,901,223	56,712,536	3,188,687
Operating expenses	90,831,611	100,575,600	(9,743,989)
Operating loss	(30,930,388)	(43,863,064)	12,932,676
Non-operating revenues (expenses):			
Local government appropriation	33,562,515	28,222,854	5,339,661
Federal Pell Grant Program	3,717,023	4,083,204	(366,181)
Interest expense	(1,427,512)	(2,990,062)	1,562,550
Loss on write-off of deferred financing costs	(7,334,303)	-	(7,334,303)
Other non-operating income	92,171,699	8,464,133	83,707,566
Total non-operating revenues, net	120,689,422	37,780,129	82,909,293
Change in net position before capital appropriations	89,759,034	(6,082,935)	95,841,969
Local government capital appropriations	4,992,705	4,542,907	449,798
Change in net position	94,751,739	(1,540,028)	96,291,767
Net deficit at beginning of year	(22,778,870)	(21,238,842)	(1,540,028)
Net deficit at end of year	\$ 71,972,869	\$ (22,778,870)	\$ 94,751,739

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.

# University of the Virgin Islands

## Management's Discussion and Analysis (continued)

Year Ended September 30, 2021

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.

Operating revenues increased by \$3.1 million resulting from an increase in grants and contracts awarded to the University in fiscal year 2021. Other revenues consist of capital appropriations received from the Government to meet outstanding capital debt obligations. Other non-operating revenues consist of gain on forgiveness of long-term debt, investment income, gifts, and insurance recoveries.

In 2019, the University was awarded a contract of \$15.5 million from the U.S. Department of Commerce to conduct the 2020 Census of the U.S. Virgin Islands. The University conducted this census throughout fiscal years 2020 and 2021, resulting in an increase in revenues and associated expenses for this project. The University was also awarded funding under the CARES Act to provide emergency relief to students, as well as aid the University in protecting staff and students against COVID-19.

For fiscal year 2021, operating expenses amounted to \$90.8 million including compensation and benefits of \$53.3 million, supplies and other expenditures of \$21.9 million, depreciation expense of \$2.6 million, scholarships of \$9.9 million, and utilities of \$3.0 million.

A comparative summary of the University's operating expenses by object categories for the years ended September 30, 2021, and 2020, follows:

	<b>Fiscal Year 2021</b>	<b>Fiscal Year 2020</b>
Salaries and benefits	\$ 53,337,240	\$ 59,103,177
Supplies and other services	21,927,892	24,242,647
Depreciation	2,628,018	2,359,429
Scholarships	9,944,356	11,037,413
Utilities	2,994,105	3,832,934
Total operating expense	<u>\$ 90,831,611</u>	<u>\$ 100,575,600</u>

Operating expenses decreased by \$9.7 million primarily due to a decrease in compensation and benefits of \$5.8 million and an additional decrease in supplies and other services along with utilities of \$3.1 million due to budgetary cuts in response to the COVID-19 pandemic. Scholarship expenses decreased by \$1.1 million primarily because, in 2020, the University received an increase in student aid, including assistance under the CARES Act.

## University of the Virgin Islands

### Management's Discussion and Analysis (continued)

Year Ended September 30, 2021

A comparative summary of the University's total operating expenses by functional classification for the years ended September 30, 2021, and 2020, follows:

<b>Function</b>	<b>Fiscal Year 2021</b>	<b>Fiscal Year 2020</b>
Instruction	\$ 13,437,440	\$ 13,645,537
Institutional support	21,483,506	16,889,104
Research	18,488,436	23,609,659
Operation and plant maintenance	8,541,921	12,493,643
Student aid	6,097,419	10,628,675
Public service	6,187,906	5,985,398
Academic support	6,437,658	6,078,961
Auxiliary enterprises	3,036,704	3,620,071
Student services	4,334,599	4,188,765
Depreciation	2,628,018	2,359,429
Other	158,004	1,076,358
Total expenses by function	<u>\$ 90,831,611</u>	<u>\$ 100,575,600</u>

Expenditure programs with significant increases included institutional support, academic support, student services, and depreciation. These increases were driven primarily by additional funding received as a result of the COVID-19 pandemic. In particular, the rise in institutional support reflects substantial investments to enable the rapid transition to online learning. These efforts, along with investments in equipment, protective supplies, and operational measures by the Operations and Plant team, were essential to maintaining continuity of instruction and services during the pandemic. The decreases in research, student aid, operations and maintenance expenses resulted from the operational disruptions and activity shifts caused by the pandemic. COVID-19 significantly impacted traditional research processes, limited on-campus activity, delayed projects, and reduced research-related spending. Additionally, pandemic-related uncertainty and disruptions contributed to enrollment declines during the period, which in turn affected student aid.

Other non-operating expenses increased by \$5.7 million resulting from a decrease of interest expense of \$1.6 million and a loss on write-off of deferred financing costs of \$7.3 million.

# University of the Virgin Islands

## Management's Discussion and Analysis (continued)

Year Ended September 30, 2021

### **Factors Impacting Future Periods**

The University is highly dependent on funding from the Government to repay and fund its obligations. Approximately 39.0% of the University's total revenues are derived from government appropriations. The Government faces significant fiscal and economic challenges related to continuing structural deficits, high levels of debt, and unfunded pension obligations. The challenge of unfunded pension liabilities was addressed through increases in the contribution rates of the employers and members participating in the Government's multiple employer cost-sharing pension plan.

To date, revenues pledged for debt service have not been significantly impacted by the Government's financial condition and it is unknown what impact, if any, the Government's financial condition will have on the University. The University's budget for fiscal year 2022 is expected to increase to reflect the inclusion of the 8% restoration of the 2011 salary reduction. 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.

### **Contacting the University's Financial Management**

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

Statement of Net Position

September 30, 2021

	<b>University</b>	<b>Reichhold Foundation</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,313,386	\$ 123,497
Restricted cash	13,181,429	—
Accounts receivable, net of allowance for doubtful accounts of \$2,276,089	8,730,262	—
Inventories	325,091	—
Loans receivable	125,371	—
Prepaid expenses and other current assets	1,074,694	—
Total current assets	<u>31,750,233</u>	<u>123,497</u>
Noncurrent assets:		
Restricted:		
Cash and cash equivalents	1,016,191	—
Deposits with trustee	601,750	—
Investments at fair value	52,966,549	14,459,388
Unrestricted investments at fair value	32,980,120	—
Students loans receivable, net of allowance for doubtful accounts of \$655,527	235,487	—
Capital assets, net	89,116,208	—
Total noncurrent assets	<u>176,916,305</u>	<u>14,459,388</u>
Total assets	<u>208,666,538</u>	<u>14,582,885</u>
<b>Deferred outflows of resources</b>		
Pension related outflows	19,202,687	—
OPEB related outflows	2,939,716	—
Total deferred outflows of resources	<u>22,142,403</u>	
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	2,335,598	—
Unearned revenue	3,383,487	—
Accrued vacation	1,386,601	—
Notes payable	23,357,468	—
Total current liabilities	<u>30,463,154</u>	<u>—</u>
Noncurrent liabilities:		
Notes payable	178,043	—
Accrued vacation	4,216,032	—
Net pension liability	87,799,401	—
Net OPEB liability	15,906,890	—
Other liabilities	308,100	—
Total noncurrent liabilities	<u>108,408,466</u>	<u>—</u>
Total liabilities	<u>138,871,620</u>	<u>—</u>

(Continued)

University of the Virgin Islands  
Statement of Net Position (continued)

September 30, 2021

	<b>University</b>	<b>Reichhold Foundation</b>
<b>Deferred inflow of resources</b>		
Pension related inflows	19,400,732	–
OPEB related inflows	563,720	–
Total deferred inflows of resources	19,964,452	–
<b>Net position</b>		
Invested in capital assets, net of related debt	88,804,889	–
Restricted:		
Non-expendable	8,167,720	–
Expendable	59,597,919	14,582,885
Unrestricted (deficit) position	(84,597,659)	–
Total net position	\$ 71,972,869	\$ 14,582,885

*See accompanying notes.*

University of the Virgin Islands

Statement of Revenues, Expenses and Changes in Net Position

Year Ended September 30, 2021

	<u>University</u>	<u>Reichhold Foundation</u>
<b>Revenues</b>		
Operating revenues:		
Tuition and fees (net of scholarship allowance)	\$ 11,421,760	\$ —
Federal grants and contracts	42,031,975	—
State grants and contracts	4,319,656	—
Auxiliary enterprises	938,447	—
Other	1,189,385	—
Contributions	—	1,176
Net investment income	—	2,391,101
In-kind contribution	—	49,567
Total operating revenues	<u>59,901,223</u>	<u>2,441,844</u>
<b>Expenses</b>		
Salaries:		
Faculty	9,498,978	—
Exempt staff	17,171,852	—
Nonexempt wages	9,626,778	—
Benefits	17,039,632	—
Scholarships	9,944,356	—
In-kind contribution	—	49,567
Contributions to the University	—	166,666
Utilities	2,994,105	—
Supplies and other services	21,769,888	73,491
Depreciation	2,628,018	—
Other expenses	158,004	—
Total operating expenses	<u>90,831,611</u>	<u>289,724</u>
Operating (loss) income	<u>(30,930,388)</u>	<u>2,152,120</u>

(Continued)

University of the Virgin Islands

Statement of Revenues, Expenses and Changes in Net Position (continued)

Year Ended September 30, 2021

	<u>University</u>	<u>Reichhold Foundation</u>
Nonoperating revenues (expenses):		
Local government appropriation	33,562,515	—
Federal Pell Grant Program	3,717,023	—
Endowment gifts	4,041,262	—
Net investment income	14,868,643	—
Gain on forgiveness of long-term debt	72,511,794	—
Loss on write-off of deferred financing costs	(7,334,303)	—
Insurance recoveries on capital assets	750,000	—
Interest expense	(1,427,512)	—
Total nonoperating revenues, net	<u>120,689,422</u>	—
Change in net position before capital appropriations	89,759,034	2,152,120
Local government capital appropriations	4,992,705	—
Change in net position	<u>94,751,739</u>	2,152,120
Net (deficit) position at beginning of year	(22,778,870)	12,430,765
Net position at end of the year	<u>\$ 71,972,869</u>	<u>\$ 14,582,885</u>

*See accompanying notes.*

University of the Virgin Islands

Statement of Cash Flows

Year Ended September 30, 2021

	<b>University</b>	<b>Reichhold Foundation</b>
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 12,415,992	\$ —
Grants and contracts	42,971,186	—
Auxiliary enterprises and other	940,997	—
Other revenue	1,007,614	—
Contributions received	—	3,176
Interest, dividends, and realized gains on investments	—	407,090
Payments of contributions to the University	—	(239,141)
Payments to suppliers and vendors	(24,018,971)	(131,344)
Payments to employees	(37,108,567)	—
Payments for utilities	(3,268,946)	—
Payments for benefits	(12,497,444)	—
Payments for scholarships	(9,944,356)	—
Net cash used in operating activities	<u>(29,502,495)</u>	<u>39,781</u>
<b>Cash flows from noncapital financing activities</b>		
Local government appropriations	33,562,515	—
Federal Pell Grant Program	3,717,023	—
Endowment gifts	4,041,262	—
Net cash provided by noncapital financing activities	<u>41,320,800</u>	<u>—</u>
<b>Cash flows from capital and related financing activities</b>		
Capital appropriations	4,992,705	—
Acquisition of capital assets	(13,325,942)	—
Proceeds from insurance companies	750,000	—
Principal paid on capital debt	(648,574)	—
Interest paid on capital debt	(1,448,518)	—
Net cash used in capital and related financing activities	<u>(9,680,329)</u>	<u>—</u>
<b>Cash flows from investing activities</b>		
Proceed from loan receivable collections	241,550	—
Proceeds from interest and loan receivable	12,860	—
Proceeds from interest and investment income	1,821,163	—
Proceeds from sales and redemption of investments	13,062,642	1,286,486
Purchases of investments	(20,250,578)	(1,333,639)
Net cash used in investing activities	<u>(5,112,363)</u>	<u>(47,153)</u>
Net change in cash and cash equivalents	<u>(2,974,387)</u>	<u>(7,372)</u>
Cash and cash equivalents at beginning of year	26,087,143	130,869
Cash and cash equivalents at end of year	<u>\$ 23,112,756</u>	<u>\$ 123,497</u>
<b>Reconciliation of Cash, Cash Equivalents, and Restricted Cash presented in the Statement of Net Position</b>		
Cash and cash equivalents	\$ 8,313,386	\$ 123,497
Restricted cash and cash equivalents	14,197,620	—
Restricted deposits with trustee	601,750	—
Total cash, cash equivalents and restricted cash	<u>\$ 23,112,756</u>	<u>\$ 123,497</u>

(continued)

University of the Virgin Islands  
Statement of Cash Flows (continued)

Year Ended September 30, 2021

	<b>University</b>	<b>Reichhold Foundation</b>
<b>Reconciliation of operating (loss) income to net cash (used in) provided by operating activities</b>		
Operating (loss) income	\$ (30,930,388)	\$ 2,152,120
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation	2,628,018	-
Release of allowance for doubtful accounts	(2,610,965)	-
Net gain on investments	-	(2,041,864)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	(22,662)	-
Student loan receivable	742,498	-
Contributions receivable	-	2,000
Inventories	27,341	-
Prepaid expenses and other current assets	(111,763)	-
Deferred outflows of resources:		
Pension related	2,887,267	-
OPEB related	(2,588,365)	-
Accounts payable and accrued liabilities	(3,519,461)	(72,475)
Unearned revenue	(475,444)	-
Other liabilities	(17,993)	-
Accrued vacation	56,098	-
Net pension liability	639,177	-
Net OPEB liability	3,895,535	-
Deferred inflows of resources:		
Pension related	100,631	-
OPEB related	(202,019)	-
Net cash (used in) provided by operating activities	\$ (29,502,495)	\$ 39,781
<b>Supplemental schedule of noncash investing, capital and financing activities</b>		
Capital asset additions included in accounts payable	\$ 809,935	
Change in fair value of investments	\$ 12,675,962	
Write-off direct financing costs of forgiven debt	\$ 7,334,303	
Gain on forgiveness of long-term debt	\$ 72,511,794	

*See accompanying notes.*

# University of the Virgin Islands

## Notes to Financial Statements

September 30, 2021

### **1. Reporting Entity**

The University of the Virgin Islands (the University) 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 is a higher education institution that offers four-year liberal arts degree and master 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 has a satellite office in St. Martin.

The University is a component unit of the Government of the U.S. Virgin Islands (the Government), and therefore, the financial statements of the University are not intended to present fairly the financial position and results of operations of the Government. The University receives substantial financial and other support from the Government and is exempt from all taxes and special assessments of the U.S. Virgin Islands or any taxing authority or body thereof.

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, Inc. (the Foundation) and The Foundation for the Reichhold Center for the Arts, Inc. (Reichhold Foundation), included by blended and discrete presentation, respectively.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### 1. Reporting Entity (continued)

#### Component Units

A component unit is reported as blended when either (i) 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) management of the University has operational responsibility for the component unit, or (ii) the component unit provides services entirely, or almost entirely, to the University or otherwise exclusively, or almost exclusively, benefits the University, or (iii) 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, Inc.*

The Foundation is a legally separate entity from the University and is governed by a 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.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### 1. Reporting Entity (continued)

#### Component Units

##### *Discretely Presented Component Unit*

The discretely presented component unit is legally separate from the primary government. 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, Inc.*

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 U.S. 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, same as the University's financial statements year-end.

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 two net assets categories according to externally (donor) imposed restrictions: with donor restrictions and without donor restrictions. However, when the Reichhold Foundation is incorporated in the financial statements of the University, it conforms to the requirements of Governmental Accounting Standards Board (GASB). 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.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### **2. Summary of Significant Accounting Policies**

The financial statements of the University have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP, as applicable to governmental entities). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### **Measurement Focus and Basis of Accounting**

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.

#### **Taxes**

The University, including its component units, is recognized as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), whereby only unrelated business income, as defined by Section 512(a) of the Code, is subject to federal income tax. The entity reviews its tax positions annually and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements as of September 30, 2021.

#### **Cash and Cash Equivalents**

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.

Restricted cash is for maintaining liquidity for the specific purposes for which the funds were created, including supporting the release of funds to the University.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**2. Summary of Significant Accounting Policies (continued)**

**Investments**

Investments are carried at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement No. 72 (GASB No. 72), *Fair Value Measurement and Application*.

Investments in marketable securities fair value are 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.

Investments in alternative strategies are reported at fair value. The University measures certain investments in alternative strategies at net asset value (NAV) per share (or its equivalent) as a practical expedient to estimate the fair value. 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**

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.

**Inventories**

Inventories are stated at the lower cost (first-in, first-out method) or net realizable value 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 writes-off inventory damaged or obsoleted twice a year. Further, any textbooks which have remained unsold for four years are written off.

University of the Virgin Islands

Notes to Financial Statements (continued)

September 30, 2021

**2. Summary of Significant Accounting Policies (continued)**

**Prepaid Expenses and Other Current Assets**

Prepaid expenses and other assets consist primarily of amounts paid by the University for services not yet provided by vendors, which primarily relate to property and liability insurance.

**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 fair 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.

<u>Description</u>	<u>Capitalization Threshold</u>
Land and land improvements	\$ 1
New buildings and library collection	1
Betterment and improvement of buildings	10,000
Infrastructure	10,000
Machinery and equipment	2,500
Computer software	50,000

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 are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

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, amongst others.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**2. Summary of Significant Accounting Policies (continued)**

**Capital Assets (continued)**

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 changes in net position net of any realizable insurance recoveries. For impairment losses recoverable through disaster assistance programs sponsored by higher levels of government (such as the 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**

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of (i) unrecognized items not yet charged to pension expense and contributions from the University after the measurement date but before the end of the University's reporting period; and (ii) other postemployment benefits net differences between expected and actual experience and changes in assumptions.

**Unearned Revenues**

Unearned revenues consist primarily of cash received in advance of an event, such as student tuition and fees related to tuition for future fiscal years. On September 30, 2021, approximately \$2.9 million of tuition and fees collected that relate to the remainder of the fall semester are deferred. In addition, the University collected \$405,000 in grant and contract advances.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**2. Summary of Significant Accounting Policies (continued)**

**Accrued Vacation**

The University pays vacation time to all eligible employees. Unpaid vacation leave compensation, as well as the University's share of related social security taxes, is accrued as benefits are earned by the employees if attributable to past services and if it is probable the University will compensate the employees for such benefits. Amounts accrued are measured using salary rates in effect at September 30.

Vacation time is accrued based on years of service and as follows:

<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

**Bond Issuance and Refunding**

Bonds and notes premiums and discounts are deferred and amortized over the life of the debt using the effective interest method and are reported net of applicable bond premium or discount.

When issuing new debt for refunding purposes, the difference between the reacquisition price of the new debt and the net carrying amount of the refunded debt is recognized as either a deferred outflow of resources or deferred inflow of resources and amortized using the straight-line method as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### **2. Summary of Significant Accounting Policies (continued)**

#### **Net Pension Liability**

For purpose of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plans, as well as additions to and deductions from the pension plan fiduciary net position have been determined on the same basis as they are reported in the financial statements of the Government Employees' Retirement System of the U.S. Virgin Islands (GERS). University contributions are recognized when due and the University has a legal requirement to provide the contributions. Also see Note 10.

#### **Net Other Postemployment Benefits (OPEB) Liability**

The University participates in the Government's multiple employer OPEB plan. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB and OPEB expenses have been determined on the same basis as they are reported in the financial statements of the Government. Also see Note 11.

#### **Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of (i) unamortized portion of the net differences between projected and actual earnings on pension plan investments, changes in assumptions, change in proportionate share, and other differences between expected and actual experience; and (ii) unamortized portion of other postemployment benefits changes in assumptions or other inputs.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**2. Summary of Significant Accounting Policies (continued)**

**Net Position**

The University's net position is classified as follows:

***Net Investment in Capital Assets***

Capital assets, net of accumulated depreciation and outstanding principal balances of debt and accounts payable attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. The portion of debt attributed to the unspent debt proceeds or deferred inflows of resources is included in the same net position component as the unspent proceeds.

***Restricted, Nonexpendable***

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***

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 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 self-supporting activities that provide services for students, faculty and staff. While the unrestricted net position may be designated for specific purposes by actions of management or the Board, they are available for use, at the discretion of the governing board, to meet current expenses for any purpose.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**2. Summary of Significant Accounting Policies (continued)**

**Net Position (continued)**

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.

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 local government 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. Unconditional promises that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. Endowments pledges generally do not meet eligibility requirements, as defined, and are not recorded as assets until the related gift has been received. Gift and contributions are recognized when received.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### **2. Summary of Significant Accounting Policies (continued)**

#### **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, 2021 amounted to \$300,000.

#### **Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Adoption of New Accounting Standards

As of October 1, 2020, the University adopted the following new statements of financial accounting standards issued by the GASB:

- GASB Statement No. 84, *Fiduciary Activities (GASB Statement No. 84)*
- GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61 (GASB Statement No. 90)*

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. The adoption of this statement had no significant impact on the University's financial statements.

GASB Statement No. 90 establishes reporting requirements for governments that hold a majority equity interest in a legally separate organization. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit measurable right to the net resources of the organization. A government has a majority equity interest in a legally separate organization if: (1) a government's holding of the equity interest meets the definition of an investment in paragraph 64 of GASB Statement No. 72; or (2) a government's holding of the equity interest does not meet the definition of investment; or (3) a government acquires 100% equity interest. The adoption of this statement had no impact on the University's financial statements.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**2. Summary of Significant Accounting Policies (continued)**

**Adoption of New Accounting Standards (continued)**

Following are statements issued by GASB that are effective in the University's subsequent fiscal years:

<b>Statement Number</b>		<b>Adoption Required in Fiscal Year</b>
87	Leases	2022
89	Accounting for Interest Cost Incurred Before the End of a Construction Period	2022
91	Conduit Debt Obligations	2023
92	Omnibus 2020	2022
93	Replacement of Interbank Offered Rates	2022
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023
96	Subscription-Based Information Technology Arrangements	2023
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32	2022
98	The Annual Comprehensive Financial Reporting	2022

The University is evaluating the impact that these statements will have on its financial statements.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**3. Blended Component Unit Condensed Financial Information**

Following is the Foundation's condensed financial information as of and for fiscal year ended September 30, 2021:

**Condensed information from Statement of Net Position**

Current assets	\$ 130,124
Non-current assets excluding capital assets	87,482,517
Capital assets, less accumulated depreciation	<u>113,000</u>
Total assets	<u><u>87,725,641</u></u>
Non-current liabilities	\$ 52,278,196
Net position:	
Restricted, non-expendable	19,775,756
Restricted, expendable	<u>15,671,689</u>
Total net position	<u>35,447,445</u>
Total liabilities and net position	<u><u>\$ 87,725,641</u></u>

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

Operating revenues	\$ 8,734,476
Operating expenses	<u>2,731,974</u>
Change in net position	6,002,502
Net position at beginning of year	<u>29,444,943</u>
Net position at end of year	<u><u>\$ 35,447,445</u></u>

**Condensed information from Statement of Cash Flows**

Net cash provided by (used in):	
Operating activities	\$ 5,830,268
Investing activities	<u>(6,946,386)</u>
Net change in cash	(1,116,118)
Restricted cash at beginning of year	<u>2,651,966</u>
Restricted cash at end of year	<u><u>\$ 1,535,848</u></u>

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**4. Cash, Cash Equivalents and Restricted Cash**

All 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 Government's Commissioner of Finance to secure all governmental funds deposited.

At September 30, 2021, the University's bank balances were insured or collateralized by federal deposit insurance, corporate surety bonds or by collateral held by the Government. However, the carrying amounts of cash and cash equivalents may exceed the amounts insured or collateralized.

As of September 30, 2021, cash and cash equivalents amounted to approximately \$8.3 million and restricted cash and cash equivalents and deposits with trustee amounted to approximately \$14.2 million and \$0.6 million, respectively.

**5. Accounts and Loans Receivable**

The University's accounts and loans receivable as of September 30, 2021, are composed of the following:

Accounts receivable:

Students	\$ 2,226,232
U.S. Federal Government	8,182,546
University of the Virgin Islands Research and Technology Park Corporation	178,975
Other	418,598
	11,006,351

Less allowance for doubtful accounts	(2,276,089)
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Accounts receivable, net	\$ 8,730,262
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Loans receivable:

Students	\$ 891,014
University of the Virgin Islands Research and Technology Park Corporation	125,371
	1,016,385

Less allowance for doubtful accounts	(655,527)
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Loans receivable, net	\$ 360,858
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# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### 6. 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 of 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 categorizes the fair market measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. GASB No. 72, provides the framework for measuring fair value by establishing a three-level fair value hierarchy that describes inputs that are used to measure assets and liabilities as follows:

- *Level 1:* Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- *Level 2:* Inputs are other than quoted prices included within Level 1 that are observable for an asset or liability, that are either directly or indirectly observable. 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.

The fair value hierarchy gives the highest priority to Level 1 and the lowest priority to Level 3 inputs.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### **6. Investments (continued)**

If a price for an identical asset is not observable, a government may evaluate fair market value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset is measured using inputs from more than one level of the fair market value hierarchy, the measurement is based on the lowest level input that is significant to the entire measurement.

The following section describes the valuation technique methodologies the University is using to measure assets at fair value:

#### **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.

#### **Fixed Income 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.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### **6. Investments (continued)**

#### **Alternative Strategies**

The Foundation invests in certain alternative strategies that are essentially funds of funds. The multi-strategy bond fund, multi-strategy equity fund, and the multi-strategy intermediate 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 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 investments 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 University can make redemptions from the multi-strategy funds on a monthly basis upon five business days' notice.

The University's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the year ended September 30, 2021.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**6. Investments (continued)**

At September 30, 2021, the University had the following recurring fair value measurements:

	Fair Value			
	Measurement	Level 1	Level 2	Level 3
Equity securities	\$ 7,941,898	\$ 7,941,898	\$ –	\$ –
Fixed income securities	160,815	160,815	–	–
Commonfund:				
High quality bond fund	3,641,279	–	–	3,641,279
Multi strategy bond fund	13,227,099	–	–	13,227,099
Multi strategy equity fund	41,568,444	–	–	41,568,444
Multi strategy intermediate fund	10,272,151	–	–	10,272,151
Other mutual fund	2,290,482	2,290,482	–	–
Subtotal	<u>79,102,168</u>	<u>10,393,195</u>	–	<u>68,708,973</u>
Investments measured at net asset value (NAV):				
Private capital funds	6,844,501			
Total	<u>\$ 85,946,669</u>			

At September 30, 2021, the Reichhold Foundation had the following recurring fair value measurements:

	Fair Value			
	Measurement	Level 1	Level 2	Level 3
Corporate bonds and US debt securities	\$ 112	\$ –	\$ 112	\$ –
Mutual funds	782,791	782,791	–	–
Fixed income	3,963,149	3,963,149	–	–
Equity securities	9,713,336	9,713,336	–	–
Total	<u>\$ 14,459,388</u>	<u>\$ 14,459,276</u>	\$ 112	\$ –

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  
Notes to Financial Statements (continued)

September 30, 2021

**6. Investments (continued)**

**Interest-rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University and the Reichhold Foundation have a formal investment policy that limits investment maturities as a means of managing its exposures to fair market value losses arising from increasing interest rates.

**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. Investments issued or explicitly guaranteed by the U. S. Government are not considered to be exposed to credit risk.

Following is a summary of the University and Reichhold Foundation's credit quality distribution for securities as of September 30, 2021:

	<b>University Carrying Value</b>	<b>Reichhold Carrying Value</b>	<b>Credit Agency Rating</b>
Commonfund:			
High quality bond fund	\$ 3,641,279	\$ —	A+ (average rating)
Multi strategy bond fund	13,227,099	—	A+ (average rating)
Multi strategy equity fund	41,568,444	—	Not rated
Multi strategy intermediate term fund	10,272,151	—	Not rated
Private capital funds	6,844,501	—	Not rated
Marketable investments	10,393,195	14,459,388	Not rated
	<u>\$ 85,946,669</u>	<u>\$ 14,459,388</u>	

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**6. Investments (continued)**

**Concentration of Credit Risk**

The University places no limit on the amount that may be invested in one issuer. At September 30, 2021, more than 5.0% of the University's investments were invested in: Commonfund multi-strategy bond fund (15.0%); Commonfund multi-strategy equity fund (48.0%); and Commonfund multi-strategy intermediate fund (12.0%). At September 30, 2021, more than 5.0% of Reichhold's investments were invested in: S&P 500 ETF Trust (39.0%); Blackrock Corealpha Bond Fund (10.0%); iShares Trust Corporate Bond (10.0%); Vanguard FTSE Developed Markets ETF (9.0%); iShares Currency Hedged MSCI EAFE ETF (8.0%); and Goldman Sachs Tactical Tilt Overlay Fund Class P (5.0%).

**Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of failure of a depository financial institution or other counterparty, 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, 2021, 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.

Accounts held at institutions covered by the Federal Deposit Insurance Corporation (FDIC) are secured up to \$250,000 at each bank. The University's cash balance in excess of the FDIC insurance limit at September 30, 2021 was \$21,511,006. Accounts held at institutions covered by the Securities Investment Protection Corporation (SIPC) are secured up to \$500,000 or by Excess SIPC Coverage. The University's investment balance in excess of the SIPC insured limit at September 30, 2021 was \$85,154,930.

**7. Donor-Restricted Endowments**

The University's endowment, through the Foundation, 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

## Notes to Financial Statements (continued)

September 30, 2021

### **7. Donor-Restricted Endowments (continued)**

The University classifies as restricted nonexpendable net position (i) the original value of gifts donated to the endowment, (ii) the original value of subsequent gifts to the endowment, and (iii) 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, as expressed in a gift instrument, the Foundation may appropriate for expenditures or accumulate so much of the investments as the Board 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 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 5%. 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.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**8. Capital Assets**

Capital assets as of September 30, 2021, are comprised as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 7,485,112	\$ —	\$ —	\$ 7,485,112
Construction-in-progress	23,683,777	12,382,590	—	36,066,367
Total capital assets not being depreciated	<u>31,168,889</u>	<u>12,382,590</u>	<u>—</u>	<u>43,551,479</u>
Capital assets being depreciated:				
Land improvements	2,904,302	46,525	—	2,950,827
Buildings, fixed equipment, improvements and infrastructure	85,995,923	—	—	85,995,923
Equipment and library materials	14,191,305	1,706,762	—	15,898,067
Total capital assets being depreciated	<u>103,091,530</u>	<u>1,753,287</u>	<u>—</u>	<u>104,844,817</u>
Less accumulated depreciation for:				
Land improvements	(2,559,148)	(53,326)	—	(2,612,474)
Buildings, fixed equipment, improvements and infrastructure	(44,703,936)	(1,840,670)	—	(46,544,606)
Equipment and library materials	(9,388,986)	(734,022)	—	(10,123,008)
Total accumulated depreciation	<u>(56,652,070)</u>	<u>(2,628,018)</u>	<u>—</u>	<u>(59,280,088)</u>
Total capital assets being depreciated, net	46,439,460	(874,731)	—	45,564,729
Total capital assets, net	<u>\$ 77,608,349</u>	<u>\$ 11,507,859</u>	<u>\$ —</u>	<u>\$ 89,116,208</u>

On September 6 and 19, 2017, the U.S. Virgin Islands were struck by two Category 5 hurricanes. The extent and severity of the storms was unprecedented and resulted in catastrophic damage to the Territory. The University had purchased commercial insurance to cover its risk of loss from destruction of assets and realized insurance recoveries during the fiscal year ended September 30, 2021, of \$750,000 which is reported as nonoperating revenue in the accompanying financial statements.

The University evaluated its capital assets for impairment and no impairment was considered necessary for the year ended September 30, 2021.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**9. Long-Term Liabilities**

**Bonds Payable**

Bonds payable activity for the year ended September 30, 2021, follows:

	<b>Beginning Balance</b>		<b>Additions</b>		<b>Reductions</b>		<b>Ending Balance</b>		<b>Due Within One Year</b>
Series A 2011-2 Bonds	\$ 31,989,435	\$	–	\$	31,989,435	\$	–	\$	–
Series A 2019-7 Bonds	30,134,428		–		30,134,428		–		–
Series A 2019-8 Bonds	10,114,079		–		10,114,079		–		–
<b>Total</b>	<b>\$ 72,237,942</b>	<b>\$</b>	<b>–</b>	<b>\$</b>	<b>72,237,942</b>	<b>\$</b>	<b>–</b>	<b>\$</b>	<b>–</b>

In June 2011, the University entered into a capital project loan agreement under the U.S. Department of Education’s Historically Black College and University (HBCU) Capital Financing Program for various capital projects. Under this loan agreement, the University was authorized to drawdown advances up to \$44,000,000 under the Series A 2011-2 Bonds. The Series A 2011-2 Bonds had maturity dates through August 1, 2034. Interest payments were due each February and August. Interest on the Series A 2011-2 Bonds was calculated at 3.5%.

In November 2019, the University entered into an additional HBCU capital loan agreement, the Series A 2019-7 Bonds, for a maximum loan amount of \$32,000,000. The proceeds of the Series A 2019-7 Bonds, were utilized to refund the then outstanding Bond Series A 2011-3 and Series A 2015-1. As a result, the Series A 2011-3 and Series 2015-1 Bonds were fully paid off and the University recognized a deferred charge on debt refunding amounting to \$5.3 million.

Also, in November 2019, the University entered into a second HBCU capital loan agreement, the Series A 2019-8 Bonds, for a maximum loan amount of \$15,000,000 on which the University drew down \$10.1 million for capital projects. Interest on these 2019 Bonds was variable and calculated and paid semi-annually from the date of each advance at a variable, adjustable, or floating rate.

During August 2020, the University’s Series A 2011-2 and Series A 2019-7 Bonds were modified under the “Coronavirus Aid, Relief, and Economic Security (CARES)” Act to defer principal and interest payments retroactively to October 1, 2019. During the deferment period, the University was not required to make periodic installments of both principal and interest as required. Additionally, because of this provision, approximately \$3 million of principal and interest payments made during fiscal year 2020 were refunded during fiscal year 2021.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### **9. Long-Term Liabilities**

To address issues related to the continuance of the global coronavirus pandemic, in December 2020, “The Consolidated Appropriations (CA) Act” was passed. The CA Act among other things, provided for an extension of time to spend any CARES Act funds until December 31, 2021, and provided funding for education, healthcare, broadband, and transportation.

Additionally, Section 706 of the CA Act directs the Secretary of Education to repay, for each institution of higher education that is a participant in HBCU Capital Financing Program, the institution’s outstanding balance of principal, interest, and fees on the disbursed loan amounts on closed loan agreements as of December 27, 2020. This repayment by the Secretary of Education also applies to closed loan agreements related to deferments for public and private HBCUs under the CARES Act. In March 2021, the University was notified that its Series 2011-2, Series 2019-7 and Series 2019-8 Bonds described above were forgiven. A gain on the forgiveness of the debt was recorded in the amount of approximately \$72.5 million which represents the principal balances, accrued interest, and other amounts deposited by the Department of Education in the University’s debt service accounts. In connection with this event, the University wrote off \$7.3 million of unamortized deferred financing costs associated with the forgiven debt.

### **Notes Payable**

In 1994, the University was advanced a mortgage note payable by the U.S. Department of Education with a maximum principal of \$2.2 million. The note is payable in semi-annual installments of \$75,000, 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 the Government of the U.S. Virgin Islands.

In September 2018, the University extended its loan agreement with First Bank for \$30 million to assist in establishing a School of Medicine. Initially, the loan was a non-revolving line of credit and converted into a general obligation note “Series 2018”. The note bears interest at the JP Morgan Chase Prime Rate plus 70 basis points, subject to a minimum interest rate of 3.95% each month thereafter until payment of the principal on or before September 2021. Also see Note 17.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**9. Long-Term Liabilities (continued)**

**Notes Payable (continued)**

Notes payable activity for the year ended September 30, 2021, follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Mortgage note	\$ 473,517	\$ –	\$ 162,198	\$ 311,319	\$ 133,276
General obligation note	23,224,192	–	–	23,224,192	23,224,192
<b>Total</b>	<b>\$ 23,697,709</b>	<b>\$ –</b>	<b>\$ 162,198</b>	<b>\$ 23,535,511</b>	<b>\$ 23,357,468</b>

The aggregate debt service requirements of notes payable at September 30, 2021, are as follows:

<b>Year ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 23,357,468	\$ 120,747	\$ 23,478,215
2023	140,707	9,861	150,568
2024	37,336	2,015	39,351
<b>Total</b>	<b>\$ 23,535,511</b>	<b>\$ 132,623</b>	<b>\$ 23,668,134</b>

As security and collateral for the mortgage note payable to the U.S. Department of Education, the University has pledged the first priority mortgage secured by the loan.

As security and collateral for the Series 2018 general obligation note, the University has pledged all assets of the existing endowment at the time of the loan and the medical school endowment created by the loan. The University has also pledged revenues and proceeds derived from a private gift to the timely payment of principal and interest.

**Covenants**

The general obligation note payable with First Bank requires the University to deliver audited financial statements within 90 days after the end of its fiscal year and maintain a minimum Debt Service Coverage Ratio (DSCR) of 1.25. The University was not in compliance with the DSCR as of September 30, 2021. The agreement considers any noncompliance of the covenants as default. However, as of the report date and as further discussed in Note 17, the University repaid the outstanding balance thereby, documenting the close of the general obligation.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**9. Long-Term Liabilities (continued)**

**Changes in Other Long-Term Liabilities**

The following is a schedule of changes in other long-term liabilities for the year ended September 30, 2021:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Accrued vacation	\$ 5,546,535	\$ 1,584,031	\$ 1,527,933	\$ 5,602,633	\$ 1,386,601
Other liabilities	326,093	10,107	28,100	308,100	—
Total	<u>\$ 5,872,628</u>	<u>\$ 1,594,138</u>	<u>\$ 1,556,033</u>	<u>\$ 5,910,733</u>	<u>\$ 1,386,601</u>

For the year ended September 30, 2021, the University's interest expense was \$1,427,512 and recorded in the statement of revenues, expenses and changes in net position.

**10. Retirement and Pension Plans**

**Defined Contribution Plan**

The Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) plan 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.

The University is required to contribute 14.5% of the annual covered payroll. The University's contributions to TIAA-CREF amounted to \$3 million for the year ended September 30, 2021.

**Defined Benefit Plan**

Following is a description of the pension plan and accounting for pension expense, liabilities, and deferred outflows/inflows of resources. As required, the University follows the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*, as amended by Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amended of GASB Statement 68* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### 10. Retirement and Pension Plans (continued)

#### Plan Description and Benefits

Full time employees of the University are members of the Government Employees' Retirement System of the U.S. Virgin Islands (GERS), a cost-sharing, multi-employer, defined benefit pension plan (the plan) established as of October 1, 1959, in accordance with Title 3, Chapter 27 of the Virgin Islands Code (the Code) to provide retirement, death and disability benefits. Benefits may be extended to beneficiaries of plan members.

The plan covers all employees of the University, except casual, provisional, and any part-time employee who does not regularly work at least 20 hours per week. The plan also covers employees whose services are compensated on a contractual fee or per diem basis who work exclusively for the University at least 40 hours per week. Persons over the age of 55 may opt out of the plan by providing formal notification to the plan. Vesting of benefits occurs after 10 years of service. Benefits may be extended to beneficiaries of plan members.

There are two tiers within the plan:

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

Regular Tier I who have completed thirty (30) years of credited service or have attained age sixty (60) with at least ten (10) years of credited service are eligible for a full-service retirement annuity. Regular Tier II employees who have attained age sixty-five (65) with at least ten (10) years of service are eligible for a full-service retirement annuity. Members who are considered "safety employees" as defined in the Code are eligible for full retirement benefits when they have earned at least twenty (20) years of service or have reached the age of fifty-five (55) with at least ten (10) years of credited service. Regular and safety employees who have attained age fifty (50) with at least ten (10) years of credited service may elect to retire early with a reduced benefit.

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

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**10. Retirement and Pension Plans (continued)**

**Plan Description and Benefits (continued)**

GERS is a separate and independent agency that is included for financial reporting as a blended pension trust fund of the Government. GERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Government Employees' Retirement System of the U.S. Virgin Islands, 3438 Kronprindsens Gade, St. Thomas, Virgin Islands 00802.

**Funding and Contribution Policy**

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% and 23.5% (effective January 1, 2020) of the member's annual salary during the year ended September 30, 2021.

Employee contribution rates (as a percentage of payroll) for fiscal year 2020 were as follows:

	<b>Tier I</b>	<b>Tier II</b>
Regular employees	11.0%	11.5%

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

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

The University is considered an employer of the plan with a proportionate share of 1.5200% as of the measurement date September 30, 2020, which was a decrease of 0.1200% from its proportionate share measured as of September 30, 2019. The University's percentage was estimated by management based on the average of each employer's contributions during the period October 1, 2015 through September 30, 2020. The University's proportionate share of employer contributions recognized by GERS was \$1.4 million for the plan's fiscal year ended September 30, 2020.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**10. Retirement and Pension Plans (continued)**

**Pension Liabilities, Expense, and Deferred outflows/Inflows of Resources**

As of September 30, 2021, the actuarially calculated net pension liability for the University's proportionate share was \$87.8 million. The net pension liability is measured as of September 30, 2020, and the total pension liability is actuarially computed as of October 1, 2020.

For the year ended September 30, 2021, the University recognized \$3.6 million of pension expense, inclusive of amortization of deferred outflows and inflows of pension related items.

Following is a schedule of deferred outflows of resources and deferred inflows of resources allocated to the University in the computation of net pension liability for the year ended September 30, 2021:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 17,042,385	\$ 5,003,942
Net difference between projected and actual earnings on pension plan investments	-	104,428
Difference between expected and actual experience	749,977	29,935
Changes in proportionate share	-	14,262,427
Contributions made subsequent to measurement date	1,410,325	-
	<b>\$ 19,202,687</b>	<b>\$ 19,400,732</b>

The amount reported for contributions subsequent to the measurement date of \$1.4 million will be recognized as a reduction of the net pension liability in the year ending September 30, 2022.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**10. Retirement and Pension Plans (continued)**

**Pension Liabilities, Expense, and Deferred outflows/Inflows of Resources (continued)**

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

<u>Year ending September 30,</u>	
2022	\$ 3,121,567
2023	3,146,094
2024	2,041,128
2025	2,744,461
2026	800,361
Thereafter	800,361
	<u>\$ 12,653,972</u>

**Actuarial Assumptions**

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of the measurement date on September 30, 2020 is provided below, including any assumptions that differ from those used in the October 1, 2020, actuarial report.

Inflation	2.00%
Salary Increases	3.25% including inflation
Actuarial cost method	Entry age normal
Expected rate of return	4.00%
Municipal bond yield	2.21%
Discount rate	2.23%
Mortality table	RP-2014 Blue Collar

Refer to the October 1, 2020, actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website.

The demographic assumptions for the 2020 actuarial valuation are based on the results of an actuarial experience study for the period October 1, 2011 through September 30, 2015, which the net investment return assumption updated for the October 1, 2020 valuation.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### 10. Retirement and Pension Plans (continued)

#### Investment Rate of Return

The long-term expected rate of return of 4.0% on pension plan investments was determined using a 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 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, 2020, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	9%	6.23%
Fixed income	60%	0.98%
Real estate	10%	4.33%
Cash	12%	0.48%
Private equity	9%	10.23%
	<u>100%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 2.23% as of September 30, 2020, which was a decrease of 0.44% from the discount rate as of September 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the plan's long-term expected rate of return on pension plan investments of 4.0% was applied to all periods of projected benefit payments that are covered by projected assets. For periods where future benefit payments are not covered by projected assets, the yield on a twenty (20) year AA Municipal Bond Index was applied. As of September 30, 2020, that rate was 2.21%.

University of the Virgin Islands

Notes to Financial Statements (continued)

September 30, 2021

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

The following presents the University’s proportionate share of the net pension liability (NPL) for the plan, calculated using the discount rate, as well as what the University’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the year ended September 30, 2021:

<b>Proportionate Share for University</b>	<b>1% Decrease (1.23%)</b>	<b>Current Discount (2.23%)</b>	<b>1% Increase (3.23%)</b>
Net pension liability	\$101,867,337	\$87,799,401	\$76,309,881

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

**11. Other Postemployment Benefits**

**Plan Description and Benefits**

In addition to the pension benefits described above, the Government provides other postemployment benefits (OPEB) of healthcare, prescription, dental and life insurance coverage through the Virgin Islands Government Employees’ Health and Life Insurance Plan. These benefits are provided in accordance with Title 3, Chapter 25, Subchapter VIII of the V.I. Code as part of a multiple employer defined benefit OPEB plan, in which the University participates. The administration of Government insurance is vested with the Board of Trustees of the Government Employee’s Service Commission. 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 35.0% of medical, prescription, and dental premiums.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**11. Other Postemployment Benefits (continued)**

**Plan Description and Benefits (continued)**

As required, the University follows the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires the reporting and disclosure of costs and liabilities associated with postemployment benefits provided to retirees.

**Employees Covered by the Plan**

As of September 30, 2021, the following University's employees were covered by the benefit terms:

Service and disability retirees	66
Active employees	<u>427</u>
Total	<u><u>493</u></u>

**Contributions**

The contribution requirements of plan members and the Government are legislated within the V.I. Code, and may be amended, by the Legislature of the Virgin Islands. Payments made by the Government for the University do not qualify as a special funding situation. For the year ended September 30, 2021, the University recognized \$275,933 of non-operating revenue related to the cost paid by the Government 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 GASB Statement No. 75, and expenses are paid as they become due.

**OPEB Liabilities, Expense, and Deferred Outflows/Inflows of Resources**

At September 30, 2021, the University reported a total OPEB liability for its proportionate share of 1.52%, as of the measurement date of October 1, 2020, which was an increase of 0.06% from its proportionate share from the prior year.

The proportionate share is determined based on the respective census data. The University's proportionate share of the total OPEB liability as of September 30, 2021 amounted to \$15.9 million.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**11. Other Postemployment Benefits (continued)**

**OPEB Liabilities, Expense, and Deferred Outflows/Inflows of Resources (continued)**

For the year ended September 30, 2021, the University recognized expense of \$1,381,084, inclusive of amortization of deferred outflows and inflows of OPEB related items.

Following is a schedule of deferred outflows and deferred inflows of resources in the computation of the total OPEB liability for the year ended September 30, 2021:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in actuarial assumptions or other inputs	\$ 2,788,818	\$ 563,720
Difference between expected and actual experience	150,898	-
	\$ 2,939,716	\$ 563,720

Amounts reported as deferred outflows of resources and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending September 30,		
2022	\$	370,674
2023		370,674
2024		444,520
2025		541,184
2026		522,500
Thereafter		126,444
	\$	2,375,996

University of the Virgin Islands

Notes to Financial Statements (continued)

September 30, 2021

**11. Other Postemployment Benefits (continued)**

**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 events in the future. Actuarial assumptions used in the computation of the total OPEB liability were as follows:

Valuation date:	October 1, 2019
Measurement date:	October 1, 2020
Report date:	September 30, 2021
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 3.58% End of year rate of 2.14% S&P Municipal Bond 20-Year high grade rate index as of September 30, 2020
Healthcare cost trend rates:	Pre-Medicare increases of 5.50% in 2021 to 4.50% in 2023 Medicare increases of 4.75% in 2021 to 4.50% in 2023 Dental increases of 4.75% in 2021 to 4.50% in 2023
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. Husband 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, 2020 valuation was based on the results of an actuarial experience for the period October 1, 2011 – September 30, 2015.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**11. Other Postemployment Benefits (continued)**

**Change in Assumptions**

The discount rate changed from 3.58% in the prior evaluation to 2.14% as of September 30, 2020.

**Changes in Total OPEB Liability**

Following are the components of change in the proportionate OPEB liability for the year ended September 30, 2021:

Total OPEB liability at beginning of year	\$ 12,011,355
Services costs	565,070
Interest	445,340
Changes in assumptions or other input	3,161,058
Benefit payments	<u>(275,933)</u>
Total OPEB liability at end of year	<u>\$ 15,906,890</u>

**Sensitivity of OPEB Liability to Changes in the Discount Rate**

The following sensitivity analysis shows the impact of the total OPEB liability if the discount rate was one percentage point higher or one percentage point lower than the current discount rate:

	<b>1% Decrease Discount rate (1.14%)</b>	<b>Current Discount Rate (2.14%)</b>	<b>1% Increase Discount Rate (3.14%)</b>
OPEB liability	\$18,988,133	\$15,906,890	\$13,474,146

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### 11. Other Postemployment Benefits (continued)

#### Sensitivity of OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following sensitivity analysis shows the impact of the total OPEB liability if the healthcare cost trend rates were one percentage point higher or one percentage point lower than the current healthcare cost trend rate:

	1% Decrease Healthcare Trend Rate (4.5%)	Current Single Healthcare Trend Rate (5.5%)	1% Increase Healthcare Trend Rate (6.5%)
OPEB liability	\$13,225,648	\$15,906,890	\$19,422,068

### 12. Functional Information

The University's operating expenses by functional classification as of September 30, 2021, were as follows:

Functional Classification	Salaries and Benefits	Supplies and Other Services	Scholarships and Other Services	Utilities	Depreciation	Other Expenses	Total
Instruction	\$ 12,222,304	\$ 1,167,588	\$ 30,635	\$ 16,913	\$ -	\$ -	\$ 13,437,440
Research	10,278,988	7,202,844	880,194	126,410	-	-	18,488,436
Public service	4,219,045	1,929,283	4,703	34,875	-	-	6,187,906
Academic support	4,884,124	1,277,168	276,342	24	-	-	6,437,658
Student services	3,012,160	709,788	169,406	443,245	-	-	4,334,599
Institutional support	12,639,668	5,947,217	2,876,806	19,815	-	-	21,483,506
Operation/plant maintenance	4,423,736	2,044,039	-	2,074,146	-	-	8,541,921
Student aid	310,291	80,858	5,706,270	-	-	-	6,097,419
Auxiliary	1,346,924	1,411,103	-	278,677	-	-	3,036,704
Depreciation	-	-	-	-	2,628,018	-	2,628,018
Other	-	-	-	-	-	158,004	158,004
	\$ 53,337,240	\$ 21,769,888	\$ 9,944,356	\$ 2,994,105	\$ 2,628,018	\$ 158,004	\$ 90,831,611

### 13. Related Party Transactions

As of September 30, 2021, the Foundation was owed \$125,000 by the University of the Virgin Islands Research and Technology Park Corporation (RT Park) for a loan approved and granted in 2015. RT Park is required to make monthly principal and interest payments until the loan is paid off at the end of seven (7) years. The loan interest rate is 5% annually. RT Park is a public corporation and a component unit of the Government.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### **13. Related Party Transactions (continued)**

The University and RT Park share leased facilities. Effective January 1, 2021, the parties entered into a memorandum of understanding (MOU) establishing the allocation of costs and expenses to operate the building. As of September 30, 2021, the University owed RT Park \$167,054 under the terms of the MOU. Similarly, RT Park owed the University \$178,975 for their portion of the allocated costs.

As of September 30, 2021, the University was owed approximately \$52.3 million from the Foundation for payments made on its behalf. This amount is considered as an interofund transaction and was eliminated from the statement of net position for blending presentation purposes between the University and the Foundation.

Appropriations received from the Government for the year ended September 30, 2021 amounted to \$38.6 million. Also see Note 16.

### **14. Contingencies**

#### **Litigation**

During the normal course of business, the University is a defendant in various lawsuits. In the opinion of management and legal counsel, the outcome of these cases and resulting liability, if any, is either adequately covered by insurance or should not materially affect the University's financial position.

#### **Grant Funds**

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. Further, management believes these non-compliance instances, if any, should not materially affect the University's financial position.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### **15. Risk Management**

The University is exposed to various risks of losses, including torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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. Each commercial insurance policy maintained by the University contains specific policy limits and deductibles.

Claims expenses and liabilities are recorded when it is probable that a loss has occurred in excess of insured amounts and the amount of that loss can be reasonably estimated. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **16. Financial Condition**

The University has been financially challenged, and its situation was exacerbated by a global occurrence which continued from 2020 to 2021. The management team is focused on its plan for the immediate future which includes exploration of alternative revenue sources, evaluation of tuition rates, reduction of operating expenses, and capital investment of federal funds consistent with grant awards.

Further, the University is not organized as a self-sustaining entity and is highly dependent on funding from the Government to repay and fund its obligations. The Government is in a significant net deficit position and currently faces significant fiscal, economic, and liquidity challenges.

To date, local appropriations for funding the University's programs have not been significantly impacted by the Government's financial condition and it is unknown what impact, if any, the Government's financial condition will have on the University. 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. These conditions raise substantial doubt about the University's ability to continue as a going concern.

The University's financial statements as of September 30, 2021 reflect the impact of the extinguishment of the University's HBCU Capital Financing debt. The resulting gain is reported as a nonoperating item and represents a significant, nonrecurring event, and should be considered separately when evaluating the University's ongoing operational results and financial trends.

# University of the Virgin Islands

## Notes to Financial Statements (continued)

September 30, 2021

### **17. Subsequent Events**

#### **Hurricane Recovery**

The University has made significant progress towards restoring its facilities which were damaged by Hurricanes Irma and Maria in September 2017. The Federal Emergency Management Agency's (FEMA) Public Assistance Grant Program (PA) provides federal support to include assistance for debris removal, life-saving emergency protective measures, and the repair, replacement, or restoration of disaster-damaged facilities. As of August 2025, the University has been approved for approximately \$23.4 million in grant funding for emergency restoration work, and permanent and hazard mitigation projects.

#### **Other Events**

In December 2021, the University repaid in full its general obligation note with First Bank in the amount of \$23.2 million. This note was originally issued to support the construction of the University's medical school.

In April 2023, the University also satisfied its mortgage note with the U.S. Department of Education in the amount of \$319 thousand. This note was related to facilities improvements.

In March 2023 and July 2025, the University received an alert notification from the U.S. Department of Education for lack of submission of various annual reports which may result in, amongst other things, provisional certification and placement on a heightened cash monitoring payment method. The University continues to diligently monitor such requirements as it continues to recover from the disruption to its operations from Hurricanes Irma and Maria along with the impact of the COVID-19 global pandemic.

In August 2023, the University signed a Capital Project Loan Agreement to borrow \$29 million (Series A 2023-5) with a maturity date of August 1, 2053, and a variable interest rate. The loan's proceeds will be used for the construction of a new classroom building for the School of Nursing on the Albert A. Sheen St. Croix campus, as well as completion of the reconstruction of the facilities damaged by the 2017 hurricanes.

After fifteen years under the leadership of Dr. David Hall, in February of 2024, the University named a new President, Dr. Safiya George providing a new influence and readiness to change financial leadership. Subsequently, the new President appointed new financial authority in FY 2025 to foster an improvement in the University's financial performance.

University of the Virgin Islands  
Notes to Financial Statements (continued)

September 30, 2021

**17. Subsequent Events (continued)**

**Other Events (continued)**

Recently external regulators have increased concerns regarding delayed audits, these include the Department of Education, the Small Business Association, and the US Department of Agriculture. The University was placed on heightened cash management monitoring status (HCM1) by the Department of Education due to delayed Single Audit reports and the Small Business Association has halted additional funding for FY 2026 pending receipt of said audit. A recent US Department of Agriculture cooperative agreement review stipulated the University submit timely Single Audit Reports to meet the terms and conditions of the award requirements.

In March of 2026, the Middle States Commission on Higher Education accreditors visited the University as part of their reaffirmation review and have also submitted concerns over the timely submission of audited financial statements.

Change in management has greatly increased communication across the organization and the University has taken a proactive approach to not further delay submissions. The local government agencies are heavily invested in ensuring the University is successful and are providing the necessary information to complete the necessary audit procedures.

In late September 2025, the University began having challenges with timely government appropriation allotment disbursements. Annual appropriations bills have been a steady revenue stream throughout the years, and the University has seen continued growth in tuition revenues, state grants and contracts. Over the past several years there have been several tuition increases Fall 2023, Fall of 2024 and Summer of 2025 which have supported resource management.

Currently, the University has several significant infrastructure development commitments to include completion of the School of Nursing on the St. Croix campus and the Reichhold Center for the Arts Building.

The overall composition of supporting strategic priorities and maintaining fiscal viability has been weaved into the University's mission and vision.

University of the Virgin Islands

Notes to Financial Statements (continued)

September 30, 2021

**17. Subsequent Events (continued)**

**Management's Evaluation**

Management has evaluated any events or transactions occurring after September 30, 2021, the statement of net position date, through May 29, 2026, the date the financial statements were available to be issued, and noted that there have been no additional events or transactions which would require adjustments to or disclosure in the University's financial statements for the year ended September 30, 2021

# Required Supplementary Information

# University of the Virgin Islands

## Schedule of the University's Proportionate Share of the Net Pension Liability

September 30, 2021

	2021	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	1.5200%	1.6400%	1.7954%	1.9355%	1.9869%	2.0943%	2.0471%
University's proportionate share of the net pension liability	\$87,799,401	\$87,160,224	\$74,920,851	\$84,782,113	\$91,924,998	\$85,271,734	\$63,173,875
University's covered employee payroll	\$ 4,934,542	\$ 7,911,010	\$ 7,621,442	\$ 7,427,200	\$ 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	1779%	1102%	983%	1142%	1223%	1179%	968%
Plan fiduciary net position as percentage of the total pension liability	8%	11%	16%	16%	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

## Schedule of the University's Contributions

September 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Actuarially required contributions	\$ 5,715,071	\$ 6,015,349	\$ 4,982,936	\$ 5,182,168	\$ 4,254,987	\$ 4,384,689	\$ 3,326,083
Contributions in relation to the actuarially required contributions	1,410,325	1,415,146	1,404,569	1,491,530	1,500,992	1,531,380	1,401,719
Contribution deficiency (excess)	\$ 4,304,746	\$ 4,600,203	\$ 3,578,367	\$ 3,690,638	\$ 2,753,995	\$ 2,853,309	\$ 1,924,364
 Covered employee payroll	 \$ 4,934,542	 \$ 6,549,946	 \$ 7,911,010	 \$ 7,621,442	 \$ 7,427,200	 \$ 7,515,486	 \$ 7,230,037
Contributions as a percentage of covered employee payroll	29%	22%	18%	20%	20%	20%	19%

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

Schedule of the University's Proportionate Share of the OPEB Liability

September 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
University's proportion of the OPEB liability	1.52%	1.46%	1.34%	1.29%
University's proportionate share of the OPEB liability	\$ 15,906,890	\$ 12,011,355	\$ 10,859,868	\$ 10,589,360
University's covered employee payroll	\$ 6,770,683	\$ 6,549,946	\$ 7,911,010	\$ 7,621,442
Total OPEB liability as a percentage of the University's covered payroll	234.9%	183.4%	137.3%	138.9%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

University of the Virgin Islands

Notes to Required Supplementary Information - OPEB

September 30, 2021

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

The discount rate changed from 3.58% for the opening balance as of September 30, 2020, to the discount rate of 2.14% for the ending balance as of September 30, 2021. This change resulted in an increase in total OPEB liability.

The base mortality tables and mortality improvement rates were updated to RP-2014 Blue Collar Mortality table (110.0% adjustment) projected forward using the MP-2015 scale.

Future participation in the retiree health plan is projected to be 85.0%.



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## Report of Independent Auditors 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*

Management and Board of Trustees

We have audited, 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 (*Government Auditing Standards*), the financial statements of the business-type activities and aggregate discretely presented component units of University of the Virgin Islands (the University), which comprise the statement of net position as of September 30, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated May 29, 2026.

### **Report on 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) as a basis for designing 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. 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 were not identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be a material weakness.



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### **Report on 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 financial statements. 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the findings identified in our audit and described in the accompanying *schedule of findings and questioned costs*. The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

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

*Ernst & Young LLP*

May 29, 2026

# Reports and Schedule Required by the Uniform Guidance



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**Report of Independent Auditors on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance**

To the Board of Trustees  
University of the Virgin Islands

**Report of Independent Auditors on Compliance for Each Major Federal Program**

***Qualified and Unmodified Opinions***

We have audited the University of the Virgin Islands (the University) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the University's major federal programs for the year ended September 30, 2021. 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.

*Qualified Opinion on SFA Cluster, Education Stabilization Fund (ALN 84.425), Small Business Development Centers (ALN 59.037), and Economic Adjustment Assistance (ALN 11.307)*

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on SFA Cluster, Education Stabilization Fund (ALN 84.425), Small Business Development Centers (ALN 59.037), and Economic Adjustment Assistance (ALN 11.307), for the year ended September 30, 2021.

*Unmodified Opinion on the Other Major Federal Program*

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2021.



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***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University’s compliance with the compliance requirements referred to above.

*Matters Giving Rise to Qualified Opinion on SFA Cluster, Education Stabilization Fund (ALN 84.425), Small Business Development Centers (ALN 59.037), and Economic Adjustment Assistance (ALN 11.307)*

As described in findings 2021-003, 2021-004, 2021-006 and 2021-007 in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding the following:

<b>Finding No.</b>	<b>Assistance Listing No.</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2021-003	Various	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting
2021-004	84.425E, 84.425F, 84.425J, 84.425H	Education Stabilization Fund	Reporting
2021-006	59.037	Small Business Development Centers	Reporting
2021-007	11.307	Economic Adjustment Assistance	Special Tests and Provisions – Wage Rate Requirements

Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to those programs.



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### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



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### ***Other Matters***

*Government Auditing Standards* requires the auditor to perform limited procedures on the University’s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We performed audit procedures with respect to the Student Financial Assistance Cluster major federal program related to compliance requirements in Special Tests and Provisions N.12, Gramm-Leach Bliley Act – Student Information Security as outlined in the OMB Compliance Supplement for the year ended September 30, 2021. We determined whether the University has designated a “Qualified Individual,” as described in the OMB Compliance Supplement, to be responsible for implementing and monitoring the information security program in accordance with 16 CFR 314.4(a). We determined whether the University has a written information security program and that the written information security program documents the seven minimum elements required by 16 CFR 314.4(a)-(g). Our audit procedures did not evaluate whether the designated Qualified Individual is competent to oversee the implementation and monitoring of the information security program nor whether the Qualified Individual possessed the adequate authority to carry out those duties. Our audit procedures also did not determine whether the written information security program sufficiently and completely addressed the seven minimum elements required by 16 CFR 314.4(a)-(g). Our opinion on the Student Financial Assistance Cluster major federal program is not modified with respect to this matter.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.



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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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be material weaknesses.

<b>Finding No.</b>	<b>Assistance Listing No.</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2021-003	Various	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting
2021-004	84.425E, 84.425F, 84.425J, 84.425H	Education Stabilization Fund	Reporting
2021-006	59.037	Small Business Development Centers	Reporting
2021-007	11.307	Economic Adjustment Assistance	Special Tests and Provisions – Wage Rate Requirements

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

<b>Finding No.</b>	<b>Assistance Listing No.</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2021-005	10.511	Smith-Lever Act	Reporting

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



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*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the University as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We have issued our report thereon dated May 29, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 basic financial statements as a whole.

*Ernst & Young LLP*

May 29, 2026

University of the Virgin Islands  
(A Component Unit of the Government of the U.S. Virgin Islands)  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA No.	Pass-through Entity Identification Number (Sub Award #)	Student Financial Assistance	Research and Development	Higher Education Institutional Aid	Education Stabilization Fund (ESF)	Small Business Development Center	Other Programs	Total Federal Expenditures	Award Provided to Sub-recipients
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>										
<b>UNITED STATES DEPARTMENT OF AGRICULTURE (USDA)</b>										
Direct Programs:										
Plant and Animal Disease, Pest Control, and Animal Care	10.025		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,008	\$ 42,008	\$ -
Cooperative Forestry Research	10.202		-	96,621	-	-	-	-	96,621	-
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203		-	1,822,220	-	-	-	-	1,822,220	-
Resident Instruction, Agriculture, and Food Science Facilities and Equipment Grants	10.308		-	60,310	-	-	-	-	60,310	-
Distance Education Grants for Institutions of Higher Education in Insular Areas	10.322		-	39,070	-	-	-	-	39,070	-
Smith Lever Extension	10.511		-	-	-	-	-	1,262,854	1,262,854	-
Expanded Food and Nutrition Education Program	10.514		-	-	-	-	-	85,249	85,249	-
Renewable Resources Extension Act	10.515		-	3,308	-	-	-	-	3,308	-
Rural Health and Safety Education Competitive Grants Program	10.516		-	61,281	-	-	-	-	61,281	-
Forest Stewardship Program	10.678		-	38,377	-	-	-	-	38,377	-
Distance Learning and Telemedicine Loans and Grants	10.855		-	-	-	-	-	376,045	376,045	-
<b>Total Direct Programs</b>			-	<b>2,121,187</b>	-	-	-	<b>1,766,157</b>	<b>3,887,344</b>	-
Pass-through Programs:										
Pass-through program from Government of the Virgin Islands:										
Specialty Crop Block Grant Program - Farm Bill										
Jicama Production and Market Potent	10.170	CA SIGNED 3/20/2019	-	5,490	-	-	-	-	5,490	-
Propagating Guavaberry A High Value		CA SIGNED 3/5/2019	-	9,947	-	-	-	-	9,947	-
Tropical Winged Bean Project		NOA SIGNED r/23/20	-	26,112	-	-	-	-	26,112	-
Sweet Potato Weed Control		COOP 3/11/16	-	3,659	-	-	-	-	3,659	-
Best Pest Mgmt Tool Validation			-	6,665	-	-	-	-	6,665	-
Local Organic Pesticide from Jicama			-	3,215	-	-	-	-	3,215	-
Sustainable Agricultural Research & Education		SUB0001838	-	3,065	-	-	-	-	3,065	-
<b>Total Pass-through Programs</b>			-	<b>58,153</b>	-	-	-	-	<b>58,153</b>	-
<b>TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE (USDA)</b>			-	<b>2,179,340</b>	-	-	-	<b>1,766,157</b>	<b>3,945,497</b>	-
<b>UNITED STATES DEPARTMENT OF COMMERCE (DOC)</b>										
Direct Programs:										
NOAA Mission-Related Education Awards	11.008		-	-	-	-	-	80,050	80,050	-
<b>ECONOMIC DEVELOPMENT CLUSTER</b>										
Economic Adjustment Assistance	11.307		-	-	-	-	-	3,159,337	3,159,337	-
Coral Reef Conservation Program	11.482		-	69,916	-	-	-	-	69,916	-
Marine Debris Program	11.999		-	-	-	-	-	40,637	40,637	-
<b>Total Direct Programs</b>			-	<b>69,916</b>	-	-	-	<b>3,280,025</b>	<b>3,349,941</b>	-
U.S. Department of Commerce (USDOC) Pass-through from:										
Ocean Exploration										
Education Alliance Partnership	11.011	21-02-D-306	-	-	-	-	-	2,888	2,888	-
Integrated Ocean Observing System (IOOS)	11.012	2016-2017-007	-	31,265	-	-	-	-	31,265	-
USVI Marine Advisory FY2018-2022		2018-2019-004	-	-	-	-	-	56,892	56,892	-
Marine Protected Areas USVI		2018-2019-003	-	-	-	-	-	19,081	19,081	-
Early Life Hist Stages of Coral		2018-2019-014	-	-	-	-	-	427	427	-
Marine Fisheries Initiative	11.433	16-2997	-	42,955	-	-	-	-	42,955	-
UVI Estimate Spiny Lobsters			-	53,107	-	-	-	-	53,107	-
Coordination and Development of Research & Monitoring Activities in VI		SPC00-1012	-	111,739	-	-	-	-	111,739	-
USVI Deep Coral Reef Program		SPC00-1250	-	190,283	-	-	-	-	190,283	-
Unallied Science Program	11.472	SA-CZMP20191010	-	-	-	-	-	283,986	283,986	-

University of the Virgin Islands  
(A Component Unit of the Government of the U.S. Virgin Islands)  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA No.	Pass-through Entity Identification Number (Sub Award #)	Student Financial Assistance	Research and Development	Higher Education Institutional Aid	Education Stabilization Fund (ESF)	Small Business Development Center	Other Programs	Total Federal Expenditures	Award Provided to Sub-recipients
STX Students Coastal Cleaning Area		SA-CZMP20191013	-	500	-	-	-	500	-	
Monitoring of Coral Reefs 2006	11.482	G036PNRT22	-	165,402	-	-	-	165,402	-	
Diving for Debris		SA-CZMP20191012	-	1,055	-	-	-	1,055	-	
Cleaning Our Coasts		SA-CZMP2211002	-	11,039	-	-	-	11,039	-	
Coastal Resilience USVI - TNC			-	4,000	-	-	-	4,000	-	
ECO HAB: CIGUATOX		17024-UVI-001	-	12,660	-	-	-	12,660	-	
Tracking and mitigation the impacts		R1A-061	-	439	-	-	-	439	-	
Total Pass-through Programs			-	624,444	-	-	-	363,274	987,718	
<b>TOTAL UNITED STATES DEPARTMENT OF COMMERCE (DOC)</b>			-	694,360	-	-	-	3,643,299	4,337,659	
<b>UNITED STATES GEOLOGICAL SURVEY (USGS)</b>										
Direct Program:										
Assistance to State Water Resources Research Institutes	15.805		-	88,997	-	-	-	-	88,997	-
<b>TOTAL UNITED STATES GEOLOGICAL SURVEY (USGS)</b>			-	88,997	-	-	-	-	88,997	-
<b>UNITED STATES DEPARTMENT OF THE INTERIOR (DOI)</b>										
Direct Programs:										
Economic, Social, and Political Development of the Territories	15.875		-	-	-	-	-	277,540	277,540	-
Cooperative Research and Training Programs - Resources of the National Park System	15.945		-	32,433	-	-	-	-	32,433	-
Total Direct Programs			-	32,433	-	-	-	277,540	309,973	-
Pass-through from:										
V.I. Department of Planning & Natural Resources:										
Economic, Social, and Political Development of the Territories	15.875		-	-	-	-	-	-	-	-
Ocean Acidification Coral Reef Program		USVI-CRI-5/D16AP00101	-	9,853	-	-	-	-	9,853	-
Determining nursery grown coral outplant success between Genotypes		SA-CZMP20191005	-	17,752	-	-	-	-	17,752	-
Total Pass-through Programs			-	27,605	-	-	-	-	27,605	-
<b>TOTAL UNITED STATES DEPARTMENT OF THE INTERIOR (DOI)</b>			-	60,038	-	-	-	277,540	337,578	-
<b>UNITED STATES DEPARTMENT OF LABOR (USDOL)</b>										
Direct Program:										
Consultation Agreements	17.504		-	-	-	-	-	344,115	344,115	-
<b>TOTAL UNITED STATES DEPARTMENT OF LABOR (USDOL)</b>			-	-	-	-	-	344,115	344,115	-
<b>UNITED STATES NATIONAL AERONAUTICS &amp; SPACE ADMINISTRATION</b>										
Direct Program:										
Education Program	43.008		-	644,284	-	-	-	-	644,284	-
Total Direct Program			-	644,284	-	-	-	-	644,284	-
Pass-through from:										
University of South Florida										
Science										
Laying the Foundation of the MBON Network	43.001	80NSSC18K0318	-	13,747	-	-	-	-	13,747	-
Effects of Watershed Development		521202-UVI	-	55,364	-	-	-	-	55,364	-
SC Space Grant Consort in STEM UVI		521383-VI	-	82,095	-	-	-	-	82,095	-
3-D magneto-hydrodynamic simulation		HST-AR-15053-001-A	-	50,736	-	-	-	-	50,736	-
Total Pass-through Programs			-	201,942	-	-	-	-	201,942	-
<b>TOTAL UNITED STATES NATIONAL AERONAUTICS &amp; SPACE ADMINISTRATION (NASA)</b>			-	846,225	-	-	-	-	846,225	-

NATIONAL ENDOWMENT FOR THE HUMANITIES

University of the Virgin Islands  
(A Component Unit of the Government of the U.S. Virgin Islands)  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA No.	Pass-through Entity Identification Number (Sub Award #)	Student Financial Assistance	Research and Development	Higher Education Institutional Aid	Education Stabilization Fund (ESF)	Small Business Development Center	Other Programs	Total Federal Expenditures	Award Provided to Sub-recipients
Pass-through from:										
University of Florida										
Promotion of the Humanities Division of Preservation and Access	45.149	SUB0003049	-	-	-	-	-	17,282	17,282	-
<b>TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES</b>			-	-	-	-	-	17,282	17,282	-
<b>UNITED STATES NATIONAL SCIENCE FOUNDATION (NSF)</b>										
Direct Programs:										
Mathematical and Physical Sciences	47.049		-	190,221	-	-	-	-	190,221	-
Geosciences	47.050		-	13,237	-	-	-	-	13,237	-
Biological Sciences	47.074		-	899	-	-	-	-	899	-
Education and Human Resources	47.076		-	2,339,433	-	-	-	-	2,339,433	215,564
Integrative Activities	47.083		-	3,273,255	-	-	-	-	-	-
Education and Human Resources	47.076		-	-	-	-	-	136,522	-	-
<b>Total Direct Programs</b>			-	5,817,045	-	-	-	136,522	-	215,564
Pass-through from:										
South Carolina State University										
Mathematical and Physical Sciences	47.049		-	125,072	-	-	-	-	125,072	-
GOLD: Sparks for Change		17-075	-	24,943	-	-	-	-	24,943	-
Greater Caribbean Center		17056-NSF-UVI-01	-	65,114	-	-	-	-	65,114	-
PIRE Advancing Global Strategies	47.079	A17-0170-S001	-	130,577	-	-	-	-	130,577	-
<b>Total Pass-through Programs</b>			-	345,705	-	-	-	-	345,705	-
<b>TOTAL UNITED STATES NATIONAL SCIENCE FOUNDATION (NSF)</b>			-	6,162,750	-	-	-	136,522	6,299,271	215,564
<b>SMALL BUSINESS ADMINISTRATION (SBA)</b>										
Small Business Administration Direct Programs:										
Small Business Development Centers	59.037		-	-	-	-	1,150,385	-	1,150,385	-
<b>TOTAL SMALL BUSINESS ADMINISTRATION (SBA)</b>			-	-	-	-	1,150,385	-	1,150,385	-
<b>ENVIRONMENTAL PROTECTION AGENCY (EPA)</b>										
Direct Program:										
Environmental Education Grants Program	66.951		-	25,725	-	-	-	-	25,725	5,623
<b>Total Direct Program</b>			-	25,725	-	-	-	-	25,725	5,623
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY (EPA)</b>			-	25,725	-	-	-	-	25,725	5,623
<b>UNITED STATES DEPARTMENT OF ENERGY (DOE)</b>										
Pass-through from:										
Virgin Islands Energy Office										
State Energy Program	81.041	G047VE0T21	-	124	-	-	-	-	124	-
<b>TOTAL UNITED STATES DEPARTMENT OF ENERGY (DOE)</b>			-	124	-	-	-	-	124	-
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>										
<b>UNITED STATES DEPARTMENT OF EDUCATION (ED)</b>										
Direct Programs:										
Federal Supplemental Educational Opportunity Grants	84.007		113,803	-	-	-	-	-	113,803	-
Federal Work-Study Program	84.033		51,186	-	-	-	-	-	51,186	-
Federal Pell Grant Program	84.063		3,717,023	-	-	-	-	-	3,717,023	-
Federal Direct Student Loans	84.268		2,390,255	-	-	-	-	-	2,390,255	-
Perkins Loans Outstanding			85,180	-	-	-	-	-	85,180	-
<b>Total Student Financial Assistance Cluster</b>			6,357,447	-	-	-	-	-	6,357,447	-

University of the Virgin Islands  
(A Component Unit of the Government of the U.S. Virgin Islands)  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA No.	Pass-through Entity Identification Number (Sub Award #)	Student Financial Assistance	Research and Development	Higher Education Institutional Aid	Education Stabilization Fund (ESF)	Small Business Development Center	Other Programs	Total Federal Expenditures	Award Provided to Sub-recipients
Higher Education Institutional Aid	84.031		-	-	2,857,074	-	-	-	2,857,074	-
Disaster Recovery Assistance for Education	84.938		-	-	-	-	-	3,334,068	3,334,068	-
Education Stabilization Fund	84.425E		-	-	-	1,304,025	-	-	1,304,025	-
Education Stabilization Fund	84.425F		-	-	-	3,674,134	-	-	3,674,134	-
Education Stabilization Fund	84.425J		-	-	-	5,293,147	-	-	5,293,147	-
<b>Total Higher Education Emergency Relief Fund Program</b>			-	-	2,857,074	10,271,306	-	3,334,068	16,462,448	-
Pass-through from:										
Virgin Islands Department of Education										
Special Education Grants to States	84.027A	G24800ET20	-	-	37,778	-	-	-	37,778	-
Special Education Grants to States	84.027A	G054DOET20	-	-	91,958	-	-	-	91,958	-
Higher Education Institutional Aid	84.031	P031B170036	-	-	11,896	-	-	-	11,896	-
Education Stabilization Fund	84.425H		-	-	-	459,450	-	-	459,450	-
<b>Total Pass-through Program</b>			-	-	141,632	459,450	-	-	601,082	-
<b>TOTAL UNITED STATES DEPARTMENT OF EDUCATION (ED)</b>			<b>6,357,447</b>	<b>-</b>	<b>2,998,706</b>	<b>10,730,756</b>	<b>-</b>	<b>3,334,068</b>	<b>23,420,977</b>	<b>-</b>
<b>UNITED STATES DEPARTMENT OF HEALTH &amp; HUMAN SERVICES (HHS)</b>										
Direct Programs:										
Trans-NIH Research Support	93.310		-	6,819	-	-	-	-	6,819	-
ACL Assistive Technology	93.464		-	-	-	-	-	113,747	113,747	-
Human Services Research Partnership	93.600		-	-	-	-	-	(40,424)	(40,424)	-
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632		-	-	-	-	-	527,456	527,456	-
Biomedical Research and Research Training	93.859		-	358,118	-	-	-	-	358,118	-
<b>Total Direct Programs</b>			<b>-</b>	<b>364,937</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>600,779</b>	<b>965,716</b>	<b>-</b>
Pass-through from:										
University of Miami										
Maternal & Child Health Federal Programs:										
V.I. Dept. of Health & Human Services										
Every Student Succeeds Act/Preschool Development Grants	93.434		-	-	-	-	-	98,993	98,993	-
Road to Success Early Child Care		90TP002301	-	-	-	-	-	-	-	-
Minority Health and Health Disparities Research	93.307	M17A1264 (A10932)	-	23,428	-	-	-	-	23,428	-
Pediatric ECHORN Cohort Study			-	32,577	-	-	-	-	32,577	-
Data-driven Analysis Exploring Age			-	12,556	-	-	-	-	12,556	-
<b>Sub total U.S. Department of Health &amp; Human Services (HHS) Pass through program</b>			<b>-</b>	<b>68,562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98,993</b>	<b>167,554</b>	<b>-</b>
<b>TOTAL UNITED STATES DEPARTMENT OF HEALTH &amp; HUMAN SERVICES (HHS)</b>			<b>-</b>	<b>433,498</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>699,772</b>	<b>1,133,270</b>	<b>-</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 6,357,447</b>	<b>\$ 10,491,058</b>	<b>\$ 2,998,706</b>	<b>\$ 10,730,756</b>	<b>\$ 1,150,385</b>	<b>\$ 10,218,754</b>	<b>\$ 41,947,105</b>	<b>\$ 221,187</b>

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

Year Ended September 30, 2021

**1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all Federal Awards Programs of the University of the Virgin Islands (the “University”). The University’s reporting entity is defined in the notes to the financial statements.

**2. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards (“Schedule or SEFA”) is presented using the accrual basis of accounting. Total federal awards expended for each federal program are recognized in accordance with 2 CFR §200.510(b). Negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Adjustments related to prior periods differences are generally recognized in the period in which they are identified. As the SEFA represents supplementary information rather than a primary financial statement, reflecting the impact of this adjustment in the current-year SEFA is considered appropriate.

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.

**3. Matching Costs**

Matching costs, such as the non-federal share of certain program costs, are not included in the accompanying Schedule.

**4. Relationship to Federal Financial Reports**

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying schedule, which is prepared on the basis of accounting explained in Note 2.

University of the Virgin Islands  
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Notes to Schedule of Expenditures of Federal Awards (continued)

**5. Federal Perkins Loan Program**

The Federal Perkins Loan Program is administered directly by the University and balances and transactions are included in the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan Program was \$85,180 as of September 30, 2021.

The University disbursed \$0 under the Federal Perkins Loan Program for the year ended September 30, 2021.

**6. Federal Direct Student Loan Program**

During the fiscal year ended September 30, 2021, the University processed \$2,390,255 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, 2021, relating to this program are reported as expended. The University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program and, accordingly, these loans are not included on the University's financial statements; furthermore, it is not practical to determine the balance of loans outstanding to students and former students of the University under these programs at September 30, 2021.

**7. Indirect Cost Rate**

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

**8. Contingencies**

The University participates in various federally funded programs, 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.

University of the Virgin Islands  
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Schedule of Findings and Questioned Costs

September 30, 2021

Section I – Summary of Auditor’s Results

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Internal control over financial reporting:

Material weakness(es) identified?

Significant deficiency(ies) identified?

Noncompliance material to financial statements noted?

Unmodified opinion

<u>  X  </u>	Yes	<u>    </u>	No
<u>    </u>	Yes	<u>  X  </u>	None reported
<u>  X  </u>	Yes	<u>    </u>	No

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

Significant deficiency(ies) identified?

Type of auditor’s report issued on compliance for major federal programs:

<u>  X  </u>	Yes	<u>    </u>	No
<u>  X  </u>	Yes	<u>    </u>	None reported
<b>Qualified for all major federal programs except for Smith Lever Extension (ALN 10.511), which was unmodified</b>			

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

<u>  X  </u>	Yes	<u>    </u>	No
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Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.511	Smith Lever Extension
11.307	Economic Adjustment Assistance
59.037	Small Business Development Centers
Various	Student Financial Assistance Cluster
84.425E, 84.425F, 84.425J, 84.425H	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:     \$1,258,413    

Auditee qualified as low-risk auditee?      Yes   X   No

University of the Virgin Islands  
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Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings

**Finding Number: 2021-001 - Financial Statement Close Process**

***Criteria***

A fundamental element of a sound system of internal controls 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 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 the relevant disclosures that are required under generally accepted accounting principles.

***Condition***

During our audit, we noted deficiencies in the University's financial statement close process, including the following:

- Multiple post-closing entries were not initially completed by the University during its closing process. These post-closing entries were necessary to properly record revenue and expense activity, accounts receivable activity, cash activity, prepaid expenses activity and certain liabilities. These entries, when aggregated, were considered material to the financial statements.
- The compilation of financial data and reconciliation processes for several areas are not completed in a timely manner. The lack of procedures and controls in these areas resulted in inefficiencies during the financial statements preparation process.
- Draft of the financial statements required multiple corrections in the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position (Deficit), and Statement of Cash Flows. The notes to the financial statements also required multiple changes, including missing disclosures.

***Cause***

The lack of adequate controls has resulted in an ineffective and inefficient financial statements close process. This weakness may stem from shortage of personnel, lack of oversight, or ineffective review processes. This can also stem from the lack of proper transition controls if any member of any given area which affects the financial statement closing leaves the entity.

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

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

**Finding Number: 2021-001 - Financial Statement Close Process (continued)**

***Effect***

The post-closing entries recorded by the University resulted in a delayed financial statement close process, thus affecting the audit process and the timing of issuance of the audited financial statements.

***Recommendations***

Management should continue to improve the annual closing process, including more effective monitoring controls over financial information. All general ledger accounts should be supported by reconciliations, roll-forward schedules and other appropriate documentation which are timely reviewed at two levels and evidenced by supervisory approval. Journal entries should be supported by complete documentation and timely reviewed for the processing of financial statements at year end.

All accounting judgments and estimates should also be properly supported and reviewed. In reviewing and developing the closing process, the University should ensure that it has sufficient accounting personnel with the appropriate experience and training to effectively perform the financial statement close process. Additionally, there is a need for key accounting personnel to develop and review the draft financial statements for correctness of accounting, presentation and disclosure prior to its presentation to the auditors. This may include holding internal training programs for the preparers and first level reviewers to ensure a clear understanding of the financial statement close process.

An effective control environment requires that those in charge of governance monitor the accounting and financial reporting functions effectively. By implementing these recommendations, the monitoring of the accounting and financial reporting activities of the University will be reinforced.

***Management's Response***

The University of the Virgin Islands concurs with this finding. Management response is included in a separate document.

University of the Virgin Islands  
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Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

**Finding Number: 2021-002 - Untimely Submission of the Data Collection Form and Reporting Package**

***Criteria***

2 CFR 200.512, Report Submission, requires the auditee to submit the Data Collection Form (DCF) and reporting package to the Federal Audit Clearinghouse (FAC) within the earlier of 30 calendar days after receipt of the auditor’s reports or nine (9) months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

***Condition***

The University did not submit the Data Collection Form and the Single Audit reporting package to the Federal Audit Clearinghouse (FAC) within the required timeframe for the fiscal year ended September 30, 2021.

***Cause***

The issues described in the finding 2021-001 resulted in delays in completing the financial statement close process, which in time, resulted in the audit not being completed in a timely manner. As a result, the audited financial statements and related reporting package were not available for submission to the Federal Audit Clearinghouse within the required timeframe.

***Effect***

The University is not in compliance with 2 CFR 200.512.

***Recommendation***

We recommend that the University establish and implement a coordinated and timely financial reporting process to ensure that the financial statements are completed, audited, and available within the required timeframe to support compliance with Uniform Guidance reporting requirements. This should include strengthening the financial statement close process, as described in Finding 2021-001, to reduce delays in the preparation and audit of the financial statements.

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

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statement Findings (continued)

**Finding Number: 2021-002 - Untimely Submission of the Data Collection Form and Reporting Package (continued)**

***Recommendation (continued)***

Additionally, the University should implement procedures to monitor and track key Single Audit reporting deadlines, including the submission of the Data Collection Form and reporting package to the Federal Audit Clearinghouse, to ensure compliance with 2 CFR 200.512. Such procedures may include the use of formal closing and reporting calendars, assignment of clear responsibilities, and timely supervisory review to ensure that required submissions are completed accurately and within established deadlines.

***Management's Response***

The University of the Virgin Islands concurs with this finding. Management response is included in a separate document.

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

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs

**Finding Number: 2021-003**

***Program***

Student Financial Assistance (SFA) Cluster – Various ALNs

***Compliance Requirement***

Special Tests and Provisions – Enrollment Reporting

***Criteria***

Institutions are required to report enrollment information under the Pell grant and the Direct and FFEL loan programs via the NSLDS. The administration of the Title IV programs depends heavily on the accuracy and timeliness of the enrollment information reported by institutions. Institutions must review, update, and verify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access.

There are two categories of enrollment information “Campus Level” and “Program Level”, both of which need to be reported accurately and have separate record types. Institutions are responsible for accurately reporting all Campus-Level Record and Program-Level Record data elements.

Institutions are responsible for timely reporting. Institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by ED via NSLDS. The institution must update changes in the data elements for the Campus Record and the Program Record and submit the changes electronically through the batch method, spreadsheet submittal, or the NSLDS website.

When a Direct Loan was made to or on behalf of a student who was enrolled or accepted for enrollment at the institution, and the student ceased to be enrolled on at least half-time basis or failed to enroll on at least half-time basis for the period for which the loan was intended,; or a student who is enrolled at the institution and who received a loan under Title IV has changed his or her permanent address, the institution must report the change in its next updated Enrollment Reporting Roster file (due within 60 days of the change).

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

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2021-003 (continued)**

***Condition***

Out of a sample of 33 students, 4 had a status change that was not reported to the National Student Loan Data System (NSLDS).

***Cause***

Processes and controls over the reporting of the student status change to the Department of Education are not properly designed or not functioning as intended to ensure that the University complies with this requirement.

***Effect***

The University did not comply with the enrollment reporting requirements, which may result in inaccurate or incomplete enrollment data in NSLDS and limit the Department of Education's ability to monitor student eligibility and loan status.

***Questioned Costs***

Not applicable.

***Context***

We performed a test of detail where our statistically valid sample consisted of 33 items from a population of 221 students that had a reduction or increase in attendance levels, graduated, withdrew, dropped out, or enrolled but never attended during the audit period. Based on the evidence examined, we noted 4 samples in which no reporting of enrollment data was provided to the National Student Loan Data System (NSLDS).

***Identification as a repeat finding, if applicable***

2020-015

***Recommendation***

We recommend that the University establishes procedures to ensure that enrollment status changes are updated and accurately reported in a timely manner in the NSLDS database.

***Management's Response***

The University of Virgin Islands concurs with this finding. Management response is included in a separate document.

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

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2021-004**

***Federal Program***

Education Stabilization Fund – ALN 84.425E, 84.425F, 84.425J, 84.425H

***Compliance Requirement***

Reporting

***Criteria***

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan (ARP) Act institutional quarterly reporting requirements involve publicly posting completed forms on the institution’s website.

The forms must be conspicuously posted on the institution’s primary website on the same page as the reports of the Institution of Higher Education (IHE) activities related to the emergency financial aid grants to students (Student Aid Portion).

A new, separate form must be posted covering aggregate amounts spent for Higher Education Emergency Relief Fund (HEERF I), HEERF II, and HEERF III funds each quarterly reporting period (September 30, December 31, March 31, June 30), concluding after an institution has expended and liquidated all Institutional Portion funds and checks the “final report” box. IHEs must post this quarterly report no later than 10 days after the end of each calendar quarter (October 10, January 10, April 10, July 10).

The Governors (Outlying Areas) reporting requirements involve a monthly report related to all expenditures of the issued award by the Government of the United States Virgin Islands.

***Condition***

Out of a sample of 10 performance and special reports, 5 were submitted past the established due date, and 4 were not submitted.

***Cause***

Processes and controls over the reporting requirements are not in place to ensure that the University complies with the submission of required reports.

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

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2021-004 (continued)**

***Effect***

The University did not comply with reporting requirements, which could lead to funds disallowance.

***Questioned Costs***

Not applicable.

***Context***

We performed a test of details using a statistically validated sample of 10 items selected from a population of 25 performance and special reports. Based on the evidence examined, we identified 5 samples in which reports were issued after the required submission deadline and 4 samples in which no reporting was provided to the direct recipient, the Government of the United States Virgin Islands.

***Identification as a repeat finding, if applicable***

2020-017

***Recommendation***

We recommend the University implements internal controls and procedures to ensure reports are completed and filed timely.

***Management's Response***

The University of Virgin Islands concurs with this finding. Management response is included in a separate document.

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

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2021-005**

***Federal Program***

Smith Lever Extension – 10.511

***Compliance Requirement***

Reporting

***Criteria***

Recipients must use the Federal Financial Report (FFR) as a standardized format to report expenditures under federal awards and submit them in a timely manner.

***Condition***

Two instances in which the control intended to ensure timely submission failed to prevent reports from being submitted after the due date.

***Cause***

Controls intended to ensure compliance with reporting timeliness requirements do not appear to be adequately designed or operating effectively.

***Effect***

Ineffective controls over the timely submission of FFRs increase the risk of delayed or incomplete reporting and may result in future noncompliance with federal reporting requirements.

***Questioned Costs***

Not applicable.

***Context***

We performed a test of details to evaluate the timeliness of FFR submissions. Our sample consisted of 2 items, representing the full population of FFRs required to be submitted during the audit period. Based on the procedures performed, we identified 2 instances in which the reports were submitted after the required due date, with an average delay of approximately 33 days, indicating that controls over the timely submission of FFRs were not operating effectively.

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

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2021-005 (continued)**

*Identification as a repeat finding, if applicable*  
2020-017

***Recommendation***

We recommend the University implements internal controls and procedures to ensure reports are completed and filed timely, and that such procedures include requirements for the supporting documentation to be retained as evidence.

***Management's Response***

The University of Virgin Islands concurs with this finding. Management response is included in a separate document.

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

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2021-006**

***Federal Program***

Small Business Development Centers – 59.037

***Compliance Requirement***

Reporting

***Criteria***

Recipients must submit Performance Progress Reports using standard form PPR which includes a narrative statement that details all project accomplishments for the reporting period, including a comparison between actual accomplishments and those predicted in the project goals and milestones, and any lessons learned, best practices, notable success stories, problems encountered, and steps taken to address problems.

Also, recipient must use the FFR as a standardized format to report expenditures under federal awards and submit them in a timely manner.

***Condition***

Out of a sample of 8 reports-6 performance and special reports, and 2 Federal Financial Reports (FFRs)-2 of the performance and special reports were not submitted.

***Cause***

Processes and controls over the reporting requirements are not in place to ensure that the University complies with the submission of required reports.

***Effect***

The University did not comply with reporting requirements, which could lead to funds disallowance.

***Questioned Costs***

Not applicable.

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

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2021-006 (continued)**

***Context***

We performed a test of details using a statistically validated sample of 6 items selected from a population of 8 performance and special reports, and a sample of 2 items selected from a population of 4 FFRs. Based on the evidence examined, we identified 2 samples in which no report was submitted.

***Identification as a repeat finding, if applicable***

2020-017

***Recommendation***

We recommend the University implements internal controls and procedures to ensure reports are completed and filed timely, and that such procedures include requirements for the supporting documentation to be retained as evidence.

***Management's Response***

The University of Virgin Islands concurs with this finding. Management response is included in a separate document.

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

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2021-007**

***Federal Program***

Economic Adjustment Assistance - 11.307

***Requirement***

Special Tests and Provisions – Wage Rate Requirements

***Criteria***

All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than the established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL).

Nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work was performed, a copy of the payroll and a statement of compliance (certified payrolls).

***Condition***

Out of a sample of 6 construction contracts, none had the prevailing wage rates clause.

***Cause***

Processes and controls over the inclusion of the prevailing wage rates clause do not exist.

***Effect***

The University did not comply with the applicable wage rate requirements, leading to regulatory non-compliance.

***Questioned Costs***

Not applicable.

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

Schedule of Findings and Questioned Costs (continued)

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding Number: 2021-007 (continued)**

***Context***

We performed a test of detail where our statistically validated sample consisted of 6 items from a population of 6 construction contracts.

***Identification as a repeat finding, if applicable***

Not applicable.

***Recommendation***

We recommend the University implements internal controls and procedures to ensure the prevailing wages rate clause is included in all applicable construction contracts.

***Management's Response***

The University of Virgin Islands concurs with this finding. Management response is included in a separate document.

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## **Management's Appendices**

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## Corrective Action Plan

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**University of the Virgin Islands**  
**(A Component Unit of the Government of the U.S. Virgin Islands)**  
**Corrective Action Plan**  
**For the Year Ended September 30, 2021**

Page Number	Finding	Responsible Official	Estimated Completion Date	Corrective Action
87	2021-001: Financial Statement Close Process	Accounting Office	Immediately	Management will continue to improve the annual financial statement closing process by strengthening monitoring controls over financial information and establishing a monthly and final fiscal year closing calendar. The Accounting Office will ensure that all general ledger accounts are supported by timely reconciliations, roll-forward schedules, and appropriate documentation, with two levels of review evidenced by supervisory approval. Journal entries will be supported by complete documentation and reviewed timely to support year-end financial reporting. Accounting judgments and estimates will be properly documented and reviewed as part of the closing process. Management will continue to evaluate staffing and training needs to ensure sufficient accounting personnel with appropriate experience are available to effectively perform the financial statement close. Key accounting personnel will prepare and internally review draft financial statements for accuracy of accounting, presentation, and disclosure prior to submission to the auditors.
89	2021-002: Untimely Submission of Data Collection Form and Reporting Package	Administration and Finance	Immediately	The University will implement procedures to monitor and track key Single Audit reporting deadlines, including the submission of the Data Collection Form and reporting package to the Federal Audit Clearinghouse, in accordance with 2 CFR 200.512. Management will continue to coordinate with external stakeholders, including the Government of the Virgin Islands, as necessary to support the timely availability of required information and ensure accurate and timely reporting.
91	2021-003: Special Tests and Provisions - Enrollment Reporting	Academic Affairs/Enrollment Management	Immediately	To ensure UVI remains compliant with federal regulations tied to Title IV aid, monthly enrollment reporting, graduation reporting, and internal controls & compliance will be adhered to, which will ensure financial aid compliance protects institutional eligibility for Title IV funding to maintain the integrity of UVI's academic and financial reporting.

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93	2021-004: Education Stabilization Fund - Reporting	Grant Accounting	August 2025	The Controller will work with the Grant Accountants to implement and document internal controls and procedures to ensure that all Federal financial reports are completed, reviewed, and submitted in a timely manner. These procedures will include requirements for maintaining supporting documentation as evidence that the control process was followed. Additionally, the accounting team will ensure that all Grant Accountants have access to the necessary reporting modules to prevent any reports from being overlooked.
95	2021-005: Smith Lever Funding Reporting	Grant Accounting	August 2025	The Controller will work with the Grant Accountants to implement and document internal controls and procedures to ensure that all Federal financial reports are completed, reviewed, and submitted in a timely manner. These procedures will include requirements for maintaining supporting documentation as evidence that the control process was followed. Additionally, the Accounting team will ensure that all Grant Accountants have access to the necessary reporting modules to prevent any reports from being overlooked.
97	2021-006: Small Business Administration Development Centers - Reporting	VI Small Administration Development Center	Immediately	Management will reinforce internal controls and procedures to ensure that all required Performance Progress Reports (PPRs) for the Small Business Development Centers program are completed, reviewed, and submitted timely. Responsibilities will be clearly assigned to program and fiscal personnel, reporting deadlines will be tracked using a formal reporting calendar, and reports will be subject to timely supervisory review prior to submission. Supporting documentation will be retained in accordance with federal record retention requirements to evidence compliance.
99	2021-007: Special Tests and Provisions - Wage Rate Requirements	Administration and Finance/Procurement/Purchasing	Immediately	The University will implement internal controls and procedures to ensure that the prevailing wage rate clause is included in all federally funded construction contracts in compliance with applicable regulations. The Principal Investigator (PI) will collaborate with Purchasing & Contracts (P&C) and the Office of Sponsored Programs (OSP) on construction-related projects and will be responsible for flagging the prevailing wage requirement during the planning phase. The Purchasing Department will ensure the clause is included in all solicitations and bid packages for applicable projects. The Project Manager (PM) will be responsible to review all submitted bids to verify that minimum standards, including federal prevailing wage requirements, are met. Finally, the prevailing wage clause will be explicitly incorporated into the final contract and associated Purchase Orders (POs) to ensure full compliance with federal grant conditions and U.S. Department of Labor regulations. This process ensures consistency, accountability, and compliance across all units involved in construction.