



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

Management's Discussion and Analysis,
Financial Statements (with Independent
Auditor's Report Thereon), and Required
Supplementary Information
Year Ended September 30, 2020

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Required Supplementary Information
Year Ended September 30, 2020

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

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Independent Auditor's Report

To the Board of Trustees
University of the Virgin Islands

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the University of the Virgin Islands (the University), a component unit of the Government of the U.S. Virgin Islands (the Government), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 10 to the financial statements, the University is in default on a covenant pertaining to a general obligation note payable and the lender may demand repayment of this obligation. However, as of report date and as further discussed in Note 18, the University repaid the outstanding balance thereby, documenting the close of the general obligation note. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming the University will continue as a going concern. As discussed in Note 17 to the financial statements, the University is in an uncertain financial position and has reported a net deficit and has suffered losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 17. These 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.

As further discussed in Note 17, the University is highly dependent on funding from the Government to repay obligations and fund its operations. The Government is in a significant net deficit position and currently faces significant fiscal, economic, and liquidity challenges. 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. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 15 and the Schedule of the University's Proportionate Share of the Other Postemployment Benefits (OPEB) Liability, Notes to Required Supplementary Information - OPEB, Schedule of the University's Proportionate Share of the Net Pension Liability, and Schedule of the University's Pension Contributions on pages 52 through 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.



We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated May 31, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

BDO USA, LLP

May 31, 2023

**Management's
Discussion and Analysis**

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

Management's Discussion and Analysis

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, 2020, with selected comparative information for the year ended September 30, 2019. 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.

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

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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.

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.

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Management's Discussion and Analysis

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 of 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.

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Management's Discussion and Analysis

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

	Fiscal Year 2020	Fiscal Year 2019	Change
Assets:			
Current assets	\$ 27,136,444	\$ 24,316,821	\$ 2,819,623
Noncurrent assets:			
Capital assets, net	77,608,349	60,250,742	17,357,607
Other	73,988,551	75,878,051	(1,889,500)
Total assets	178,733,344	160,445,614	18,287,730
Deferred outflows of resources:			
Deferred charge on debt refunding	7,334,303	4,312,234	3,022,069
Pension related outflows	22,089,954	12,484,384	9,605,570
OPEB related outflows	351,351	-	351,351
Total deferred outflows of resources	29,775,608	16,796,618	12,978,990
Total assets and deferred outflows of resources	\$ 208,508,952	\$ 177,242,232	\$ 31,266,720
Liabilities:			
Current liabilities	\$ 12,386,040	\$ 9,869,542	\$ 2,516,498
Noncurrent liabilities	198,835,942	170,021,137	28,814,805
Total liabilities	211,221,982	179,890,679	31,331,303
Deferred inflows of resources:			
Pension related inflows	19,300,101	17,622,637	1,677,464
OPEB related inflows	765,739	967,758	(202,019)
Total deferred inflows of resources	20,065,840	18,590,395	1,475,445
Total liabilities and deferred inflows of resources	231,287,822	198,481,074	32,806,748
Total net (deficit) position	(22,778,870)	(21,238,842)	(1,540,028)
Total liabilities and net (deficit) position	\$ 208,508,952	\$ 177,242,232	\$ 31,266,720

Current Assets

Current assets consist primarily of cash, cash equivalents, and receivables. The increase in current assets of \$2.8 million is due to an inflow of cash for the 2020 Census project and an increase in 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 \$27.1 million cover the current liabilities of \$12.4 million. The current ratio of 2.2 decreased when compared to fiscal year 2019, by 0.3. The change is due primarily to the increase in accounts payable.

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Management's Discussion and Analysis

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 2020, the University had construction in progress of \$23.7 million which is 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, 2020, the debt associated with the construction of the Medical School has been refinanced, and all commitments have been incurred. 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, 2020, outstanding commitments of \$4.5 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 \$2.4 million and \$2.5 million for fiscal years 2020 and 2019, 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 decrease in other noncurrent assets of \$1.9 million is related primarily to a decline of \$3.0 million in investments 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 \$2.5 million in current liabilities is due primarily to an increase in accounts payable and accrued liabilities of \$3.6 million offset by decreases in unearned revenues of approximately \$285,000 and the current portion of long-term liabilities of approximately \$785,000.

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 \$198.8 million and \$170.0 million in fiscal years September 30, 2020 and 2019, respectively. The increase in noncurrent liabilities of \$28.8 million is attributable to an increase surrounding the net pension liability of approximately \$12.2 million, an increase surrounding the OPEB liability of approximately \$1.2 million, and an increase in long-term debt of approximately \$14.5 million.

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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.

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.

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, 2020 and 2019, follows:

	Fiscal Year 2020	Fiscal Year 2019
Net position:		
Net investment in capital assets	\$ (10,993,010)	\$ (17,628,283)
Restricted	30,928,498	40,931,559
Unrestricted deficit	(42,714,358)	(44,542,118)
Total net (deficit) position	\$ (22,778,870)	\$ (21,238,842)

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 \$15.5 million and \$15.4 million in 2020, respectively.

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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 2020, the University shows a deficit of approximately \$22.8 million due primarily to the cumulative effect of recognizing the net pension liability and OPEB liability.

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.

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Management's Discussion and Analysis

A summarized comparison of the University's revenues, expenses, and changes in net position for the years ended September 30, 2020 and 2019, follows:

	Fiscal Year 2020	Fiscal Year 2019	Change
Operating revenues:			
Tuition and fees	\$ 12,521,349	\$ 16,095,779	\$ (3,574,430)
Federal grants and contracts	35,461,176	25,414,971	10,046,205
State grants and contracts	4,058,355	3,150,548	907,807
Auxiliary enterprises	1,100,924	1,546,324	(445,400)
Other operating revenues	3,570,732	370,632	3,200,100
Total operating revenues	56,712,536	46,578,254	10,134,282
Operating expenses	100,575,600	90,066,295	10,509,305
Operating loss	(43,863,064)	(43,488,041)	(375,023)
Non-operating revenues (expenses):			
Local government appropriations	28,222,854	33,666,462	(5,443,608)
Federal Pell Grant program	4,083,204	4,419,640	(336,436)
Interest expense	(2,990,062)	(2,857,419)	(132,643)
Other non-operating income	6,569,196	2,521,592	4,047,604
Total non-operating revenues, net	35,885,192	37,750,275	(1,865,083)
Change in net position, before capital appropriations and special item	(7,977,872)	(5,737,766)	(2,240,106)
Local government capital appropriations	4,542,907	4,992,205	(449,298)
Insurance recoveries on capital assets, net	1,894,937	11,779,746	(9,884,809)
Change in net position	(1,540,028)	11,034,185	(12,574,213)
Net deficit, beginning of year	(21,238,842)	(32,273,027)	11,034,185
Net deficit, end of year	\$ (22,778,870)	\$ (21,238,842)	\$ (1,540,028)

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

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

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

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Operating revenues increased by \$10.1 million resulting from an increase in grants and contracts awarded to the University in fiscal year 2020. Other revenues consist of capital appropriations received from the Government to meet outstanding capital debt obligations. Other non-operating revenues consist of 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 year 2020, 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 2020, operating expenses amounted to \$100.5 million including compensation and benefits of \$59.1 million, supplies and other expenditures of \$24.2 million, depreciation expense of \$2.4 million, scholarships of \$11.0 million, and utilities of \$3.8 million.

A comparative summary of the University's operating expenses by object categories for the years ended September 30, 2020 and 2019, follows:

	Fiscal Year 2020	Fiscal Year 2019
Salaries and benefits	\$ 59,103,177	\$ 46,623,686
Supplies and other services	24,242,647	26,773,195
Depreciation	2,359,429	2,488,964
Scholarship	11,037,413	10,052,267
Utilities	3,832,934	4,128,183
Total	\$ 100,575,600	\$ 90,066,295

Operating expenses increased by \$10.5 million primarily due to increase in compensation and benefits of \$12.5 million, offset by decreases of \$2.8 million in utilities, supplies, and other expenses due to budgetary cuts in response to the COVID-19 pandemic. Scholarship expenses increased by \$985,000 primarily because of an increase in student aid, including assistance under the CARES Act.

A comparative summary of the University's total operating expenses by functional classification for the years ended September 30, 2020 and 2019, follows:

	2020	2019
Instruction	\$ 13,645,537	\$ 15,652,007
Institutional support	16,889,104	17,627,231
Research	23,609,659	13,890,382
Operation/plant maintenance	12,493,643	10,438,540
Student aid	10,628,675	6,693,284
Public service	5,985,398	5,517,304
Academic support	6,078,961	6,570,962
Auxiliary	3,620,071	5,204,900
Student services	4,188,765	5,256,852
Depreciation	2,359,429	2,488,964
Other	1,076,358	725,869
Total expenses by function	\$ 100,575,600	\$ 90,066,295

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Expenditure programs with increases were research, operation and maintenance of plant, student aid and other. These increases were due primarily to the federal contract to perform the 2020 Census and increased student aid as a result of the COVID-19 pandemic. The decrease in remaining programs was primarily due to reductions in spending as a result of the COVID-19 pandemic.

Factors Impacting Future Periods

During fiscal year 2020, the University continued to feel the impact of economic contraction. The University's President and the Board continue to explore new ways to address the reduction in revenues in the face of increasing expenditures. The University seeks to utilize online education as a method for better supporting students by providing additional options for studies. The offering of online degrees would necessitate offering a full complement to general education courses. The University is offering many general education courses online through additional faculty training or external partnerships.

Further, in December 2019, a novel strain of coronavirus, known as COVID-19, was reported which quickly spread around the globe, including the United States and its Territories. In March 2020, the Governor of the U.S. Virgin Islands declared a state of emergency due to COVID-19. As various emergency measures are eased, management continues to actively monitor the evolving impact of the outbreak on the operational and financial performance of the University.

The University is highly dependent on funding from the Government to repay and fund its obligations. Approximately 35.0% 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 2021 is not expected to change. 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.

Financial Statements

University of the Virgin Islands
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Statement of Net Position

<i>September 30, 2020</i>	University	Reichhold Foundation
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,760,794	\$ 130,869
Accounts receivable, net of allowance for doubtful accounts of \$4,885,576	7,060,287	1,000
Inventories	352,432	-
Prepaid expenses and other current assets	962,931	-
Total current assets	27,136,444	131,869
Noncurrent assets:		
Restricted:		
Cash and cash equivalents	2,910	-
Deposits with trustee	7,323,439	-
Investments, at fair value	66,280,758	12,370,371
Students loans receivable, net of allowance for doubtful accounts of \$657,005	14,523	-
Accounts receivable	-	1,000
Loans receivable	366,921	-
Capital assets, net	77,608,349	-
Total noncurrent assets	151,596,900	12,371,371
Total assets	178,733,344	12,503,240
Deferred Outflows of Resources		
Deferred charge on debt refunding	7,334,303	-
Pension related outflows	22,089,954	-
OPEB related outflows	351,351	-
Total deferred outflows of resources	29,775,608	-
Total assets and deferred outflows of resources	\$ 208,508,952	\$ 12,503,240

Continued on next page.

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

Statement of Net Position (continued)

<i>September 30, 2020</i>	University	Reichhold Foundation
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,383,181	\$ 72,475
Unearned revenues	3,858,931	-
Accrued vacation	297,099	-
Bonds payable	1,720,591	-
Notes payable	126,238	-
Total current liabilities	12,386,040	72,475
Noncurrent liabilities:		
Bonds payable	70,517,350	-
Notes payable	23,571,484	-
Accrued vacation	5,249,436	-
Net pension liability	87,160,224	-
Net OPEB liability	12,011,355	-
Other liabilities	326,093	-
Total noncurrent liabilities	198,835,942	-
Total liabilities	211,221,982	72,475
Deferred inflows of resources:		
Pension related inflows	19,300,101	-
OPEB related inflows	765,739	-
Total deferred inflows of resources	20,065,840	-
Net position:		
Net investment in capital assets	(10,993,010)	-
Restricted:		
Non-expendable	15,531,020	-
Expendable	15,397,478	-
Unrestricted (deficit) position	(42,714,358)	12,430,765
Total net (deficit) position	(22,778,870)	12,430,765
Total liabilities, deferred inflows of resources, and net position	\$ 208,508,952	\$ 12,503,240

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

<i>Year Ended September 30, 2020</i>	University	Reichhold Foundation
Operating Revenues		
Tuition and fees	\$ 12,521,349	\$ -
Federal grants and contracts	35,461,176	-
State grants and contracts	4,058,355	-
Auxiliary enterprises	1,100,924	-
Other	3,570,732	-
Contributions	-	1,067
Net investment income	-	740,772
In-kind contribution	-	175,459
Total operating revenues	56,712,536	917,298
Operating Expenses		
Salaries:		
Faculty	9,662,985	-
Exempt staff	16,134,997	-
Nonexempt wages	15,450,681	-
Benefits	17,854,514	-
Scholarships	11,037,413	-
In-kind contribution	-	175,459
Contributions to the University	-	155,808
Utilities	3,832,934	-
Supplies and other services	23,166,289	133,475
Depreciation	2,359,429	-
Other expenses	1,076,358	-
Total operating expenses	100,575,600	464,742
Operating (loss) income	(43,863,064)	452,556
Non-operating Revenues (Expenses)		
Local government appropriations	28,222,854	-
Federal Pell Grant program	4,083,204	-
Endowment gifts	2,169,878	-
Net investment income	4,436,448	-
Interest expense	(2,990,062)	(23)
Loss on disposal of assets	(37,130)	-
Total non-operating revenues (expenses), net	35,885,192	(23)
Change in net position, before capital appropriations and special item	(7,977,872)	452,533
Local government capital appropriations	4,542,907	-
Insurance recoveries on capital assets	1,894,937	-
Change in net position	(1,540,028)	452,533
Net (deficit) position, beginning of year	(21,238,842)	11,978,232
Net (deficit) position, end of year	\$ (22,778,870)	\$ 12,430,765

See accompanying notes to financial statements.

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

Statement of Cash Flows

<i>Year Ended September 30, 2020</i>	University	Reichhold Foundation
Cash Flows from Operating Activities		
Tuition and fees	\$ 9,170,366	\$ -
Grants and contracts	42,722,616	-
Auxiliary enterprises and other	4,547,478	-
Contributions received	-	1,067
Interest, dividends, and realized gains on investments	-	740,772
Payments of contributions to the University	-	(507,053)
Payments to suppliers and vendors	(17,460,278)	(133,475)
Payments to employees	(41,248,663)	-
Payments for utilities	(3,832,934)	-
Payments for benefits	(16,417,781)	-
Payments for scholarships	(11,037,413)	-
Net cash (used in) provided by operating activities	(33,556,609)	101,311
Cash Flows from Noncapital Financing Activities		
Local government appropriations	27,972,734	-
Federal Pell Grant Program	4,083,204	-
Endowment gifts	2,169,878	-
Net cash provided by noncapital financing activities	34,225,816	-
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	4,542,907	-
Acquisition of capital assets	(19,754,166)	-
Proceeds from insurance recoveries	1,894,937	-
Proceeds from capital debt	37,552,989	-
Principal paid on capital debt	(26,830,654)	-
Interest paid on capital debt	(1,652,005)	(23)
Net cash (used in) provided by capital and related financing activities	(4,245,992)	(23)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	10,448,686	978,212
Purchases of investments	(2,774,240)	(1,047,842)
Net cash provided by (used in) investing activities	7,674,446	(69,630)
Net change in cash, cash equivalents, and restricted cash	4,097,661	31,658
Cash, cash equivalents, and restricted cash, beginning of year	21,989,482	99,211
Cash, cash equivalents, and restricted cash, end of year	\$ 26,087,143	\$ 130,869
Reconciliation of Cash, Cash Equivalents, and Restricted Cash presented in the Statement of Net Position		
Cash and cash equivalents	\$ 18,760,794	\$ 130,869
Restricted cash and cash equivalents	2,910	-
Restricted deposits with trustee	7,323,439	-
Total cash, cash equivalents, and restricted cash	\$ 26,087,143	\$ 130,869

Continued on next page.

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

<i>Year Ended September 30, 2020</i>	University	Reichhold Foundation
Reconciliation of Operating (Loss) Income to		
Net Cash (Used In) Provided by Operating Activities		
Operating (loss) income	\$ (43,863,064)	\$ 452,556
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation	2,359,429	-
Bad debt expenses	2,850,302	-
Net gain on investments	(221,451)	(366,720)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	(3,436,845)	-
Student loans receivable	(16,135)	-
Loans receivable	615,870	-
Contributions receivable	-	1,000
Inventories	72,243	-
Prepaid expenses and other current assets	65,556	-
Deferred outflows of resources:		
Pension related	(9,605,570)	-
OPEB related	(351,351)	-
Accounts payable and accrued liabilities	1,951,944	14,475
Unearned revenue	(285,268)	-
Accrued vacation	1,186,613	-
Other long-term liabilities	4,693	-
Net pension liability	12,239,373	-
Net OPEB liability	1,401,607	-
Deferred inflows of resources:		
Pension related	1,677,464	-
OPEB related	(202,019)	-
Net cash (used in) provided by operating activities	\$ (33,556,609)	\$ 101,311

See accompanying notes to financial statements.

University of the Virgin Islands
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Notes to Financial Statements

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's degree programs in teacher education, business and public administration, and associates degree in arts and occupational programs. The University operates through campuses on the islands of St. Thomas and St. Croix, and has a satellite office in St. Martin.

The University is a component unit of the Government of U.S. Virgin Islands (the Government or GVI) 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. The primary government consists of the University and its blended component unit.

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

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

Component Units

A component unit is reported as blended when either (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:

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Notes to Financial Statements

Foundation for the University of the Virgin Islands

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.

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

Foundation for the Reichhold Center for the Arts

The Reichhold Foundation is a not-for-profit corporation organized exclusively for charitable and educational purposes with its principal emphasis on the arts in the 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 asset 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 the 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.

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 applied to governmental units. GASB is the accepted, standard-setting body for establishing governmental accounting and financial reporting standards.

University of the Virgin Islands
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Notes to Financial Statements

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.

Cash, Cash Equivalents, and Restricted Cash

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

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.

Investments

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

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

Students and Other Receivables

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

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Notes to Financial Statements

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 and to remove from the accounts major items retired.

Description	Capitalization Threshold
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.

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.

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Notes to Financial Statements

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; (ii) other postemployment benefits net differences between expected and actual experience and changes in assumptions; and (iii) deferred charges on debt refunding.

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, 2020, approximately \$2.2 million of tuition and fees collected that relate to the remainder of the fall semester are deferred. In addition, the University collected \$1.6 million in grant and contract advances.

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:

Length of service	Hours/week	Rate of accrual	Annual accrual
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 the 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 or 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.

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Notes to Financial Statements

Net Pension Liability

For purposes 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 11.

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 12.

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.

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, non-expendable: 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.

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Notes to Financial Statements

Unrestricted: 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 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 governing board, they are available for use, at the discretion of the governing board, to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, it is 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.

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.

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Notes to Financial Statements

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, 2020, amounted to \$249,000.

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.

Adoption of Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the University's financial statements for the year ended September 30, 2020. The University has evaluated this Statement and has determined there is no impact on the financial statements, as it does not own any types of tangible capital assets which have a legal obligation to perform future asset retirement activities.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves consistency in the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements and it provides additional essential information about debt to the user of the financial statements. The requirements of this Statement are effective for the University's financial statements for the year ended September 30, 2020. The University has evaluated this Statement and has included the required information in Note 10.

Following are statements issued by GASB that are effective in future years. In light of the COVID-19 pandemic, on May 8, 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to provide relief to governments. This Statement, which was effective upon issuance, postpones the effective dates of certain provisions in these upcoming pronouncements for one year, except for GASB Statement No. 87 which is postponed for eighteen months. Certain provisions of GASB Statement No. 92 are excluded from GASB Statement No. 95. along with provisions in GASB Statement No. 93 related to lease modifications.

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Notes to Financial Statements

GASB Statement No.		Adoption Effective in Fiscal Year (as Revised)
84	Fiduciary Activities	2021
87	Leases	2022
89	Accounting for Interest Cost Incurred Before the End of a Construction Period	2022
90	Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61	2021
91	Conduit Debt Obligations	2023
92	Omnibus 2020	2022
93	Replacement of Interbank Offered Rates	2022
96	Subscription-Based Information Technology Agreements	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

Following are statements issued by GASB that are effective in the immediate future years as based on the original effective dates.

GASB Statement No.		Adoption Effective in Fiscal Year
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023
98	The Annual Comprehensive Financial Report	2022

Earlier application of all standards is permitted to the extent specified in each pronouncement as originally issued. The University is currently evaluating the impact of these statements.

University of the Virgin Islands
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Notes to Financial Statements

3. Blended Component Unit Reporting

Following is the Foundation's condensed financial information as of and for the fiscal year ended September 30, 2020:

Condensed Information from Statement of Net Position

Current assets	\$ 220,956
Noncurrent assets, excluding capital assets	69,078,752
Capital assets, less accumulated depreciation	113,000
Total assets	\$ 69,412,708
Current liabilities	\$ 39,967,765
Net position:	
Restricted, non-expendable	15,531,020
Restricted, expendable	13,913,923
Total net position	29,444,943
Total liabilities and net position	\$ 69,412,708

Condensed Information from Statement of Revenues, Expenses, and Changes in Net Position

Operating revenues	\$ 3,787,689
Operating expenses	3,511,839
Change in net position	275,850
Net position, beginning of year	29,169,093
Net position, end of year	\$ 29,444,943

Condensed Information from Statement of Cash Flows

Net cash provided by (used in):	
Operating activities	\$ (1,927,530)
Investing activities	2,895,099
Net change in cash and cash equivalents	967,569
Cash and cash equivalents, beginning of year	1,684,397
Cash and cash equivalents, end of year	\$ 2,651,966

4. Cash, Cash Equivalents, and Restricted Cash

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

At September 30, 2020, the University's carrying amounts of cash and cash equivalents were covered by federal deposit insurance, corporate surety bonds, or by collateral held by the Government.

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At September 30, 2020, cash and cash equivalents amounted to approximately \$18.8 million and restricted cash and cash equivalents amounted to approximately \$7.3 million.

5. Accounts Receivable

The University's accounts receivable at September 30, 2020, consist of the following:

Students	\$ 6,075,251
U.S. Federal government	6,485,650
University of the Virgin Islands Research and Technology Park Corporation (RT Park)	366,921
Other	56,490
<hr/>	
Gross accounts receivables	12,984,312
Less allowance for doubtful accounts	(5,542,581)
<hr/>	
Total	\$ 7,441,731

6. Investments

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

In fiscal year 2014, the Board passed a resolution to transfer all the University's investments to the Foundation's investment 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 Statement No. 72, *Fair Value Measurement and Application*, 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.

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Level 3: Inputs are significant unobservable inputs. 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.

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.
- *Mutual funds* - Investments in mutual funds are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which market prices are readily available.
- *Fixed income securities* - Investments in fixed income securities are classified as Level 2, since their pricing is based on multiple sources of information that include market data and/or quoted prices from either market that are not active or are for the identical or similar assets in an active market.
- *Alternative strategies* - The Foundation invests in certain alternative strategies that are essentially funds of funds. The multi-strategy bond fund, 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 investment companies as a practical expedient. The University applies the practical expedient to its private capital funds on an investment-by-investment basis, and consistently with the University's entire position in a particular investment, unless it is probable that the University will sell a portion of an investment at an amount different from the NAV of the investment. The Foundation can make redemptions from the multi-strategy funds on a monthly basis upon five business days' notice.

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At September 30, 2020, the University had the following recurring fair value measurements:

	Fair Value Measurement	Level 1	Level 2	Level 3
Equity securities	\$ 4,901,241	\$ 4,901,241	\$ -	\$ -
Fixed income securities	121,683	121,683	-	-
Commonfund:				
Multi-strategy bond fund	17,043,305	-	-	17,043,305
Multi-strategy equity fund	33,325,685	-	-	33,325,685
Multi-strategy intermediate fund	4,956,123	-	-	4,956,123
Other mutual fund	1,588,750	1,588,750	-	-
Subtotal	61,936,787	6,611,674	-	55,325,113
Investments measured at net asset value (NAV):				
Private capital fund	4,343,971	-	-	-
Total	\$ 66,280,758	\$ -	\$ -	\$ -

At September 30, 2020, the Reichhold Foundation had the following recurring fair value measurements:

	Fair Value Measurement	Level 1	Level 2	Level 3
Corporate bonds and U.S. debt securities	\$ 124	\$ -	\$ 124	\$ -
Mutual funds	572,717	572,717	-	-
Fixed income	4,009,434	4,009,434	-	-
Equity securities	7,788,096	7,788,096	-	-
Total	\$ 12,370,371	\$ 12,370,247	\$ 124	\$ -

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.

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 does have a formal investment policy that limits investment maturities as a means of managing its exposure 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.

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Following is a summary of the University and Reichhold Foundation's credit quality distribution for securities, as of September 30, 2020:

	University Carrying Value	Reichhold Carrying Value	Credit Agency Rating
Commonfund multi-strategy bond fund	\$ 17,043,305	\$ -	A+ (average rating)
Commonfund multi-strategy intermediate term fund	4,956,123	-	AA (average rating)
Commonfund multi-strategy equity fund	33,325,685	-	Not rated
Non-marketable funds	4,465,654	-	Not rated
Marketable investments	6,489,991	12,370,371	Not rated
	\$ 66,280,758	\$ 12,370,371	

Concentration of Credit Risk - The University places no limit on the amount that may be invested in one issuer. At September 30, 2020, more than 5.0% of the University's investments were invested in: Commonfund multi-strategy bond fund (25.0%); Commonfund multi-strategy equity fund (49.0%); and Commonfund multi-strategy intermediate term fund (7.0%). At September 30, 2020, more than 5.0% of Reichhold's investments were invested in: S&P 500 ETF Trust (37.0%); Blackrock Corealpha Bond Fund (20.0%); Vanguard FTSE Developed Markets ETF (9.0%); iShares Currency Hedged MSCI EAFE ETF (7.0%); 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 the failure of a depository financial institution or other counterparty, the University and Reichhold Foundation will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. At September 30, 2020, custody of these investments is held by the trust department of a commercial bank in the name of the University and the Reichhold Foundation, and the portfolio is managed by a brokerage firm.

7. Donor-Restricted Endowments

The University's endowment, 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.

The University classifies as restricted, non-expendable 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, non-expendable net position is classified as restricted, expendable net position.

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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 5.0% 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 5.0%. 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.

8. Student Loans Receivable

Student loans receivable are generally repayable over a maximum period of 10 years and bear interest at varying rates, once the loan is classified to a repayment status. Student loans receivable are normally classified to a repayment status at the time a recipient no longer maintains student status at the University, but such classification may be further extended in certain cases. At September 30, 2020, student loans receivable amounted to \$14,523.

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9. Capital Assets

Capital assets as of September 30, 2020, are comprised as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 7,485,112	\$ -	\$ -	\$ -	\$ 7,485,112
Construction in progress	15,092,748	10,727,021	-	(2,135,992)	23,683,777
Total capital assets not being depreciated	22,577,860	10,727,021	-	(2,135,992)	31,168,889
Capital assets being depreciated:					
Land improvements	2,872,882	31,420	-	-	2,904,302
Buildings, fixed equipment, improvements, and infrastructure	75,667,246	8,400,000	-	1,928,677	85,995,923
Equipment and library materials	13,999,566	595,726	(611,302)	207,315	14,191,305
Total capital assets being depreciated	92,539,694	9,027,146	(611,302)	2,135,992	103,091,530
Less accumulated depreciation for:					
Land improvements	(2,246,923)	(312,225)	-	-	(2,559,148)
Buildings, fixed equipment, improvements, and infrastructure	(43,403,519)	(1,300,417)	-	-	(44,703,936)
Equipment and library materials	(9,216,370)	(746,787)	574,171	-	(9,388,986)
Total accumulated depreciation	(54,866,812)	(2,359,429)	574,171	-	(56,652,070)
Total capital assets being depreciated, net	37,672,882	6,667,717	(37,131)	2,135,992	46,439,460
Total capital assets, net	\$ 60,250,742	\$ 17,394,738	\$ (37,131)	\$ -	\$ 77,608,349

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, 2020, of \$1.9 million which is reported as a special item 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, 2020.

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10. Long-Term Liabilities

Bonds Payable

Bonds payable activity for the year ended September 30, 2020, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series A 2011-2 Bonds	\$ 31,989,435	\$ -	\$ -	\$ 31,989,435	\$ 1,720,591
Series A 2011-3 Bonds	12,641,921	326,552	(12,968,473)	-	-
Series A 2015-1 Bonds	13,742,612	-	(13,742,612)	-	-
Series A 2019-7 Bonds	-	30,134,428	-	30,134,428	-
Series A 2019-8 Bonds	-	10,114,078	-	10,114,079	-
Total	\$ 58,373,968	\$ 40,575,058	\$ (26,711,085)	\$ 72,237,941	\$ 1,720,591

In June 2011, the University entered into two capital project loan agreements under the U.S. Department of Education’s Historically Black College and University (HBCU) Capital Financing Program for various capital projects. Under these loan agreements, the University was authorized to drawdown advances up to \$44.0 million under the Series A 2011-2 Bonds and up to \$16.0 million under the Series A 2011-3 Bonds. The Series A 2011-2 Bonds have maturity dates through August 1, 2034, and the Series A 2011-3 Bonds have maturity dates through August 1, 2040. Interest payments are due in February and August. Interest on the Series A 2011-2 Bonds is calculated at 3.5% and interest on the Series A 2011-3 Bonds is variable and calculated from the date of each advance using the long-term U.S. Treasury Rate on that day.

In February 2015, the University obtained an additional HBCU capital loan agreement, the Series A 2015-1 Bonds, for a maximum loan amount of \$19.0 million to finance various capital projects, and stated to mature on February 1, 2045.

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 \$32.0 million. The proceeds from the Series A 2019-7 Bonds were utilized to refund the outstanding Bond Series A 2011-3 and Series A 2015-1. As a result, the Series A 2011-3 and Series A 2015-1 Bonds were fully paid off and the University recognized a deferred charge on debt refunding amounting to \$3.5 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 \$15.0 million on which the University drew down \$10.1 million for capital projects. Interest on these 2019 Bonds is variable and calculated from the date of each advance at a variable, adjustable, or floating rate. The interest rate was 2.3% as of September 30, 2020 and is paid semi-annually.

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 \$3.0 million of principal and interest payments made during fiscal year 2020 were refunded to the University during fiscal year 2021.

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The aggregate debt service requirements of bonds payable at September 30, 2020, are as follows:

<i>Year ending September 30,</i>	Principal	Interest	Total
Maturity Year:			
2021	\$ 1,720,591	\$ 1,884,824	\$ 3,605,415
2022	1,780,760	1,824,655	3,605,415
2023	1,840,558	1,767,175	3,607,733
2024	1,902,940	1,707,110	3,610,050
2025	1,971,855	1,635,877	3,607,732
2026-2030	10,947,933	7,093,046	18,040,979
2031-2035	14,134,077	5,040,280	19,174,357
2036-2040	12,293,107	3,423,869	15,716,976
2041-2045	13,649,485	2,067,491	15,716,976
2046-2049	11,996,635	576,950	12,573,585
Total	\$ 72,237,941	\$ 27,021,277	\$ 99,259,218

The University has pledged revenues to the timely payment of principal and interest on the Series A 2011-2 Bonds, Series A 2019-7 Bonds, and Series A 2019-8 Bonds. The pledged revenues are defined as all receipts, revenues, income, rents, fees and charges, and any other money received by the University from any available source and all rights to receive the same (including, without limitation, tuition and fees; appropriations made by the Government including those appropriations allotted for the payment of debt service including with respect to the bonds, operating revenues, and non-operating revenues determined in accordance with generally accepted accounting principles), whether in the form of accounts receivable, contract rights, chattel paper, instruments and other rights, and the proceeds thereof, whether cash or non-cash, and any insurance thereon. The pledged revenues do not prevent the University from expending, depositing, or commingling the pledged revenues so long as all required bond payments are made.

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 \$30.0 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 18.

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Notes payable activity for the year ended September 30, 2020, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Mortgage note	\$ 593,089	\$ -	\$ (119,559)	\$ 473,530	\$ 126,238
General obligation note	23,224,192	-	-	23,224,192	-
Total	\$ 23,817,281	\$ -	\$ (119,559)	\$ 23,697,722	\$ 126,238

The aggregate debt service requirements of notes payable at September 30, 2020, are as follows:

<i>Year ending September 30,</i>	Principal	Interest	Total
Maturity Year:			
2021	\$ 126,238	\$ 24,330	\$ 150,568
2022	1,291,149	913,796	2,204,945
2023	1,345,153	859,792	2,204,945
2024	1,326,167	803,494	2,129,661
2025	1,303,287	751,090	2,054,377
2026-2030	7,346,234	2,925,651	10,271,885
2031-2035	8,947,404	1,324,481	10,271,885
2036-2040	2,012,090	43,288	2,055,378
Total	\$ 23,697,722	\$ 7,645,922	\$ 31,343,644

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 University's bonds contain a provision that in the event of default, the Secretary of Education may exercise its option to declare any funds which have been provided to the borrower, and interest accrued to the debt, be immediately payable in full. The bond agreements contain certain affirmative and negative covenants, of which the University, except as noted, was in compliance with at year-end. The agreements require the University to deliver audited financial statements within 180 days after the end of its fiscal year. As a result of the disruption to the University's operations from Hurricanes Irma and Maria along with the impact of the COVID-19 global pandemic, the lender has granted the University a waiver from this requirement for the year ended September 30, 2020.

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 lender has granted the University a waiver from the reporting requirement for the year ended September 30, 2020. The University was not in compliance with the DSCR as of September 30, 2020. The agreement considers any noncompliance of the covenants as default. However, as of report date and as further discussed in Note 18, the University repaid the outstanding balance thereby, documenting the close of the general obligation note.

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Changes in Other Long-Term Liabilities

The following is a schedule of changes in other long-term liabilities for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued vacation	\$ 4,359,922	\$ 1,396,393	\$ (209,780)	\$ 5,546,535	\$ 297,099
Other liabilities	321,400	4,693	-	326,093	-
Total	\$ 4,681,322	\$ 1,401,086	\$ (209,780))	\$ 5,872,628	\$ 297,099

For the year ended September 30, 2020, the University's interest expense was \$3.0 million. This amount is included in the accompanying statement of revenues, expenses, and changes in net position.

11. Retirement and Pension Plans

Defined Contribution Plan

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

The University is required to contribute 14.5% of the annual covered payroll. The University's contributions to TIAA-CREF amounted to \$3.0 million for the year ended September 30, 2020.

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 Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

(a) 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, multiple-employer, defined benefit pension plan (the plan) established as of October 1, 1959, Title 3, Chapter 27 of the V.I. Code to provide retirement, death, and disability benefits. Benefits may be extended to beneficiaries of plan members.

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The plan covers all employees of the University, except employees compensated on a contract fee basis, casual, per diem or provisional, and part time employees who work less than twenty (20) hours per week. Persons over the age of fifty-five (55) may opt out of the plan by providing formal notification to the plan. Vesting of benefits occurs after ten (10) years of service.

There are two tiers within the plan:

Tier I: Employees hired prior to September 30, 2005

Tier II: Employees hired on or after October 1, 2005

Regular Tier I employees 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-service retirement benefits under Tier I when they have earned at least twenty (20) years of government service or have reached the age of fifty-five (55) with at least ten (10) years of credited service.

Under Tier II, safety employees are eligible for full retirement when they have earned at least twenty-five (25) years of government service and have reached age fifty-eight (58) or have reached age (60) with at least ten (10) years of service.

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

In 1995, the Early Retirement Incentive Training and Promotion Act was amended by the Legislature of the Virgin Islands to allow a member with a combined aggregate number of years of service and age of at least seventy-five (75) years to retire without a reduction in their annuity. Early retirement benefits provided under the Act vary depending upon age of retirement, type of employment, and credited years of service.

GERS is a separate and independent agency that is included for financial reporting purposes 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.

(b) 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 effective January 1, 2015, was 20.5% of the member’s annual salary. On January 1, 2020, the employer contribution for Tier I and Tier II members was increased to 23.5%.

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

	<u>Tier I</u>	<u>Tier II</u>
Regular Employees	11.0%	11.5%
Public Safety Employees	13.0%	13.625%

Prior to June 29, 2000, member contributions were refundable without interest upon withdrawal from employment before retirement. Effective July 1, 2009, GERS' Board of Trustees approved an effective annual interest rate on refunded contributions of 2.0% per annum.

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, 2019
Measurement Date:	September 30, 2019
Measurement Period:	October 1, 2018 - September 30, 2019

The University is considered an employer of the plan with a proportionate share of 1.6400% as of the measurement date September 30, 2019, which was a decrease of 0.1555% from its proportionate share measured as of September 30, 2018. The University's percentage was estimated by management based on the average of each employer's contributions during the period October 1, 2014 through September 30, 2019. The University's proportionate share of employer contributions recognized by GERS was \$1.4 million for the plan's fiscal year ended September 30, 2019.

(c) Pension Liabilities, Expense, and Deferred Outflows/Inflows of Resources

As of September 30, 2020, the actuarially calculated net pension liability for the University's proportionate share was \$87.1 million. The net pension liability is measured as of September 30, 2019, and the total pension liability is actuarially computed as of October 1, 2019.

For the year ended September 30, 2020, the University recognized \$4.3 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, 2020:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 19,323,319	\$ 6,960,678
Net difference between projected and actual earnings on pension plan investments	49,413	40,373
Difference between expected and actual experience	1,075,433	-
Changes in proportionate share	226,643	12,299,050
Contributions made subsequent to measurement date	1,415,146	-
	<u>\$ 22,089,954</u>	<u>\$ 19,300,101</u>

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 ended September 30, 2021.

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Notes to Financial Statements

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

Year ending September 30,

2021	\$ (420,036)
2022	528,880
2023	534,370
2024	287,026
2025	444,467
	\$ 1,374,707

(d) 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, 2019, is provided below.

Refer to the October 1, 2019, actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website.

Inflation rate	2.50%
Salary increases	3.25% including inflation
Actuarial cost method	Entry age normal
Expected rate of return	4.00%
Municipal bond yield	2.66%
Discount rate	2.67%
Mortality table	RP-2014 Blue Collar

The demographic assumptions for the 2019 actuarial valuation are based on the results of an actuarial experience study for the period October 1, 2011 through September 30, 2015, with the net investment return assumption updated for the October 1, 2019 valuation.

(e) Investment Rate of Return

The long-term expected rate of return of 4.00% on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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Notes to Financial Statements

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation, as of the measurement date of September 30, 2019, are summarized below:

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

(f) Discount Rate

The discount rate used to measure the total pension liability was 2.67% as of September 30, 2019, which was a decrease of 1.58% from the discount rate as of September 30, 2018. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate, including the future increases in the employee contribution rates legislated. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members.

Therefore, the plan's long-term expected rate of return on plan investments of 4.00% 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, 2019, that rate was 2.66%.

(g) 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, 2020:

1.00% Decrease - Share of NPL @ 1.67%	Share of NPL @ 2.67%	1.00% Increase - Share of NPL @ 3.67%
\$ 101,128,148	\$ 87,160,224	\$ 75,711,830

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

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Notes to Financial Statements

12. 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. 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. 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.

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 the valuation date of October 1, 2019, the following University's employees were covered by the benefit terms:

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

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, 2020, the University recognized \$250,120 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 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, 2020, the University reported a total OPEB liability for its proportionate share of 1.46%, as of the measurement date of October 1, 2019, which was an increase of 0.12% from its proportionate share from the prior year.

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Notes to Financial Statements

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, 2020 amounted to \$12.0 million.

For the year ended September 30, 2020, the University recognized expense of \$848,000, 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, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions or other inputs	\$ 164,947	\$ 765,739
Difference between expected and actual experience	186,404	-
Total	\$ 351,351	\$ 765,739

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

Year ending September 30,

2021	\$ (135,095)
2022	(135,095)
2023	(135,095)
2024	(61,249)
2025	35,415
Thereafter	16,731
Total	\$ (414,388)

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, 2019
Report date:	September 30, 2020
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 3.64% End of year rate of 3.58% S&P Municipal Bond 20-year high grade rate index as of September 30, 2019

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Notes to Financial Statements

Healthcare cost trend rates:	Pre-Medicare increases of 6.00% in 2020 to 4.50% in 2023 Medicare increases of 5.00% in 2020 to 4.50% in 2023 Dental increases of 5.00% in 2020 to 4.50% in 2023
Inflation:	2.25% Implicit Rate in Healthcare Trend Analysis
Retirees share of costs:	35.0% of medical and dental premiums and noncontributory life insurance coverage. Retirees of the University's defined contribution plan pay 100.0% of coverage
Mortality:	RP-2014 Blue Collar Mortality Generational Table Adjusted 110.0 % with Scale MP-2015 for Healthy Lives. For disability retirees, RP-2014 Disable Mortality Generational Table adjusted 125.0% with Scale MP-2015
Marital status:	Assumed 50.0% of future male retirees and 25.0% of future female retirees cover spouses in retirement. Husbands assumed to be 3 years older than spouse. Subsidized coverage of spouses and dependents ceases upon death
Actuarial experience study:	The actuarial assumptions used in the October 1, 2019, valuation were based on the results of an actuarial experience study for the period October 1, 2011 - September 30, 2015

Change in Assumptions

The discount rate changed from 3.64% in the prior valuation to 3.58% as of September 30, 2019.

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:

1.00% Decrease - Discount Rate (2.58%)	Current Discount Rate (3.58%)	1.00% Increase - Discount Rate (4.58%)
\$ 14,002,450	\$ 12,011,355	\$ 10,404,994

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:

1.00% Decrease - Healthcare Cost Trend Rate (5.00%)	Current Healthcare Cost Trend Rate (6.00%)	1.00% Increase - Healthcare Cost Trend rate (7.00%)
\$ 10,216,537	\$ 12,011,355	\$ 14,308,961

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Notes to Financial Statements

13. Functional Information

As of September 30, 2020, the University's operating expenses by functional classification are as follows:

	Salaries and Benefits	Supplies and Other Services	Scholarships	Utilities	Depreciation	Other Expenses	Total
Instruction	\$ 12,432,855	\$ 1,134,172	\$ 49,491	\$ 29,019	\$ -	\$ -	\$ 13,645,537
Research	15,331,147	7,751,159	335,354	191,999	-	-	23,609,659
Public service	3,994,397	1,930,336	6,430	54,235	-	-	5,985,398
Academic support	4,651,644	1,198,770	225,252	3,295	-	-	6,078,961
Student services	3,056,209	851,809	40,785	239,962	-	-	4,188,765
Institutional support	13,273,796	2,886,071	723,560	5,677	-	-	16,889,104
Operation/plant maintenance	4,550,710	4,866,655	-	3,076,278	-	-	12,493,643
Student aid	235,678	732,421	9,656,541	4,035	-	-	10,628,675
Auxiliary	1,576,741	1,814,896	-	228,434	-	-	3,620,071
Depreciation	-	-	-	-	2,359,429	-	2,359,429
Other	-	-	-	-	-	1,076,358	1,076,358
	\$ 59,103,177	\$ 23,166,289	\$ 11,037,413	\$ 3,832,934	\$ 2,359,429	\$ 1,076,358	\$ 100,575,600

14. Related Party Transactions

As of September 30, 2020, the Foundation was owed \$367,000 by the University of the Virgin Islands Research and Technology Park Corporation (RT Park) for payroll paid on its behalf. RT Park is a public corporation and a component unit of the Government.

As of September 30, 2020, the University was owed \$40.0 million from the Foundation for payments made on its behalf. This amount is considered as an inter-fund transaction and was eliminated from the Statement of Net Position for consolidation presentation purposes between the University and the Foundation.

Appropriations received from the Government for the year ended September 30, 2020, amounted to \$32.8 million. Also see Note 17.

15. 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.

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Notes to Financial Statements

Grant Funds

The University participates in various federally funded programs including those of 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 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.

Global Pandemic

In March 2020, the Governor of the U.S. Virgin Islands declared a state of emergency due to the coronavirus pandemic known as COVID-19. The state of emergency was approved by the President of the United States under the provisions of the Stafford Act and the National Emergencies Act. A Federally approved state of emergency activates federal assistance to states in the form of financial, logistical, and technical assistance. The state of emergency also activates other emergency response protocols and systems to protect citizenry such as stay-at-home orders, travel restrictions, and social distancing requirements.

As the emergency measures are eased, management continues to actively monitor the evolving impact of the COVID-19 outbreak on its financial condition, including the duration of the closings, speed of recovery, and impact on demand. Management further continues to identify and implement various additional mitigation efforts to minimize the impact on results of operations, financial position, and liquidity.

Economic Relief Legislation

In March 2020, the President of the United States signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to state, territorial, local, and tribal governments. Also see Note 18.

16. 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.

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Notes to Financial Statements

17. Financial Condition

The University has been financially challenged and its situation was exacerbated by a global occurrence. 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 investment of federal funds. Also see Note 18.

Further, the University 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.

18. 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. Rebuilding the University's facilities has taken precedence over other activities and the University continues to tabulate the associated costs and expenses with respect to remediation, mitigation, and the restoration of services. In 2021, the University received approximately \$750,000 in connection with its insurance claims related to damages incurred.

FEMA's 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 March 2023, the University has been approved for approximately \$23.4 million in grant funding for emergency restoration work, and permanent and hazard mitigation projects.

Economic Relief Legislation

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 the Historically Black College and University (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, approximately \$62.0 million of the University's debt was cancelled through the Capital Financing Program.

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In March 2021, “The American Rescue Plan (ARP) Act of 2021” was signed into law. The ARP Act builds on previously enacted aid measures to aid states, counties, cities, and tribal governments to cover increased expenditures, replenish lost revenue, and mitigate economic harm from the COVID-19 pandemic. However, there is no assurance that the University will be eligible for these funds or will be able to obtain them. However, the University continues to examine the impact that the ARP Act may have on its operations and to explore initiatives with the Governor and his Administration to derive benefit from the passage of the legislation.

Other

In November 2021, the University repaid in full its general obligation note with First Bank in the amount of \$23.2 million.

In March 2023, 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 April 2023, the Legislature of the U.S. Virgin Islands approved the conveyance of a tract of land on St. Thomas to the University by the Virgin Islands Port Authority, in exchange for the University’s conveyance to the Virgin Islands Port Authority of a similar sized parcel of land, also on St. Thomas. The land swap is deemed more applicable to the intended use of the parcels by both entities.

Management’s Evaluation

Management has evaluated any events or transactions occurring after September 30, 2020, the statement of net position date, through May 31, 2023, 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, 2020.

Required Supplementary Information

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

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

<i>September 30,</i>	2020	2019	2018
University's proportion of the OPEB liability	1.46%	1.34%	1.29%
University's proportionate share of the OPEB liability	\$ 12,011,355	\$ 10,859,868	\$ 10,589,360
University's covered payroll	\$ 6,549,946	\$ 7,911,010	\$ 7,621,442
Total OPEB liability as a percentage of the University's covered payroll	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
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Notes to Required Supplementary Information - OPEB

1. Other Postemployment Benefits

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 3.64% for the opening balance as of September 30, 2019, to the discount rate of 3.58% for the ending balance as of September 30, 2020. This change resulted in an increase in total OPEB liability.

The base mortality tables and mortality improvement sales 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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Schedule of the University's Proportionate Share of the Net Pension Liability

<i>September 30,</i>	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	1.6400%	1.7954%	1.9355%	1.9869%	2.0943%	2.0471%
University's proportionate share of the net pension liability	\$ 87,160,224	\$ 74,920,851	\$ 84,782,113	\$ 91,924,998	\$ 85,271,734	\$ 63,173,875
University's covered payroll	\$ 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 payroll	1102%	983%	1142%	1223%	1179%	968%
Plan fiduciary net position as a percentage of the total pension liability	11%	16%	16%	17%	20%	27%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the measurement date (September 30 of the previous year).

University of the Virgin Islands
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Schedule of the University's Pension Contributions

<i>September 30,</i>	2020	2019	2018	2017	2016	2015
Actuarially required contributions	\$ 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	1,415,146	1,404,569	1,491,530	1,500,992	1,531,380	1,401,719
Contribution deficiency (excess)	\$ 4,600,203	\$ 3,578,367	\$ 3,690,638	\$ 2,753,995	\$ 2,853,309	\$ 1,924,364
Covered payroll	\$ 6,549,946	\$ 7,911,010	\$ 7,621,442	\$ 7,427,200	\$ 7,515,486	\$ 7,230,037
Contributions as a percentage of covered payroll	22%	18%	20%	20%	20%	19%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the latest fiscal year.



**University of the Virgin Islands
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Schedule of Expenditures of Federal
Award and Reports Required by
Government Auditing Standards and
the Uniform Guidance
Year Ended September 30, 2020

University of the Virgin Islands
(A Component Unit of the Government of
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Schedule of Expenditures of Federal Awards
and Reports Required by *Government Auditing*
Standards and the Uniform Guidance
Year Ended September 30, 2020

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

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Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
University of the Virgin Islands

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, the financial statements of the University of the Virgin Islands (the University), a component unit of the Government of the U.S. Virgin Islands, which comprise the business type activities and the discretely presented component unit as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2023.

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, identified below and described in greater detail in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses.

Finding #	Nature of Finding
2020-001	Financial Position
2020-002	Year-End Close Process
2020-003	Capital Assets and Related Expenditures
2020-004	Grants Management
2020-005	Accuracy of Liabilities
2020-006	Net Position Restrictions and Designations
2020-007	Bank Accounts

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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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

The 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 Appendix B. 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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

May 31, 2023



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

To the Board of Trustees
University of the Virgin Islands

Report on Compliance for Each Major Federal Program

We have audited the University of the Virgin Islands' (the University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2020. 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. The University is a component unit of the Government of the U.S. Virgin Islands.

Management's Responsibility

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

Auditors' Responsibility

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

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



Basis for Qualified Opinions on the Three Major Federal Programs Identified in Table I

As described in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding the following:

Table I - Material Noncompliance Resulting in Qualified Opinions			
Finding Number	CFDA Number(s)	Major Program	Compliance Requirement
2020-010	59.037	Small Business Development Centers	Procurement and Suspension and Debarment
2020-013	84.007 84.033 84.038 84.063 84.268	Student Financial Assistance Cluster	Special Tests and Provisions - Disbursement to or on behalf of Students (Loan Disbursement Notification Testing)
2020-015	84.007 84.033 84.038 84.063 84.268	Student Financial Assistance Cluster	Special Tests and Provisions - Enrollment Reporting
2020-016	84.425E 84.425F 84.425J	Higher Education Emergency Relief Fund	Procurement and Suspension and Debarment

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

Qualified Opinions on the Three Major Federal Programs Identified in Table I

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major programs identified in Table II for the year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs, and as identified in Table II below. Our opinion on each major Federal program is not modified with respect to these matters.

Table II - Other Instances of Noncompliance Noted in Programs with Qualified Opinions			
Finding Number	CFDA Number(s)	Major Program	Compliance Requirement
2020-008	59.037	Small Business Development Centers	Data Collection Form and Single Audit Reporting Package
2020-009	59.037	Small Business Development Centers	Cash Management



Table II - Other Instances of Noncompliance Noted in Programs with Qualified Opinions			
Finding Number	CFDA Number(s)	Major Program	Compliance Requirement
2020-008	84.007 84.033 84.038 84.063 84.268	Student Financial Assistance Cluster	Data Collection Form and Single Audit Reporting Package
2020-011	84.007 84.033 84.038 84.063 84.268	Student Financial Assistance Cluster	Special Tests and Provisions - Borrower Data and Reconciliation
2020-012	84.007 84.033 84.038 84.063 84.268	Student Financial Assistance Cluster	Special Tests and Provisions - Federal Perkins Loan Liquidation
2020-014	84.007 84.033 84.038 84.063 84.268	Student Financial Assistance Cluster	Special Tests and Provisions - Disbursement to or on behalf of Students (Federal Work Study Program)
2020-008	84.425E 84.425F 84.425J	Higher Education Emergency Relief Fund	Data Collection Form and Single Audit Reporting Package
2020-017	84.425E 84.425F 84.425J	Higher Education Emergency Relief Fund	Reporting

The University's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The University's response was not subjected to our 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.



Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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, and as identified in Table III below, to be material weaknesses.

Table III - Material Weaknesses in Internal Control over Compliance			
Finding Number	CFDA Number(s)	Major Program	Compliance Requirement
2020-010	59.037	Small Business Development Centers	Procurement and Suspension and Debarment
2020-013	84.007 84.033 84.038 84.063 84.268	Student Financial Assistance Cluster	Special Tests and Provisions - Disbursement to or on behalf of Students (Loan Disbursement Notification Testing)
2020-015	84.007 84.033 84.038 84.063 84.268	Student Financial Assistance Cluster	Special Tests and Provisions - Enrollment Reporting



Table III - Material Weaknesses in Internal Control over Compliance			
Finding Number	CFDA Number(s)	Major Program	Compliance Requirement
2020-016	84.425E 84.425F 84.425J	Higher Education Emergency Relief Fund	Procurement and Suspension and Debarment

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, and as identified in Table IV below, to be significant deficiencies.

Table IV - Significant Deficiencies in Internal Control over Compliance			
Finding Number	CFDA Number(s)	Major Program	Compliance Requirement
2020-008	59.037	Small Business Development Centers	Data Collection Form and Single Audit Reporting Package
2020-009	59.037	Small Business Development Centers	Cash Management
2020-008	84.007 84.033 84.038 84.063 84.268	Student Financial Assistance Cluster	Data Collection Form and Single Audit Reporting Package
2020-011	84.007 84.033 84.038 84.063 84.268	Student Financial Assistance Cluster	Special Tests and Provisions - Borrower Data and Reconciliation
2020-012	84.007 84.033 84.038 84.063 84.268	Student Financial Assistance Cluster	Special Tests and Provisions - Federal Perkins Loan Liquidation
2020-014	84.007 84.033 84.038 84.063 84.268	Student Financial Assistance Cluster	Special Tests and Provisions - Disbursement to or on behalf of Students (Federal Work Study Program)
2020-008	84.425E 84.425F 84.425J	Higher Education Emergency Relief Fund	Data Collection Form and Single Audit Reporting Package
2020-017	84.425E 84.425F 84.425J	Higher Education Emergency Relief Fund	Reporting



The University's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The University's response was not subjected to our 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 University of the Virgin Islands, a component unit of the Government of the U.S. Virgin Islands, as of and for the year ended September 30, 2020, and have issued our reports thereon dated May 31, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

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 additional 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.

BDO USA, P.C.

(formerly known as BDO USA, LLP)

September 8, 2023

Schedule of Expenditures of Federal Awards

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

Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identification Number	Student Financial Assistance Cluster	Research & Development Cluster	Higher Education Institutional Aid	CARES Act	Small Business Development	Other Programs	Award Provided to Subrecipients	Total Federal Expenditures
<i>Research and Development Cluster</i>										
U.S. Department of Agriculture										
Direct program:										
Plant and Animal Disease, Pest Control, and Animal Care	10.025			25,123						25,123
Cooperative Forestry Research	10.202			59,717						59,717
Payments to Agricultural Experiment Stations Under Hatch Act	10.203			1,238,367						1,238,367
Resident Instruction Grants for Insular Area Activities	10.308			25,887						25,887
Distance Education Grants for Institutions of Higher Education in Insular Areas	10.322			118,946						118,946
Rural Business Development Grant	10.351							50,000		50,000
Cooperative Extension Service	10.500			947,078				135,341		1,082,419
Plant Materials For Conservation	10.905			10,538						10,538
Agricultural Statistics Report	10.950			36,945						36,945
<i>Total Direct Program</i>			-	2,462,601	-	-	-	185,341	-	2,647,942
Pass-through program:										
Pass-through from Government of the Virgin Islands:										
Specialty Crop Block Program:										
Jicama Production and Market Potent	10.170			41,844						41,844
Propagating Guava Berry A High Value				34,329						34,329
Turmeric Product & Market Potential in the Virgin Islands		16SCBGPV10024		(5,593)						(5,593)
Tropical Winged Bean Project				26,348						26,348
Sweet Potato Weed Control				(26,348)						(26,348)
Sustainable Agricultural Research & Education:	10.215									
Pass-through from University of Georgia:										
Sustainable Agriculture Research and Education		SUB0001838		39,264						39,264
Pass-through from University of Florida:										
Educational Material for Cover Crop		UFDSP00012289		925						925
Pass-through from Kansas State University:										
Cooperative Extension Service:	10.500									
4H Military Partnership Grant		S19111						4,273		4,273
<i>Total Pass-through Program</i>			-	110,769	-	-	-	4,273	-	115,042
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	2,573,370	-	-	-	189,614	-	2,762,984
U.S. Department of Commerce										
Direct program:										
NOAA Mission-Related Education Awards	11.008			70,838						70,838
<i>Economic Development Cluster</i>										
Economic Adjustment Assistance	11.307			109,565						109,565
Fisheries Development and Utilization	11.427			(372)						(372)
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478			2,148						2,148
Coral Reef Conservation Program	11.482			81,664						81,664
Marine Debris Program	11.999			43,598						43,598
<i>Total Direct Program</i>			-	307,441	-	-	-	-	-	307,441

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, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identification Number	Student Financial Assistance Cluster	Research & Development Cluster	Higher Education Institutional Aid	CARES Act	Small Business Development	Other Programs	Award Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Commerce (continued)										
Pass-through program:										
Pass-through from University of Puerto Rico:										
Integrated Ocean Observing System (IOOS):	11.012									
CARICCOS-Enhancing Coastal Intelligence		2016-2017-007		39,938						39,938
Sea Grant Support:										
NOAA - VI Marine Advisory Service	11.417	A-151-2-14 UPR		(24,157)						(24,157)
USVI Marine Advisory		2018-2019-004		78,386						78,386
Marine Protected Areas USVI		2018-2019-003		69,589						69,589
Early Life Hist Stages of Coral		2018-2019-014		44,878				5,726		50,604
Pass-through from University of South Carolina:										
Fisheries Development and Utilization Research and										
Development Grants and Cooperative Agreements Program	11.427	PSA 2/12/2018		(11,633)						(11,633)
Marine Fisheries Initiative	11.433	16-2997		(2,556)						(2,556)
Pass-through from University of Miami:										
National Oceanic and Atmospheric Administration (NOAA)										
Cooperative Institutes:										
Coral Reef Monitoring Program	11.432	S18-04		99,718						99,718
Coordination and Development of Research and Monitoring										
Activities in VI		SPC00-1012		124,233						124,233
Maturity Reef Fishes USVI		719633-712683		24,540						24,540
USVI Deep Coral Reef Program		SPC00-1250		128,267						128,267
Pass-through from Government of the Virgin Islands:										
Unallied Science Program:										
Acropora Monitoring Program	11.472	SA-CZMP20191010		85,756						85,756
Marine Debris Program:										
Diving for Debris	11.999	SA-CZMP20191012		2,244						2,244
Cleaning Our Coasts		SA-CZMP20201002		21,336						21,336
Pass-through from Florida Gulf Coast University:										
Center for Sponsored Coastal Ocean Research Coastal										
Ocean Program:	11.478									
ECO HAB: CIGUATOX		17024-UVI-001		37,903						37,903
Pass-through from William Marsh Rice University:										
Coral Reef Conservation Program:										
Tracking and Mitigation the Impacts	11.482	R1A-061		1,659						1,659
<i>Total Pass-through Program</i>										
			-	720,101	-	-	-	-	5,726	725,827
TOTAL U.S. DEPARTMENT OF COMMERCE										
			-	1,027,542	-	-	-	-	5,726	1,033,268
United States Geological Survey										
Direct Program:										
Assistance to State Water Resources Research Institutes	15.805			112,539						112,539

University of the Virgin Islands
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Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identification Number	Student Financial Assistance Cluster	Research & Development Cluster	Higher Education Institutional Aid	CARES Act	Small Business Development	Other Programs	Award Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Interior										
Direct Program:										
Cooperative Research and Training Programs - Resources of the National Park System	15.945			7,140						7,140
Pass-through program:										
Pass-through from Government of the Virgin Islands:										
Economic, Social, and Political Development of the Territories:	15.875									
Ocean Acidification Coral Reef Program		USVI-CRI-5/D16AP00101		18,873						18,873
Emergence & Impacts Red Algae		CRI-USVI-6/D17AP0070		9,285						9,285
Determining Nursery Grown Coral Outplant Success Between Genotypes		SA-CZMP20191005		49,642						49,642
<i>Total Pass-through Program</i>			-	77,800	-	-	-	-	-	77,800
TOTAL U.S. DEPARTMENT OF INTERIOR			-	84,940	-	-	-	-	-	84,940
U.S. Department of Labor										
Direct Program:										
Consultation Agreements	17.504							259,199		259,199
U.S. National Aeronautics and Space Administration										
Direct Program:										
Education Program	43.008			721,613						721,613
Pass-through Program:										
Pass-through from University of South Florida:										
Science:										
Basic Research Educational Outreach - Laying the Foundation of the MBON Network	43.001	80NSSC18K0318		8,331						8,331
Pass-through from College of Charleston:										
Education Program:										
Effects of Watershed Development	43.008	521202-UVI		1,477						1,477
Pass-through from Space Telescope Science Institute:										
Space Technology:										
3-D Magnetohydrodynamic Simulation	43.012	HST-AR-15053-001-A		32,754						32,754
<i>Total Pass-through Programs</i>			-	42,562	-	-	-	-	-	42,562
TOTAL U.S. NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			-	764,175	-	-	-	-	-	764,175
National Endowment for the Humanities										
Direct Program:										
Promotion of the Humanities Division of Preservation and Access	45.149							10,542		10,542
U.S. National Science Foundation										
Direct Program:										
Mathematical and Physical Sciences	47.049			154,006						154,006
Geosciences	47.050			30,527						30,527
Biological Sciences	47.074			9,847						9,847
STEM Education (formerly Education and Human Resources)	47.076			1,370,673				135,793	207,043	1,713,509
Office of International Science and Engineering	47.079			326,349						326,349
Integrative Activities	47.083			2,048,318						2,048,318
<i>Total Direct Program</i>			-	3,939,720	-	-	-	135,793	207,043	4,282,556

University of the Virgin Islands
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Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identification Number	Student Financial Assistance Cluster	Research & Development Cluster	Higher Education Institutional Aid	CARES Act	Small Business Development	Other Programs	Award Provided to Subrecipients	Total Federal Expenditures
U.S. National Science Foundation (continued)										
Pass-through Program:										
Pass-through from South Carolina State University:										
Mathematical and Physical Sciences:										
Excellence in Research: an HBCU Partnership to leverage Resources	47.049			60,289						60,289
Geosciences:	47.050									
Pass-through from Arizona State University:										
GOLD: Sparks for Change		17-075		16,285						16,285
Pass-through from Florida Gulf Coast University:										
Greater Caribbean Center		17056-NSF-UVI-01		83,882						83,882
Pass-through from University of Hartford:										
STEM Education (formerly Education and Human Resources):	47.076									
Support & Sustain Scholarly Mathematics Teaching		P-1383		11,368						11,368
Office of International Science and Engineering:	47.079									
Pass-through from University of South Alabama:										
PIRE Advancing Global Strategies		A17-0170-S0001		142,719						142,719
Pass-through from University of South Florida:										
PIRE Synergistic Water Energy System		2104-1185-00-A		(1,918)						(1,918)
<i>Total Pass-through Program</i>			-	312,625	-	-	-	-	-	312,625
TOTAL U.S. NATIONAL SCIENCE FOUNDATION			-	4,252,345	-	-	-	135,793	207,043	4,595,181
Small Business Administration										
Direct Program:										
Small Business Development Center CARES Act	59.037					152,812				152,812
Small Business Development Center	59.037						593,568			593,568
TOTAL SMALL BUSINESS ADMINISTRATION			-	-	-	152,812	593,568	-	-	746,380
United States Environmental Protection Agency										
Direct Program:										
Solid Waste Management Assistance Grants	66.808			1,409						1,409
Environmental Education Grants	66.951			47,915				13,552		61,467
<i>Total Direct Program</i>			-	49,324	-	-	-	-	13,552	62,876
Pass-through Program:										
Pass-through from Extension Foundation:										
Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	66.716									
Pesticide Safety Workshops		SA-2019-2		8,595						8,595
<i>Total Pass-through Program</i>			-	8,595	-	-	-	-	-	8,595
TOTAL UNITED STATES ENVIRONMENTAL PROTECTION AGENCY			-	57,919	-	-	-	-	13,552	71,471
U.S. Department of Energy										
Pass-through program:										
Pass-through from Norfolk State University:										
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program:	81.123									
NNSA HBCU Program		F10400061-14-11		73,978						73,978
TOTAL U.S. DEPARTMENT OF ENERGY			-	73,978	-	-	-	-	-	73,978

University of the Virgin Islands
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Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identification Number	Student Financial Assistance Cluster	Research & Development Cluster	Higher Education Institutional Aid	CARES Act	Small Business Development	Other Programs	Award Provided to Subrecipients	Total Federal Expenditures
<i>Student Financial Assistance Cluster</i>										
U.S. Department of Education										
Direct program:										
Federal Supplemental Educational Opportunity Grants	84.007		\$ 111,369							\$ 111,369
Federal Work-Study Program	84.033		53,865							53,865
Federal Pell Grant Program	84.063		4,083,204							4,083,204
Federal Direct Student Loan	84.268		3,234,152							3,234,152
<i>Total Student Financial Assistance Cluster</i>			7,482,590	-	-	-	-	-	-	7,482,590
Higher Education Institution Aid	84.031B				2,600,173					2,600,173
Disaster Recovery Assistance for Education	84.938							1,459,751		1,459,751
Higher Education Emergency Relief Fund Student Aid Portion	84.425E					717,992				717,992
Higher Education Emergency Relief Fund Institutional Aid Portion	84.425F					563,563				563,563
Higher Education Emergency Relief Fund Historically Black Colleges and Universities	84.425J					1,875,124				1,875,124
<i>Total Higher Education Emergency Relief Fund Program</i>			-	-	-	3,156,679	-	-	-	3,156,679
TOTAL U.S. DEPARTMENT OF EDUCATION			7,482,590	-	2,600,173	3,156,679	-	1,459,751	-	14,699,193
U.S. Department of Health and Human Services										
Direct Program:										
ACL Assistive Technology	93.464							100,834		100,834
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632							661,475		661,475
Biomedical Research and Research Training	93.859			459,714						459,714
<i>Total Direct Program</i>			-	459,714	-	-	-	762,309	-	1,222,023
Pass-through Program:										
Pass-through from University of Miami:										
Maternal and Child Health Federal Consolidated Programs:	93.110									
Child Development & Multi-Disciplinary Facility		SPC-000504						5,751		5,751
Child Development & Multi-Disciplinary Facility		SPC-001154						17,088		17,088
Pass-through from Government of the Virgin Islands:										
Every Student Succeeds Act/Preschool Development Grants	93.434									
Road to Success Early Child Care		90TP002301						374,223		374,223
Pass-through from Yale University:										
Minority Health and Health Disparities Research:	93.307									
YALETCC Health Disparities Res Year 3		M17A1264 (A10932)		72,955						72,955
ECHORN Year 6		M12A11250 (A08627)		11,010						11,010
Translation and Implementation Science Research for Heart, Lung, Blood Diseases, and Sleep Disorders:	93.840									
Pediatric ECHORN Cohort Study		GR105030 (CON-80001591)		75,051						75,051
<i>Total Pass-through Program</i>			-	159,016	-	-	-	397,062	-	556,078
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	618,730	-	-	-	1,159,371	-	1,778,101
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 7,482,590	\$ 9,565,538	\$ 2,600,173	\$ 3,309,491	\$ 593,568	\$ 3,214,270	\$ 226,321	\$ 26,991,951

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

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

1. Reporting Entity

The Schedule of Expenditures of Federal Awards (the Schedule) includes the activity of all federal grant of the University of the Virgin Islands (the University) under the programs of the Federal government for the year ended September 30, 2020. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Further, because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

2. Summary of Significant Accounting Policies

Basis of Accounting

The expenditures for each of the Federal award programs are presented in the Schedule on an accrual basis of accounting. Such expenditures are recognized following the cost principle contained in the Uniform Guidance. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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.

Matching Costs

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

Relationship to Federal Financial Reports

The relationship 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 in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the basis described above.

3. Major Federal Programs

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

4. 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 \$70,764 as of September 30, 2020.

University of the Virgin Islands
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Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

The University disbursed \$0 under the Federal Perkins Loan Program for the year ended September 30, 2020.

5. Federal Direct Student Loan Program

During the fiscal year ended September 30, 2020, the University processed \$3,234,152 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, 2020, 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, 2020.

6. Indirect Cost Rate

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

7. Contingencies

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

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

8. 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. Rebuilding the University's facilities has taken precedence over other activities and the University continues to tabulate the associated costs and expenses with respect to remediation, mitigation, and the restoration of services. In 2021, the University received approximately \$750,000 in connection with its insurance claims related to damages incurred.

FEMA's 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 July 2023, the University has been approved for approximately \$37.6 million in grant funding for emergency restoration work, and permanent and hazard mitigation projects.

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Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Economic Relief Legislation

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 the Historically Black College and University (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, approximately \$62.0 million of the University’s debt was cancelled through the Capital Financing Program.

In March 2021, “The American Rescue Plan (ARP) Act of 2021” was signed into law. The ARP Act builds on previously enacted aid measures to aid states, counties, cities, and tribal governments to cover increased expenditures, replenish lost revenue, and mitigate economic harm from the COVID-19 pandemic. However, there is no assurance that the University will be eligible for these funds or will be able to obtain them. However, the University continues to examine the impact that the ARP Act may have on its operations and to explore initiatives with the Governor and his Administration to derive benefit from the passage of the legislation.

Other

In March 2023, 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.

Schedule of Findings and Questioned Costs

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

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 generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None reported

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
59.037	Small Business Development Center	Qualified
84.007, 84.033, 84.038, 84.063, 84.268	Student Financial Assistance Cluster	Qualified
84.425E, 84.425F, 84.425J	Higher Education Emergency Relief Fund	Qualified

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

 X Yes No

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Schedule of Findings and Questioned Costs
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Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
59.037	Small Business Development Center
84.007, 84.033, 84.038, 84.063, 84.268	Student Financial Assistance Cluster
84.425E, 84.425F, 84.425J	Higher Education Emergency Relief Fund

Dollar threshold used to distinguish
between Type A and Type B programs:

\$ 809,758

Auditee qualified as low-risk auditee?

Yes No

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section II - Financial Statements Findings

Finding 2020-001: Financial Position

The University is in a difficult financial position based largely on operating losses, outstanding debt, pension obligation, and other postemployment obligation issues. In addition, the University's operations were impacted by the global coronavirus pandemic.

Management is working to stabilize the University's financial position by implementing a new short-term cash management process and identifying opportunities to reduce operating costs. The University is also a recipient of significant federal assistance in connection with the global coronavirus pandemic. It is further noted that as of September 30, 2020, all payments on bonds and notes obligations have been remitted as required.

Deficits in Unrestricted Net Position

Finding and Recommendation:

For the past few years, the University has incurred significant losses from operations, resulting in growing deficits of its unrestricted net position. This unfavorable financial position has caused the financial statements to include a disclosure in the audit opinion. This situation must improve if the University is to fund debt, pension, and other postemployment benefits obligations. Future plans and budgets should be developed to produce operating income, avoid continuing deficits, and begin to rebuild net position. Continuation of these negative financial results could have a significant impact on the financial position and cash flows of the University.

Views of Responsible Officials:

The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Finding 2020-002: Year-End Close Process

Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or reports.

Timeliness and Methodology of Close Process

Finding and Recommendation:

- We noted a significant delay in the year-end closing process and preparation of year-end financial statements. We noted that in many cases, reconciliations were finalized during the audit process, which represents a substantial delay when compared to the University's fiscal year-end. Capital assets, grants revenues and receivables, accruals and other liabilities, and net position schedules had not been reconciled on a periodic basis. Moreover, the sheer volume of manual journal vouchers and reversal entries being recorded results in further challenges and delays in the reconciliation process.
- Detailed schedules supporting general ledger accounts did not always agree with the respective general ledger balances. There were a significant number of post-closing adjustments provided by the University during the audit process. Such a continuing and growing backlog of transactions and journal entries that are not posted into the accounting system on a timely basis, renders the accounting information virtually useless in making well informed business decisions on a timely basis. Additionally, there was no readily available evidence that various post-closing journal entries had been reviewed by a responsible official prior to posting in the general ledger.

In order to prevent significant errors in the financial records and financial statements as well as prevent possible irregularities, including fraud, to exist and continue without notice, we recommend that all accounts, accruals, and reconciliations be performed and reviewed on a periodic basis. The composition of any unreconciled differences should be determined and followed up on, and any journal entries, deemed necessary as a result, should be recorded.

Further, strict adherence to the year-end closing schedule will allow the University to comply with its financial and other reporting covenants, and for the year-end work and audit preparation to be a much less time-consuming and arduous process, without sacrificing the quality of the accounting records or minimizing existing internal controls.

Views of Responsible Officials:

The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Accuracy and Timing of Interim Financial Statements

Finding and Recommendation:

It appears from the large number of year-end adjustments, that the University's monthly interim financial statements did not include all the necessary adjustments to prepare interim financial statements comparable to the audited financial statements. This could result in conflicting information for management, the governing board, and outside users. We recommend that the University review the content of the audit adjustments made to the year-end statements and incorporate them into the periodic closing process.

Views of Responsible Officials:

The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

Debt Covenants

Finding and Recommendation:

We noted that the University was not in compliance with certain financial and reporting covenants pertaining to its agreements. We recommend that management establish and implement a policy to periodically monitor and evaluate its covenants. If such a practice can be implemented, potential violations can be cured before the measurement date, thereby avoiding any violations that must be reported to the lenders and disclosed in the audited financial statements.

Views of Responsible Officials:

The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
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Finding 2020-003: Capital Assets and Related Expenditures

Capital assets constitute an investment of substantial amounts, thereby, requiring an excellent system of controls for the maintenance and safeguarding of these assets. We recommend diligence with respect to the monitoring and review of capital assets and in ensuring the reconciliation of supporting registers to the primary register.

Record Keeping

Finding and Recommendation:

The process of maintaining capital asset records (i.e. recording additions, disposals, and transfers) is conducted when performing the annual financial statement close resulting in significant adjusting entries. As such, supervisory review and other checks and balances may not be timely and/or effective in all instances. During our sampled procedures, we noted the following:

- Approximately \$8.4 million in capital asset additions had been erroneously expensed.
- Completed construction in process (CIP) projects had not been transferred on a timely basis to the completed asset category and various erroneous accruals had been recorded resulting in several adjustments to the CIP balances.

To prevent the need for major adjustments at the end of each year, we suggest that the general ledger accounts be reconciled to the detailed records on a quarterly basis. Movements in the rollforward schedules should be timely and adequately analyzed to minimize large variances at year-end.

Views of Responsible Officials:

The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
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Finding 2020-004: Grants Management

The University receives grant and contract funds from various funding agencies. These situations necessitate a strong accounting system to record specific grant and contract activities. Consideration must also be given to compliance with laws and regulations that are a component of any grant or contract accepted.

Control Systems

Finding and Recommendation:

Based on our review of the schedule of grants and contracts, we noted the University is not monitoring its outstanding receivables and deferred revenues on a periodic basis. While a grants and contracts rollforward schedule was prepared, various reconciling items had not been taken into account leading to additional time and effort during the audit process to reconcile and rectify the balances. Additionally, numerous adjustments were required to the Schedule of Expenditures of Federal Awards (SEFA).

We suggest the University establish a system that is capable of properly accounting for such transactions, as well as maintaining more accurate and complete records for all grant revenues and expenses. The existing system in place makes it difficult to ascertain the funds received and expended for each individual grant, the receivable outstanding at the end of the year, and any deferred revenues.

Management may consider maintaining detailed grants and contracts analyses that are monitored for subsequent collections. The analyses should also include the amount, term, dates of receipt, reporting requirements, any restrictions, and other pertinent information. A similar system of monitoring should be considered for undrawn invoices with special attention as to when these are eventually drawn down and received in order to prevent any duplication of accounts. Furthermore, a reconciliation between Accounting and Grants Management departmental records should be performed regularly to minimize the amount of effort required at year-end.

Views of Responsible Officials:

The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
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Finding 2020-005: Accuracy of Liabilities

Strong and effective controls over liabilities can be extremely critical to the survival of a business. Moreover, given that debt servicing is a priority in the periodic disbursement requirements of the University, critical management of these payment priorities and practices is key in ensuring that operational needs are adequately addressed.

Review and Reconciliation

Finding and Recommendation:

- We noted several accruals from prior years that had not been updated to properly reflect actual invoices recorded and payments made.
- Principal and interest payments were not properly accounted for during the year resulting in incorrect journal entries posted to debt and accrued interest balances.
- A debt refunding transaction in the amount of \$3.3 million had not been accounted for accurately.
- Certain deferment of principal and interest payments, as a result of the passage of the “Coronavirus Aid, Relief, and Economic Security (CARES) Act”, had not been accounted for accurately.

While correcting entries were recommended and recorded during the audit process, we recommend a more thorough review of accruals and various debt transactions. For instance, accrual entries from the prior years should be regularly analyzed to ensure these are still valid to prevent duplication of recording when the actual invoices are received and/or paid.

Views of Responsible Officials:

The University concurs with the auditor’s findings and recommendations. The planned corrective actions are presented in the University’s Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
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Finding 2020-006: Net Position Restrictions and Designations

Net (deficit) position is the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources. It discloses the amount that may or may not be available for future spending.

Review and Reconciliation

Finding and Recommendation:

The University had not reconciled the general ledger accounts for net (deficit) position and a detailed net asset rollforward schedule was not available. Significant delays were encountered during the audit process while the University reconciled and adjusted the general ledger. We recommend the University prepare a net position/net asset roll forward analysis to include the opening balance for each restricted net position/net asset fund, revenue (additions), expenses (releases), and the ending balance. Revenue and expenses should be reconciled to the current year financial statements and beginning net asset balances should be reconciled to prior year financial statements.

Views of Responsible Officials:

The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

Restrictions and Designations

Finding and Recommendation:

Restricted net position represents limitations that have been placed on assets by creditors, grantors, contributors, laws, and regulations. The University and its Foundation have various restrictions imposed by laws and regulations as well as by external parties such as creditors and grantors. During our procedures, we noted the following:

- The University, including its Foundation, does not have the requisite processes and procedures in place for reporting and documenting accurate restriction classifications.
- Certain details of restricted assets showed negative scholarships and had not been reconciled on a regular basis.
- The Foundation for the University of the Virgin Islands (FUVI) incorrectly recorded a release of donor restricted net assets for expenditures which had been incurred in a prior fiscal year. Net assets should be released from restriction in the year in which the related expenditure is incurred.
- There was incomplete documentation relative to a transfer of funds during the year to FUVI's quasi-endowment fund. Minutes of meetings of the Board of Trustees should be expanded to include pertinent details relative to financial matters, including designations of net assets.

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- We noted instances in which certain donor agreement's terms and conditions did not correlate with the University's related net asset category classification.
- The University and its Foundation do not have a formal endowment policy.

We recommend that the University formalize its restricted net position/net asset policy, to include (i) a description of the various types of restricted net assets; (ii) who can approve the creation of internally restricted net assets; and (iii) who can approve appropriations to and from internally restricted net assets.

Additionally, we recommend that the Foundation utilize a checklist to assist with management's review of the agreement, consideration of barriers, rights of return and release, donor restrictions, and conclusion as to whether the contribution is conditional or unconditional and with or without donor restriction. We also recommend that the Foundation improve its recordkeeping system and maintain a file for each individual grant that includes the original donor agreement and any subsequent communication with the donor regarding restrictions. In addition, the Foundation should develop an endowment policy to clarify matters such as (i) the types of gifts that will be accepted for endowment contributions; (ii) the endowment spending policy; (iii) who can create and designate contributions to the Foundation's quasi-endowments; and (iv) an underwater endowment policy (for when the fair market value of the endowment is less than the original gift amount).

Views of Responsible Officials:

The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Finding 2020-007: Bank Accounts

Cash is the most liquid of assets and has the highest risk for theft, embezzlement, and misappropriation. Timely preparation of complete and accurate bank reconciliations is key to maintaining adequate control over both cash receipts and disbursements.

Strengthen Controls Over Bank Reconciliations

Finding and Recommendation:

We noted instances where bank reconciliations included variances that had not been properly explained or investigated. Additionally, we observed the following:

- We noted that certain bank reconciliation adjustments had not been properly accounted for in the records resulting in additional and further adjusting entries. In one instance, a reconciling difference had been incorrectly reflected in other expenses when it should have been recorded as an adjustment to the bank balance.
- We noted bank receipts that had not been fully analyzed for proper accounting in the books and records. Unidentified receipts in the bank should be periodically analyzed to accurately reflect them as either collections of receivables or advance payments (liabilities).
- The University has retained unclaimed checks dating from 1985 to 2008. Research should be done periodically to eliminate large numbers of old items being carried from month to month and from year to year. As an auxiliary step, consideration should also be given to the Territory's unclaimed property laws.

When bank reconciliations are not performed consistently and in a timely manner, there is an increased risk of unauthorized transactions or bank errors going undetected. We recommend that bank reconciliations be prepared and reviewed for accuracy and completeness on a timely basis. Ideally, these reconciliations and reviews should take place on a monthly basis.

Views of Responsible Officials:

The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section III - Federal Award Findings and Questioned Costs

Finding Number: 2020-008
Prior Year Finding Number: N/A
Compliance Requirement: Data Collection Form and Single Audit Reporting Package

Information on Federal Program(s) - *Small Business Administration*

Direct Program:
Small Business Development Centers
CFDA Number: 59.037

U.S. Department of Education

Direct Program:
Student Financial Assistance Cluster
CFDA Number: 84.007, 84.033, 84.038, 84.063, 84.268

U.S. Department of Education

Direct Program:
Higher Education Emergency Relief Fund
CFDA Number: 84.425E, 84.425F, 84.425J

Criteria or Specific Requirement - 2 CFR 200.512, *Report Submission*, establishes that the audit shall be completed and the data collection form and reporting package shall be submitted to the Federal Audit Clearinghouse (FAC) within the earlier of 30 days after receipt of the auditor's report 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 comply with the required submission date of the data collection form and reporting package to the FAC for the fiscal year ended September 30, 2020.

Questioned Costs - Not applicable.

Context - This is a condition identified per review of the University's compliance with specified requirements for 1 of 1 annual reporting.

Effect - The University was not in compliance with the reporting requirements and could be exposed to a reduction or elimination of funds by the federal awarding agencies.

Cause - The University did not have administrative and internal control oversight in place to ensure that the reporting package was submitted to the FAC within the required timeframe.

Recommendation - We recommend that the University enhance its procedures and internal controls to ensure the reporting package is submitted to the FAC annually within the required timeframe.

Views of Responsible Officials - The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
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Finding Number: 2020-009
Prior Year Finding Number: N/A
Compliance Requirement: Cash Management

Information on Federal Program(s) - *Small Business Administration*
Direct Program:
Small Business Development Centers
CFDA Number: 59.037

Criteria or Specific Requirement - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with federal statutes, regulations, and the terms and conditions of the federal award.

In addition, 2 CFR section 200.305(b) requires that non-federal entities must minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and disbursement by the non-Federal entity for direct program or project costs and the proportionate share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

Condition - The University did not minimize the time elapsing between the receipt of a \$320,000 advance for COVID-19 related expenses and the disbursement of the funds to the various vendors. The advance was received on February 15, 2020, and had not been expended by September 30, 2020.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of the University's compliance with the specified requirements using a statistically valid sample for 1 of 3 selected cash drawdown for cash management testing out of a population of 5. The sampled total was \$517,547 out of a population total of \$837,547.

Effect - The University is not compliance with the stated provisions.

Cause - It appears that administrative and internal control oversight were not functioning as intended.

Recommendation - We recommend that the University comply with the specified requirements and enhance its procedures and internal controls to ensure that they minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and disbursement for program costs.

Views of Responsible Officials - The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Finding Number: 2020-010
Prior Year Finding Number: N/A
Compliance Requirement: Procurement and Suspension and Debarment

Information on Federal Program(s) - *Small Business Administration*

Direct Program:
Small Business Development Centers
CFDA Number: 59.037

Criteria or Specific Requirement - The Uniform Guidance in 2 CFR Section 200.318-326, *General Procurement Standards*, requires that recipients of Federal awards must have adequate policies and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborate compliance with these requirements.

Condition - In our review of 8 out of 25 procurement transactions, we noted the following:

- All of the 8 selected procurement transaction files did not contain sufficient supporting documents in order to verify the contractors' exclusion from the Excluded Parties List System to validate the procurement decisions made.
- There is no evidence of issuance of Request for Proposal for 2 out of 8 samples tested.
- In 1 of 8 samples reviewed, there was no evidence of quotations that had been obtained, or sole source justification before a vendor was selected.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of the University's compliance with the specified requirements using a statistically valid sample for 8 of 8 selected procurements. We reviewed 8 procurement files with expenditures totaling \$194,350 out of the population totaling \$284,366 for fiscal year 2020.

Effect - The University is not compliance with the stated provisions and could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the Federal government. In addition, failure to perform procurement procedures in accordance with University's documented policies and Procurement Procedures as outlined in the Uniform Administrative Requirements could result in the procurement being disallowed.

Cause - It appears that administrative and internal control oversight were not functioning as intended.

Recommendation - We recommend that the University enhance its procedures and internal controls to ensure adherence to Federal regulations relating to the procurement of goods and services and review current records retention policies.

Views of Responsible Officials - The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
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Finding Number: 2020-011
Prior Year Finding Number: N/A
Compliance Requirement: Special Tests and Provisions - Borrower Data and Reconciliation

Information on Federal Program(s) - *U.S. Department of Education*

Direct Program:
Student Financial Assistance Cluster
CFDA Number: 84.007, 84.033, 84.038, 84.063, 84.268

Criteria or Specific Requirement - Institutions must report all loan disbursements and submit required records to Common Origination and Disbursement (COD) within 15 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the institution) Loan Detail records. The institution is required to reconcile these files to the institution's financial records.

Condition - During our review, we noted the following:

- We selected 25 samples for testing and noted that 1 sample had not been reported within the 15 days as per the COD reporting timeline.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of the University's compliance with the specified requirements using a statistically valid sample for 1 of 25 disbursements selected for testing. Total fiscal year 2020 loan disbursements were \$3,234,152.

Effect - The University is not compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause - It appears that administrative and internal control oversight were not functioning as intended.

Recommendation - The University should immediately undertake a process to review its procedures and internal controls to ensure that they comply with the requirements of Title IV aid.

Views of Responsible Officials - The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
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Finding Number: 2020-012
Prior Year Finding Number: N/A
Compliance Requirement: Special Tests and Provisions - Federal Perkins Loan Liquidation

Information on Federal Program(s) - *U.S. Department of Education*

Direct Program:
Student Financial Assistance Cluster
CFDA Number: 84.007, 84.033, 84.038, 84.063, 84.268

Criteria or Specific Requirement - As per the compliance supplement, an institution that decided to stop participating in the Federal Perkins Loan program (Perkins) (CFDA 84.038), the institution is responsible for returning any unspent funds (34 CFR section 668.14(b)(25)). The institution must perform the end-of-participation procedures in which it must (a) notify ED of the intent to stop participating in Perkins (34 CFR section 668.26(b)(1)); (b) inform ED of how the institution will provide for the collection of any outstanding loans made under the program (34 CFR section 668.26(b)(4)); (c) purchase any outstanding loans left in its Perkins portfolios or assign them to ED (34 CFR sections 674.8(d), 674.17(a)(2), and 674.45(d)(2)); and (d) maintain program and fiscal records of all Perkins funds since the most recent Fiscal Operations Report (FISAP) was submitted, and reconcile this information at least monthly (34 CFR section 674.19(d)).

Condition - There was no documentation provided supporting whether the University had ceased to participate in the Perkins loan program and had properly performed the end-of-participation procedures or not.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of the University's compliance with the specified requirements using a statistically valid sample.

Effect - The University is not compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause - It appears that administrative and internal control oversight were not functioning as intended.

Recommendation - The University should immediately undertake a process to review its procedures and internal controls to ensure that they comply with the parameters stated in the Compliance Supplement.

Views of Responsible Officials - The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
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Finding Number: 2020-013
Prior Year Finding Number: N/A
Compliance Requirement: Special Tests and Provisions - Disbursement to or on behalf of Students (Loan Disbursement Notification Testing)

Information on Federal Program(s) - U.S. Department of Education
Direct Program:
Student Financial Assistance Cluster
CFDA Number: 84.007, 84.033, 84.038, 84.063, 84.268

Criteria or Specific Requirement - The institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to ED; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement. The notification requirement for loan funds applies only if the funds are disbursed by EFT payment or master check (34 CFR 668.165). Institutions that implement an affirmative confirmation process (as described in 34 CFR 668.165 (a)(6)(i)) must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loan or TEACH Grants. Institutions that do not implement an affirmative confirmation process must notify a student no earlier than 30 days before, but no later than seven days after, crediting the student's account and must give the student 30 days (instead of 14) to cancel all or part of the loan.

Condition - We sampled and selected 25 out of 1,309 files and noted no evidence provided that students or parents have been notified in writing of the date and amount of the disbursement, no earlier than 30 days before and no later than 30 days after a disbursement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of the University's compliance with the specified requirements using a statistically valid sample for 25 of 25 students selected for testing. Total fiscal year 2020 loan disbursements were \$3,234,152.

Effect - The University is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause - It appears that administrative and internal control oversight were not functioning as intended.

Recommendation - The University should immediately undertake a process to review its procedures and internal controls to ensure that they comply with the parameters stated in the Compliance Supplement.

Views of Responsible Officials - The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

University of the Virgin Islands
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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Finding Number: 2020-014
Prior Year Finding Number: N/A
Compliance Requirement: Special Tests and Provisions - Disbursement to or on behalf of Students (Federal Work Study Program)

Information on Federal Program(s) - U.S. Department of Education
Direct Program:
Student Financial Assistance Cluster
CFDA Number: 84.007, 84.033, 84.038, 84.063, 84.268

Criteria or Specific Requirement - The student's wages are earned when the work is performed. The institution shall ensure that the student is paid at least once per month. The federal share must be paid by check or similar instrument the student can cash on his or her endorsement, or as authorized by the student, by crediting FWS funds to a student's account or by EFT to a bank account designated by the student. The institution may only credit the account for tuition, fees, institutional room and board, and other institution-provided goods and services (34 CFR 675.16).

Condition - We sampled and selected 18 out of 179 work study students' timesheets and noted 2 timesheets were not approved/certified by the student's supervisor in accordance with the internal control and compliance requirements.

Questioned Costs - Below reporting threshold.

Context - This is a condition identified per review of the University's compliance with the specified requirements using a statistically valid sample for 2 of 18 students timesheets selected for testing. The total amount of expenditures charged to the program during fiscal year 2020 were \$53,865. The total sampled amount was \$5,244. The known amount of the 2 timesheets amounted to \$660.

Effect - The University is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause - It appears that administrative and internal control oversight were not functioning as intended.

Recommendation - The University should immediately undertake a process to review its procedures and internal controls to ensure that they comply with the parameters stated in the Compliance Supplement.

Views of Responsible Officials - The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Finding Number: 2020-015
Prior Year Finding Number: N/A
Compliance Requirement: Special Tests and Provisions - Enrollment Reporting

Information on Federal Program(s) - U.S. Department of Education
Direct Program:
Student Financial Assistance Cluster
CFDA Number: 84.007, 84.033, 84.038, 84.063, 84.268

Criteria or Specific Requirement - Institutions are required to report enrollment information under the Pell grant and the Direct and FFEL loan programs via the National Student Loan Data System (NSLDS) (OMB No. 1845-0035), although FFEL loans are no longer made or a part of the SFA Cluster, a student may have a FFEL loan from previous years that would require enrollment reporting for that student (Pell, 34 CFR 690.83(b)(2); FFEL, 34 CFR 682.610; Direct Loan, 34 CFR 685.309).

Unless an institution expects to submit its next updated enrollment report to the Department within the next 60 days, an institution must notify NSLDS within 30 days after the date that the institution discovers that (1) 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 has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or (2) a student who is enrolled at the institution and who received a loan under Title IV of the Act has changed his or her permanent address. (34 CFR 685.309(a)(2) and 34 CFR 682.610(c)(2))

Condition - We sampled and selected 39 out of 383 students that had changes in their enrollment status and noted that 5 out of 39 students' enrolment status had been reported or certified beyond the required 60-day period.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of the University's compliance with the specified requirements using a statistically valid sample.

Effect - The University is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause - It appears that administrative and internal control oversight were not functioning as intended.

Recommendation - The University should immediately undertake a process to review its internal control procedures to ensure its compliance with the parameters stated in the Compliance Supplement.

Views of Responsible Officials - The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Finding Number: 2020-016
Prior Year Finding Number: N/A
Compliance Requirement: Procurement and Suspension and Debarment

Information on Federal Program(s) - *U.S. Department of Education*
Direct Program:
Higher Education Emergency Relief Fund
CFDA Number: 84.425E, 84.425F, 84.425J

Criteria or Specific Requirement - The Uniform Guidance in 2 CFR Section 200.318-326, *General Procurement Standards*, requires that recipients of Federal awards must have adequate policies and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborate compliance with these requirements.

Condition - In our review of 4 out of 8 procurement transactions, we noted 2 samples totaling \$40,491 did not have evidence of sole source justification before a vendor was selected.

Questioned Costs - \$40,491.

Context - This is a condition identified per review of the University's compliance with the specified requirements using a statistically valid sample for 2 of 4 selected procurement transactions for testing. We reviewed 4 procurement files with expenditures totaling \$218,696 out of the total population of \$237,497 for fiscal year 2020.

Effect - The University is not compliance with the stated provisions. Failure to perform procurement procedures in accordance with University's documented policies and Procurement Procedures as outlined in the Uniform Administrative Requirements could result in the procurement being disallowed.

Cause - It appears that administrative and internal control oversight were not functioning as intended.

Recommendation - We recommend that the University enhance its procedures and internal controls to ensure adherence to Federal regulations relating to the procurement of goods and services.

Views of Responsible Officials - The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Finding Number: 2020-017
Prior Year Finding Number: N/A
Compliance Requirement: Reporting

Information on Federal Program(s) - *U.S. Department of Education*
Direct Program:
Higher Education Emergency Relief Fund
CFDA Number: 84.425E, 84.425F, 84.425J

Criteria or Specific Requirement - Each institution must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Condition - We selected and reviewed 3 reports out of a population of 3 submitted during the fiscal year and noted the following:

- 2 reports did not agree to the underlying financial records.
- 3 reports did not contain evidence of review and approval prior to submission.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of the University's compliance with the specified requirements using a statistically valid sample for 3 of 3 reports selected for testing.

Effect - The University is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause - It appears that administrative and internal control oversight were not functioning as intended.

Recommendation - We recommend the University enhance its procedures and internal controls to ensure proper retention, monitoring, and review of the required reports by an appropriate official to ensure that information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials - The University concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the University's Corrective Action Plan which is attached as Appendix B to the Single Audit Report.

Management's Appendices



University of the Virgin Islands

Historically American. Uniquely Caribbean. Globally

Office of the Vice President for Administration & Finance

September 8, 2023

BDO USA, P.A.
12505 Park Potomac Ave, Suite 700
Potomac, MD 20854

In connection with the Single Audit of the University of the Virgin Islands' (the University) for the year ended September 30, 2020, transmitted herewith is the Fiscal Year 2020 Status of Prior Audit Findings and a Corrective Action Plan in accordance with 2 CFR §200.511, *Audit Findings Follow-Up*. These schedules provide the status of the *Government Auditing Standards* and the Single Audit findings for the prior years.

The University is focused on improving its procedures to ensure that these findings are resolved.

If you have any questions, please contact us.

Respectfully,

David Hall

Mr. David Hall, SJD
President

Shirley Lake King

Ms. Shirley L. Lake-King, CGFM
Vice President of Administration and Finance

Stacey Chados

Ms. Stacey Chados
Interim Controller

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

Appendix A: Status of Prior Audit Findings
For the Year Ended September 30, 2020

Finding 2019-001 and 2018-002: Financial Reporting Requirements

Current Status: Repeated. Finding 2020-002.

Reason for recurrence: The University is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Acting Controller has commenced additional review and revision of the accounting and financial reporting structure. The Director of Accounting will be implementing a process to reconcile and analyze material transactions on a monthly basis and the University will provide Banner Finance training to Controller office personnel, grant administrators and support staff. In addition, the Acting Controller is working with the Director of Grants to implement a formal process to review and reconcile grant activity on a quarterly basis.

Finding 2019-002 and 2018-001: Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans

Current Status: Corrective action was taken.

Finding 2019-003: Special Reporting Requirements - Federal Pell Grant Program

Federal Program: CFDA Number 84.063, Federal Pell Grant Program

Current Status: Corrective action was taken.

Corrective Action Plan

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Appendix B: Corrective Action Plan
For the Year Ended September 30, 2020

Page Number	Finding	Responsible Officials	Estimated Completion Date	Corrective Action
21	2020-001: Financial Position <ul style="list-style-type: none"> • Deficits in Unrestricted Net Position 	Vice President for Administration and Finance/CFO and Vice Provost for Access and Enrollment	October 2022	The University is continuing its efforts of improving financial controls, monitoring cash flows, working with federal partners, and rebuilding equity.
22	2020-002: Year-End Close Process <ul style="list-style-type: none"> • Timeliness and Methodology of Close Process 	Interim Controller	Immediately	The Interim Controller will implement a proactive monitoring process to review all accounts, accruals, and reconciliations periodically, and will implement a year-end closing schedule to include cash reconciliations, accounts receivable and allowance, prepaid insurance, long-term debt, deferred tuition and grant revenue, accounts payable, and construction in progress. In addition, the Interim Controller will ensure that all post-closing adjustments are properly reviewed and timely entered.
23	<ul style="list-style-type: none"> • Accuracy and Timing of Interim Financial Statements 	Interim Controller	Immediately	The University will review all audit adjustments made to the year-end statements, ensure that the adjustments had the intended impact on the financial statements, and incorporate the activity into the periodic closing process.

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Appendix B: Corrective Action Plan
For the Year Ended September 30, 2020

Page Number	Finding	Responsible Officials	Estimated Completion Date	Corrective Action
23	<ul style="list-style-type: none"> • Debt Covenants 	Interim Controller	June 2023	The University will implement a policy to monitor and evaluate its debt covenants.
24	2020-003: Capital Assets and Related Expenditures <ul style="list-style-type: none"> • Record Keeping 	Interim Controller	September 2023	The Interim Controller will implement a process to proactively tag capitalizable assets upon receipt and ensure the assets are properly reflected in the financial management system and will implement a process at year-end to accurately account for all open and unpaid invoices pertaining to capitalizable assets.
25	2020-004: Grants Management <ul style="list-style-type: none"> • Control Systems 	Director of Accounting for Grants and Contracts and the Interim Controller	September 2023	The Grants Management unit is filling two vacant grant accountant positions, and once properly staffed, the unit will implement proactive and effective monitoring of all restricted funds activities, including outstanding federal receivables and deferrals. The Director of Accounting for Grants and Contracts will implement a summary schedule of grants to include the grant award amount, receipt of drawdowns against the grant, grant reporting requirements, special terms and conditions, and any other pertinent information.

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Appendix B: Corrective Action Plan
For the Year Ended September 30, 2020

Page Number	Finding	Responsible Officials	Estimated Completion Date	Corrective Action
				The Director will also provide the Interim Controller with quarterly updates of grant award activity.
26	2020-005: Accuracy of Liabilities <ul style="list-style-type: none"> • Review and Reconciliation 	Director of Accounting for Operations; Interim Controller; and the Vice President for Administration and Finance/CFO.	July 2023	The Director of Accounting for Operations will implement a process to ensure that accrual entries are properly accounted for and that principal and interest for debt transactions are properly recorded. The Director will provide the Interim Controller with all journal entries to record and follow up on accruals as well as work collaboratively to enhance the control system over debt transactions to ensure timely and accurate reporting of all categories of debt.
27	2020-006: Net Position Restriction and Designations <ul style="list-style-type: none"> • Review and Reconciliation 	Interim Controller	December 2023	The Interim Controller will implement a net position/net asset roll forward analysis.
27	<ul style="list-style-type: none"> • Restrictions and Designations 	Vice President for Administration and Finance/CFO and Executive Director	October 2023	The University will work with the Foundation to properly identify restrictions and designations related to net position. The FUVI will adopt an endowment policy and perform periodic reviews to ensure compliance with donor agreements and the release of funds.

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Appendix B: Corrective Action Plan
For the Year Ended September 30, 2020

Page Number	Finding	Responsible Officials	Estimated Completion Date	Corrective Action
29	2020-007: Bank Accounts <ul style="list-style-type: none"> • Strengthen Controls Over Bank Reconciliations 	Director of Accounting for Operations	July 2023	The Director of Accounting for Operations will ensure that bank reconciliations are timely performed, all receipts are properly recorded to the University's books and records, and that unclaimed checks are properly accounted for. In addition, the Director will provide the Interim Controller with a copy of the monthly bank reconciliation and each journal entry record of bank receipts.
30	2020-008: Data Collection Form and Single Audit Reporting Package	Vice President for Administration and Finance	June 2023	The University remains committed to and is focusing its efforts towards timely submission of the Data Collection Form and Reporting Package.
31	2020-009: Cash Management	Interim Controller	June 2023	The Interim Controller will ensure that the Director of Accounting for Grants and Contracts proactively monitors the receipt of advanced funds and ensures that the funds are timely disbursed for program costs or returned to the grantor agency if not expended. The Interim Controller will also ensure that waivers or updated award documents are received from the grantor, to serve as evidence of changed terms.
32	2020-010: Procurement and Suspension and Debarment	Director of Purchasing, Interim Controller, Director of Accounting for Grants and Contracts, and Grant Accountants	June 2023	The Director of Purchasing will review the controls established for procurement at the University, and consistently apply the controls established to all purchases.

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Appendix B: Corrective Action Plan
For the Year Ended September 30, 2020

Page Number	Finding	Responsible Officials	Estimated Completion Date	Corrective Action
				Additionally, the Director of Purchasing will review all purchases considered sole source to validate the required justification is secured before moving forward with the purchase, and all necessary supporting documents are secured, and verification processes are completed before submitting for final processing. Also, all Grant Accountants will perform a review of the vendor invoices received for processing, to confirm the vendor is properly not included on the Excluded Parties List System on sam.gov.
33	2020-011: Special Tests and Provisions - Borrower Data and Reconciliation	Financial Aid Director	September 2023	Financial Aid will conduct an internal comparative analysis of Banner student disbursements to the extracted batch records for transmission to COD to ensure no student records are skipped during the extraction process.
34	2020-012: Special Tests and Provisions - Federal Perkins Loan Liquidation	Interim Controller, Director of Accounting for Operations	June 2023	The University is actively working with the U.S. Department of Education to pay off outstanding loan balances not previously turned over to the USDOE. To further implement the recommendation, the University's Director of Accounting for Operations will conduct a reconciliation of loan balances previously turned over to the USDOE and will subsequently conduct reconciliations monthly. In addition, the University is in contact with the USDOE and a third-party loan servicing provider to determine whether the University previously performed end of participation procedures, and if not, to ensure compliance with such procedures.

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Appendix B: Corrective Action Plan
For the Year Ended September 30, 2020

Page Number	Finding	Responsible Officials	Estimated Completion Date	Corrective Action
35	2020-013: Special Tests and Provisions - Disbursement to or on behalf of Students (Loan Disbursement Notification Testing)	Director of Financial Aid	December 2023	<p>The University has identified the following steps to be implemented to address the finding, as outlined:</p> <p>When Direct Loan funds are being credited to a student's ledger account, the school will also notify the borrower in writing (paper or electronically) of the</p> <ul style="list-style-type: none"> • anticipated date and amount of the disbursement • student's or parent's right to cancel all or a portion of a loan, loan disbursement and have the loan proceeds returned to the Department; and • procedures and deadlines by which the student or parent must notify the school that he or she wishes to cancel the loan or loan disbursement.
36	2020-014: Special Tests and Provisions - Disbursement to or on behalf of Students (Federal Work Study Program)	Director of Financial Aid Dean of Students	September 2023	<p>New Timesheets will be created for the 2023-24 aid year to identify the specific types of work study programs and new routing processes.</p> <p>All timesheets being transmitted electronically via email to Payroll must be forwarded/copied to the Offices of Career and Placement Services and Financial Aid.</p> <ul style="list-style-type: none"> • Timesheets will be amended with specific headings i.e., Federal Work-study Program/Title IV Aid with a notation of the routing process. • No Payroll Authorization will occur without a Valid Timesheet being on file at the payroll office. • For check and balances, once a timesheet is received it will be matched and placed with the student record of appointment in the Offices of Career and Placement Services and Financial Aid.

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Appendix B: Corrective Action Plan
For the Year Ended September 30, 2020

Page Number	Finding	Responsible Officials	Estimated Completion Date	Corrective Action
37	2020-015: Special Tests and Provisions - Enrollment Reporting	Registrar	December 2023	The University will review the reports deemed late and work with NSLDS to ensure the files are accurately reported. The University will also strengthen controls related to the Enrollment Reporting Process by reviewing best practices and implementing any necessary changes to the current process.
38	2020-016: Procurement and Suspension and Debarment	Director of Purchasing, Interim Controller, Director of Accounting for Grants and Contracts, and Grant Accountants	June 2023	The Director of Purchasing will review the controls established for procurement at the University, and consistently apply the controls established to all purchases. Additionally, the Director of Purchasing will review all purchases considered sole source to validate the required justification is secured before moving forward with the purchase, and all necessary supporting documents are secured, and verification processes are completed before submitting for final processing. Also, all Grant Accountants will perform a review of the vendor invoices received for processing, to confirm the vendor is properly not included on the Excluded Parties List System on sam.gov.
39	2020-017: Reporting	Interim Controller	June 2023	The Interim Controller will work with the Director of Accounting for Grants and Contracts to ensure that there is an appropriate, documented review process for Federal financial reports. Specifically, the Director will ensure that the grant accountants are cognizant of the reporting requirements and the special terms and conditions associated with a grant and that financial and other reports comply with the special terms and conditions. In addition, the Interim Controller will ensure that the grant accountant who prepares the financial report affixes his/her signature or initials; and the Director similarly affixes his signature or initials subsequent to a review of the report.