



**viNGN, INC. d/b/a Virgin Islands
Next Generation Network
(A Blended Component Unit of the
Virgin Islands Public Finance Authority)**

Management's Discussion and Analysis, and
Audited Financial Statements
Year Ended September 30, 2021

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Generation Network
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Independent Auditor's Report

To the Board of Directors
viNGN, INC. d/b/a Virgin Islands Next Generation Network

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of viNGN, INC. d/b/a Virgin Islands Next Generation Network (the "Company"), a blended component unit of the Virgin Islands Public Finance Authority, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Company is part of an affiliated group of entities and has entered into transactions with the group members. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 have also issued our report dated December 21, 2023 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company'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 Company's internal control over financial reporting and compliance.

December 21, 2023

BDO USA P.C.
(formerly known as BDO USA, LLP)

**Management's
Discussion and Analysis**

viNGN, INC. d/b/a Virgin Islands Next Generation Network
(A Blended Component Unit of the Virgin Islands Public Finance Authority)

Management's Discussion and Analysis

The purpose of the following management's discussion and analysis of the financial performance and activity of viNGN, INC. d/b/a Virgin Islands Next Generation Network (the "Company") is to help readers understand the basic financial statements of the Company for the year ended September 30, 2021, with selected comparative information for the year ended September 30, 2020. This discussion has been prepared by management and should be read in conjunction with the basic financial statements and the notes thereto, which follow this section.

The Company

The Company was incorporated on October 22, 2010, and its articles of incorporation were duly filed with the Office of the Lieutenant Governor of the U.S. Virgin Islands on October 12, 2010. The Company is owned by the Government of the U.S. Virgin Islands (the "Government") through the Virgin Islands Public Finance Authority (the "PFA").

The main purpose of the Company is to design, develop, engineer, construct, and manage a middle mile wholesale fiber optic network in order to provide reliable high speed internet connections at affordable prices and equal terms to all retail internet service providers and public infrastructure stewards who will in turn provide such services to residents, businesses, and the Government, thereby facilitating distance learning, online training, and technical support to citizens of all ages and socioeconomic levels; to establish telework support centers; to establish public computer centers; to provide the internet infrastructure for expanded communication for public safety and medical health records and telemedicine for health facilities; to provide the internet infrastructure to foster retention of jobs and businesses in the U.S. Virgin Islands and to attract new businesses; to provide training to the public on the uses and advantages of these broadband capabilities; to coordinate the deployment of fiber strands with the electric power smart grid plan; and to reinvest a part of the proceeds from such activities to sustain and support the continuation of the foregoing activities and other authorized purposes of the Company.

The broadband network was initially funded by grants awarded through the National Telecommunications and Information Administration ("NTIA") and loans from the PFA from proceeds received in connection with certain bond issuances. The bonds and notes issued by the PFA are supported by the Government's pledged revenues and the PFA is highly dependent on the Government repaying its loans to the PFA for the PFA to repay its obligations and fund its operations. The Government is in a significant net deficit position. To date, revenues pledged by the Government for debt service payments on the bonds issued by the PFA have been adequate and the Company has not been significantly affected by the financial condition of the PFA or the Government.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Company's basic financial statements. The Company's basic financial statements consist of four components: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to Financial Statements.

- The Statement of Net Position is prepared on an economic resources measurement focus and reports information about the Company using accounting methods similar to those used by private sector companies (accrual basis of accounting) and presents all assets and liabilities of the Company, with the difference between the two reported as net position.

viNGN, INC. d/b/a Virgin Islands Next Generation Network
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Management's Discussion and Analysis

- The Statement of Revenues, Expenses, and Changes in Net Position presents information on how the Company's net position changed during the fiscal year. 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 Statement of Cash Flows provides data regarding all cash inflows the Company receives from its ongoing operations and includes all cash outflows that pay for business activities. The Statement of Cash Flows provides an analysis of the operating, investing, non-capital, and capital and related financing activities and their effect on cash and cash equivalents.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within.

Summary of Financial Results

Statement of Net Position - Table 1 summarizes the Company's Statement of Net Position as of September 30, 2021 and 2020.

Table 1: Summary of Statements of Net Position

| September 30, | 2021 | 2020 | Change | % Change |
|----------------------------------|----------------------|----------------------|-----------------------|-------------|
| Assets: | | | | |
| Current | \$ 1,675,806 | \$ 2,881,730 | \$ (1,205,924) | -42% |
| Capital assets, net | 55,007,612 | 58,280,762 | (3,273,150) | -6% |
| Total assets | \$ 56,683,418 | \$ 61,162,492 | \$ (4,479,074) | -7% |
| Liabilities: | | | | |
| Current liabilities | \$ 404,428 | \$ 343,432 | \$ 60,996 | 18% |
| Long-term liabilities | 36,804,453 | 36,804,453 | - | 0% |
| Total liabilities | \$ 37,208,881 | \$ 37,147,885 | \$ 60,996 | 18% |
| Net position: | | | | |
| Net investment in capital assets | \$ 18,203,159 | \$ 21,476,309 | \$ (3,273,150) | -15% |
| Unrestricted | 1,271,378 | 2,538,298 | (1,266,920) | -50% |
| Total net position | \$ 19,474,537 | \$ 24,014,607 | \$ (4,540,070) | -19% |

For fiscal year 2021, the Company's assets amounted to \$56.7 million, of which \$552,000 represented cash and cash equivalents, \$522,000 represented accounts receivable, \$277,000 represented prepaid expenses and other assets, and \$55 million represented capital assets. The Company reported Federal grant receivables of \$325,000 related to public assistance grants for disaster recovery projects following Hurricanes Irma and Maria (the "Hurricanes") in September 2017.

Current assets decreased by \$1.2 million mainly due to the net effect of a decrease in cash and cash equivalents of \$1.2 million, an increase in Federal grants receivable of \$119,000, an increase in prepaid expenses and other assets of \$11,000, and a decrease in accounts receivable of \$123,000. Capital assets decreased by \$3.3 million due to the net effect of acquisition of assets of \$903,000 and depreciation and amortization expense of \$4.2 million.

viNGN, INC. d/b/a Virgin Islands Next Generation Network
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Management's Discussion and Analysis

Statement of Revenues, Expenses, and Changes in Net Position - Table 2 summarizes the Company's revenues, expenses, and changes in net position for the fiscal years ended September 30, 2021 and 2020.

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

| September 30, | 2021 | 2020 | Change | % Change |
|----------------------------------|---------------|---------------|----------------|----------|
| Operating revenues | \$ 4,054,172 | \$ 3,627,141 | \$ 427,031 | 12% |
| Operating expenses | 9,196,055 | 10,263,212 | (1,067,157) | -10% |
| Operating loss | (5,141,883) | (6,636,071) | 1,494,188 | 22% |
| Non-operating revenues | 601,813 | 2,401,400 | (1,799,587) | -75% |
| Change in net position | (4,540,070) | (4,234,671) | (305,399) | -7% |
| Net position - beginning of year | 24,014,607 | 28,249,278 | (4,234,671) | -15% |
| Net position - end of year | \$ 19,474,537 | \$ 24,014,607 | \$ (4,540,070) | -19% |

For the fiscal year ended September 30, 2021, operating revenues increased by \$427,000 mainly due to an increase in services to one service provider. Operating expenses decreased by \$1.07 million mainly due to decreases in salary, fringe, and other employee benefits of \$297,000, decreases in legal and professional expenses of \$171,000, decreases in utilities expense of \$74,000, and a decrease in bad debt expense of \$93,000, offset by an increase in telecom expenses of \$124,000. Depreciation expenses decreased by \$401,000. The Company reported a decrease in non-operating revenues of \$1.8 million, mainly due to the decrease in insurance recoveries of \$2.1 million, offset by an increase in Federal grant revenues of \$343,000.

Capital Assets

Capital assets being amortized and depreciated consist mainly of heavy construction equipment, servers, IT equipment, and leasehold improvements associated with an underground and aerial optic network utilized to provide bandwidth to service providers.

Intangible assets include Indefeasible Right of Use ("IRU") agreements that allow the Company to use existing undersea fibers, between the island of St. Croix and Miami, Florida, and between St. Croix and New York City, New York. Construction in progress includes all materials that would be used for the expansion and maintenance of the network and stored in warehouses on the islands of St. Thomas and St. Croix.

For fiscal year 2021, capital assets not being depreciated increased by \$162,000 due to purchases of \$187,000 of construction materials offset by \$25,000 of transfers to personal property and equipment. Capital assets being amortized and depreciated increased by \$741,000 mainly due to purchases of \$717,000 of personal property and equipment and transfers of \$25,000 to personal property and equipment. Accumulated amortization and depreciation increased by \$4.2 million due to amortization of intangible assets of \$686,000 and depreciation of tangible assets of \$3.5 million.

viNGN, INC. d/b/a Virgin Islands Next Generation Network
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Management's Discussion and Analysis

Following is a schedule of the capital assets of the Company as of September 30, 2021 and 2020:

| | Balance 9/30/2020 | Additions | Transfers | Balance 9/30/2021 |
|--|----------------------|----------------|-------------|----------------------|
| Capital assets not being Depreciated | \$ 3,496,038 | \$ 186,784 | \$ (24,597) | \$ 3,658,225 |
| Capital assets being amortized and depreciated: | | | | |
| Buildings and building improvements | 506,935 | - | - | 506,935 |
| Personal property and equipment | 65,130,462 | 716,674 | 24,597 | 65,871,733 |
| Intangible assets | 20,973,568 | - | - | 20,973,568 |
| Total capital assets being amortized and depreciated | 86,610,965 | 716,674 | 24,597 | 87,352,236 |
| Total accumulated amortization and depreciation | (31,826,241) | (4,176,608) | - | (36,002,849) |
| Total capital assets being amortized and depreciated, net | 54,784,724 | (3,459,934) | 24,597 | 51,349,387 |
| Capital assets, net | \$ 58,280,762 | \$ (3,273,150) | \$ - | \$ 55,007,612 |

Loan Payable

As of September 30, 2021, the Company owed the PFA \$36.8 million for funding received in prior years to finance certain portions of the optical network. No repayment schedule or covenants have been established regarding the loan and the loan does not require the payment of interest.

Contacting the Company's Financial Management

This financial report is designed to provide the Company's customers, creditors, and other interested parties with a general overview of its finances and to demonstrate the Company's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact:

viNGN, INC.
9015 Havensight Mall, Suite 7
St. Thomas, VI 00802
340-715-8581

Financial Statements

viNGN, INC. d/b/a Virgin Islands Next Generation Network
(A Blended Component Unit of the Virgin Islands Public Finance Authority)

Statement of Net Position

| <i>September 30,</i> | 2021 |
|---|----------------------|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 551,858 |
| Accounts receivable | 522,013 |
| Grants receivable | 324,522 |
| Prepaid expenses and other current assets | 277,413 |
| Total current assets | 1,675,806 |
| Noncurrent assets: | |
| Capital assets, net | 55,007,612 |
| Total assets | \$ 56,683,418 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable, accrued expenses, and other current liabilities | \$ 404,428 |
| Noncurrent liabilities: | |
| Loan payable | 36,804,453 |
| Total liabilities | 37,208,881 |
| Net position: | |
| Net investment in capital assets | 18,203,159 |
| Unrestricted | 1,271,378 |
| Total net position | \$ 19,474,537 |

See accompanying notes to financial statements.

viNGN, INC. d/b/a Virgin Islands Next Generation Network
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Statement of Revenues, Expenses, and Changes in Net Position

| <i>Year ended September 30,</i> | <i>2021</i> |
|--|----------------------|
| Operating revenues | |
| Fees for services | \$ 4,054,172 |
| Total operating revenues | 4,054,172 |
| Operating expenses | |
| General and administrative expenses | 5,019,447 |
| Depreciation and amortization | 4,176,608 |
| Total operating expenses | 9,196,055 |
| Operating loss | (5,141,883) |
| Non-operating revenues | |
| Interest income | 2,984 |
| Grants revenue | 598,829 |
| Total non-operating revenues | 601,813 |
| Change in net position | (4,540,070) |
| Net position, beginning of year | 24,014,607 |
| Net position, end of year | \$ 19,474,537 |

See accompanying notes to financial statements.

viNGN, INC. d/b/a Virgin Islands Next Generation Network
(A Blended Component Unit of the Virgin Islands Public Finance Authority)

Statement of Cash Flows

| <i>Year ended September 30,</i> | <i>2021</i> |
|--|---------------------|
| Cash flows from operating activities | |
| Cash received from customers | \$ 4,177,248 |
| Cash paid to employees | (2,181,466) |
| Cash paid to suppliers | (2,788,415) |
| Net cash used in operating activities | (792,633) |
| Cash flows from noncapital financing activities | |
| Grants revenue | 479,807 |
| Net cash provided by noncapital financing activities | 479,807 |
| Cash flows from capital and related financing activities | |
| Acquisition of capital assets | (903,458) |
| Net cash provided by capital and related financing activities | (903,458) |
| Cash flows from investing activities | |
| Interest income | 2,984 |
| Net cash provided by investing activities | 2,984 |
| Decrease in cash and cash equivalents | (1,213,300) |
| Cash and cash equivalents, beginning of year | 1,765,158 |
| Cash and cash equivalents, end of year | \$ 551,858 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (5,141,883) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation and amortization | 4,176,608 |
| Bad debt expense | 34,499 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | 88,578 |
| Prepaid expenses and other current assets | (11,431) |
| Accounts payable, accrued expenses, and other current liabilities | 60,996 |
| Total adjustments | 4,349,250 |
| Net cash used in operating activities | \$ (792,633) |

See accompanying notes to financial statements.

viNGN, INC. d/b/a Virgin Islands Next Generation Network
(A Blended Component Unit of the Virgin Islands Public Finance Authority)

Notes to Financial Statements

1. Reporting Entity

viNGN, INC. d/b/a Virgin Islands Next Generation Network (the “Company”), incorporated in the U.S. Virgin Islands is owned by the Government of the U.S. Virgin Islands (the “Government”) through the Virgin Islands Public Finance Authority (“PFA”).

The main purpose of the Company is to design, develop, engineer, construct, and manage a middle mile wholesale fiber optic network in order to provide reliable high speed internet connections at affordable prices and equal terms to all retail internet service providers and public infrastructure stewards who will in turn provide such services to residents, businesses, and the Government, thereby facilitating distance learning, online training, and technical support to citizens of all ages and socioeconomic levels; to establish telework support centers; to establish public computer centers; to provide the internet infrastructure for expanded communication for public safety and medical health records and telemedicine for health facilities; to provide the internet infrastructure to foster retention of jobs and businesses in the U.S. Virgin Islands and to attract new businesses; to provide training to the public on the uses and advantages of these broadband capabilities; to coordinate the deployment of fiber strands with the electric power smart grid plan; and to reinvest a part of the proceeds from such activities to sustain and support the continuation of the foregoing activities and other authorized purposes of the Company. The broadband network was initially funded by grants awarded through the National Telecommunications and Information Administration (“NTIA”) and loans from the PFA from proceeds received in connection with certain bond issuances.

The bonds and notes issued by the PFA are supported by the Government’s pledged revenues and the PFA is highly dependent on the Government repaying its loans to the PFA for the PFA to repay its obligations and fund its operations. The Government is in a significant net deficit position. This situation could have an impact on the Company, given the fact that the loan payable (see Note 5) currently has no repayment schedule, and the Company is not paying any interest on this payable. To date, revenues pledged for debt service have not been significantly impacted by the Government’s financial condition. As of September 30, 2021, all payments on the bonds and notes have been made as required and the PFA has complied with all related covenants.

The financial statements of the Company are not intended to present fairly the financial position and results of operations of the Government or the PFA. Only the accounts of the Company are included in the reporting entity. There are no component units that should be considered for inclusion in the Company’s financial statements.

2. Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted, standard-setting body for establishing governmental accounting and financial reporting standards.

viNGN, INC. d/b/a Virgin Islands Next Generation Network
(A Blended Component Unit of the Virgin Islands Public Finance Authority)

Notes to Financial Statements

Measurement Focus and Basis of Accounting

The Company complies with all applicable GASB pronouncements. The operations of the Company are presented as an enterprise fund and as such, the financial statements are reported using the economic measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Company distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Company's principal ongoing operations. The principal operating revenues of the Company are charges to customers for fees. Operating expenses for the Company include general and administrative expenses and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first, then unrestricted resources as they are needed.

Standards for external financial reporting for state and local governments also require that resources be classified for accounting and reporting purposes into net position categories and to report the changes in net position.

Net position represents the residual interest in the Company's assets after liabilities are deducted and consist of the following categories:

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation and amortization and outstanding principal balances of debt and accounts payable attributable to the acquisition, construction, or improvement of those assets. The portion of debt attributed to the unspent debt proceeds is included in the same net position component as the unspent proceeds.
- *Restricted:* These result when constraints, on the use of net position, are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted:* Net position that is not subject to externally imposed stipulations.

Taxes

The Company is exempt from the payment of all U.S. Virgin Islands taxes on all its assets and income.

Cash and Cash Equivalents

The Company considers cash on hand, demand deposits, and other short-term investments with original maturities of three months or less from the date acquired by the Company to be cash and cash equivalents.

viNGN, INC. d/b/a Virgin Islands Next Generation Network
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Notes to Financial Statements

Accounts Receivable

Accounts receivable are recorded at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The adequacy of the allowance for doubtful accounts is evaluated by management based upon past collection experience. Management deems all accounts receivable collectible at year-end and therefore did not record an allowance for doubtful accounts.

Prepaid Expenses and Other Current Assets

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

Capital Assets

Capital assets are recorded at cost and are depreciated and amortized using the straight-line method over the estimated useful lives of the individual assets. Assets with costs above \$500 and a useful life of at least one year are capitalized. Estimated useful lives of capital assets are as follows:

| | Years |
|-------------------------------------|--------------|
| Personal property and equipment | 3 - 25 |
| Buildings and building improvements | 5 - 40 |
| Intangible assets | 2 - 75 |

When assets are retired, the cost and related accumulated depreciation and amortization of the property is removed from the accounts and any gain or loss is recognized. Expenses for major renewals and betterments are capitalized, while maintenance and repairs which do not extend the life of the assets are recorded as expenses.

The Company reviews the carrying value of its capital assets to determine if circumstances exist indicating impairment. If facts or circumstances support the possibility of impairment, management follows the guidance in GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. If impairment is indicated, an adjustment is made to the carrying value of the capital assets.

Fees for Services

The Company derives its operating revenue from selling internet bandwidth to various Internet Service Providers (“ISP”) via the Company’s extensive fiber optic cables network. Revenues are recognized when they are realized or realizable and are earned. Revenues are realized when cash or claims to cash (receivable) are received in exchange for goods or services.

The Company had two customers whose revenue individually represented more than 10% of the Company’s total revenue. As of September 30, 2021, these companies accounted for 70% of the revenue earned in fiscal year 2021.

viNGN, INC. d/b/a Virgin Islands Next Generation Network
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Notes to Financial Statements

Customers with revenues greater than 10% are as follows:

| | |
|------------------------|-----|
| Broadband VI | 53% |
| Alliance Data Services | 18% |
| Total | 71% |

Grants and Contributions

The Company, may from time-to-time, receive Federal and state government grants. The assets and revenues arising from government grants are recorded when the Company meets the eligibility requirements. If resources are received in advance of satisfying certain eligibility requirements, the recognition of revenues is deferred.

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 amounts of assets and liabilities 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 January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial purposes and how those activities should be reported. The requirements of this Statement are effective for the Company's financial statements for the year ended September 30, 2021. The Company has evaluated this Statement and has determined there is no impact on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No.61*. This Statement improves consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for the Company's financial statements for the year ended September 30, 2021. The Company has evaluated this Statement and has determined there is no impact on the financial statements.

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.

viNGN, INC. d/b/a Virgin Islands Next Generation Network
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Notes to Financial Statements

| GASB Statement No. | | Adoption Effective in Fiscal Year (as Revised) |
|--------------------------|--|---|
| 87 | Leases | 2022 |
| 89 | Accounting for Interest Cost Incurred Before the End of a Construction Period | 2022 |
| 91 | Conduit Debt Obligations | 2023 |
| 92 | Omnibus 2020 | 2022 |
| 93 | Replacement of Interbank Offered Rates | 2022 |
| 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 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 |
| 99 | Omnibus 2022 | 2023 |
| 100 | Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62 | 2024 |
| 101 | Compensated Absences | 2024 |

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

3. Cash and Cash Equivalents

At September 30, 2021, the Company reported \$551,858 in unrestricted cash and cash equivalents.

Custodial credit risk is the risk that in the event of bank failure, the Company's deposit may not be returned. The Company does not have a custodial risk policy. The Company maintains its deposits at one financial institution, which, at times may exceed federally insured limits. Generally, the Federal Deposit Insurance Corporation insures depositor funds up to \$250,000. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its deposits because the funds held at the financial institution were fully collateralized.

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4. Capital Assets

Intangible assets, amongst others, consist of prepaid Indefeasible Right of Use (“IRU”) agreements that allow the Company to use existing undersea fibers for periods of 15 and 75 years. The cost of the IRUs is amortized over the period of the agreements.

The Company has an IRU Memorandum of Agreement (“MOA”) with the Virgin Islands Water and Power Authority (“WAPA”), an autonomous instrumentality of the Government. As part of the agreement, the Company has an exclusive use of certain underground fiber and infrastructure owned by WAPA. Following Hurricanes Irma and Maria, WAPA obtained Federal funding for the hardening of its infrastructure. The MOA was amended in April 2020 to provide the Company continued and exclusive right to use future telecommunications fiber and spare underground or subsea conduit owned by WAPA.

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

| | Beginning Balance | Additions | Transfers | Ending Balance |
|--|----------------------|-----------------------|-----------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Assets under construction | \$ 3,079,350 | \$ 186,784 | \$ (24,597) | \$ 3,241,537 |
| Assets idle in warehouse | 416,688 | - | - | 416,688 |
| Total capital assets not being depreciated | 3,496,038 | 186,784 | (24,597) | 3,658,225 |
| Capital assets being amortized and depreciated: | | | | |
| Personal property and equipment | 65,130,462 | 716,674 | 24,597 | 65,871,733 |
| Buildings and building improvements | 506,935 | - | - | 506,935 |
| Intangible assets | 20,973,568 | - | - | 20,973,568 |
| Total capital assets being amortized and depreciated | 86,610,965 | 716,674 | 24,597 | 87,352,236 |
| Less accumulated amortization and depreciation for: | | | | |
| Personal property and equipment | (23,499,711) | (3,447,405) | - | (26,947,116) |
| Buildings and building improvements | (294,646) | (43,454) | - | (338,100) |
| Intangible assets | (8,031,884) | (685,749) | - | (8,717,633) |
| Total accumulated amortization and depreciation | (31,826,241) | (4,176,608) | - | (36,002,849) |
| Total capital assets being amortized and depreciated, net | 54,784,724 | (3,459,934) | 24,597 | 51,349,387 |
| Total capital assets, net | \$ 58,280,762 | \$ (3,273,150) | \$ - | \$ 55,007,612 |

5. Loan Payable

The Company has an interest free loan from the PFA, that was utilized to finance the Company’s capital assets and construction projects including certain portions of the optical network. The loan has no repayment schedule nor have any covenants been established. There were no new borrowings or payments to the PFA during the year ended September 30, 2021. The outstanding balance of the loan as of September 30, 2021, was \$36,804,453.

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Notes to Financial Statements

6. Grants and Contributions

Following Hurricanes Irma and Maria in September 2017, the Company submitted expenses for reimbursement to the Federal Emergency Management Agency (“FEMA”) for repairs and additional expenses incurred. Total expenses approved by FEMA during the year ended September 30, 2021, were \$211,491.

In July 2018, the Company was awarded a grant for \$497,000 from the Department of Interior’s Office of Insular Affairs Technical Assistance Program (“TAP”). The grant funding is to be used for the Recovery and Restoration of Fiber Optic Cable Network Infrastructure Equipment project. For the year ended September 30, 2021, total TAP expenses approved totaled \$387,338.

Federal Assistance - Natural Disasters

In December 2020, the Company became a recipient of an award from the FEMA via a subrecipient arrangement through the Government. The project is entitled *viNGN Fiber Access Point Generator* and will result in the ability to maintain power to various fiber access points ensuring critical facilities will be able to maintain access to the internet during a hurricane event or any prolonged power outage event. This is a phased project and as of September 30, 2021, Phase I funding has been authorized in the amount of approximately \$588,000.

Economic Relief Legislation

During February 2021, as part of the U.S. Virgin Islands CARES Act grant, the United States Department of Interior approved commencement of the *Modernization of Internet Access Hardware* project. The funding allocated to the Company for this project amounted to approximately \$582,000.

7. Commitments and Contingencies

Operating Lease Agreements

The Company does not own any real estate. In January 2012, the Company entered into a six-year lease for offices owned by the West Indian Company Limited (“WICO”), a wholly owned subsidiary of the PFA. The lease was subsequently amended to reduce monthly lease payments from October 1, 2016 through the remainder of the lease term. Effective December 2017, the Company entered into a second lease amendment with WICO extending the lease through December 31, 2022.

Future minimum lease payments for the remaining fiscal years are as follows:

Year ending September 30,

| | |
|-------|------------|
| 2022 | \$ 129,600 |
| 2023 | 32,400 |
| <hr/> | |
| Total | \$ 162,000 |

In September 2015, the Company entered into a five-year lease for a warehouse owned by TOPA Properties, LLC which expired on August 31, 2020. The Company continued to lease the space on a month-to-month basis until August 2021.

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In October 2015, the Company entered into a three-year lease for a warehouse owned by the Virgin Islands Development Park Corporation, which expired on October 31, 2018. The Company continues to lease the space on a month-to-month basis.

In August 2021, the Company entered into a one-year lease for a warehouse owned by Queen Charlotte Hotel Corporation. The lease includes four renewable options each with a one-year term through August 31, 2026. The annual lease payment is \$105,000, with a 3% per year escalation in rent for each of the option years.

Future minimum lease payments for the remaining fiscal years are as follows:

Year ending September 30,

| | |
|-------|-----------|
| 2022 | \$ 96,250 |
| Total | \$ 96,250 |

For the year ended September 30, 2021, rent expense for all operating leases agreements was \$333,858.

Litigation

During the normal course of business, the Company 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 Company's financial position.

Grant Funds

In connection with Federal and state government grant programs, the Company is obligated to administer and spend the grant monies in accordance with regulatory restrictions and is subject to audit by the grantor agencies. In cases of non-compliance, the agencies involved may require the Company to refund program monies. Management believes these non-compliance instances, if any, should not materially affect the Company's financial position.

Global Pandemic

In August 2021, the Governor extended the state of emergency due to the strain of coronavirus known as COVID-19 to January 10, 2022. 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 on the Company's vendors and customers due to business disruptions and increased unemployment and on revenue volatility from ISP Partners as they manage provisioning of bandwidth to the end users. As of the date of issuance of this report, the Company's operations continued as normal and the Company has been designated as an essential service by the Government.

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Also, 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 10.

8. Retirement Plan

The Company sponsors a defined contribution retirement plan for its employees. Employees who receive a salary of at least \$5,000 are eligible to participate in the plan. The Company matches the employee’s contribution up to a maximum of 2% of the eligible employee’s compensation.

The Company contributed approximately \$37,225 in matching employer contributions for the year ended September 30, 2021. The Company does not offer other post-retirement benefits to its employees.

9. Risk Management

As with all business enterprises, the Company is exposed to various risks of losses, including potential liability issues in the normal course of business as well as property losses that can result from thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Company mitigates this risk of loss by purchasing commercial insurance, including general liability, property, vehicle, and employee health, life and accident. The Company’s commercial insurance policies cover catastrophic exposures, as well as those risks required to be insured by law or contract.

It is the policy of the Company to insure what in its opinion are adequate amounts of risk coverage, especially in relation to the cost of such coverage, the effect of such is to retain a significant portion of certain risks related primarily to physical loss of property and business interruption. There were no reductions in coverage from the prior year, and the amount of settlements has not exceeded insurance coverage for each of the past three years.

10. Subsequent Events

Federal Assistance

In November 2021, “The Infrastructure Investment and Jobs (IIJ) Act” was signed into law. The IIJ Act, among other things, provides broadband grants for states and territories. To help improve broadband service and to promote adoption and affordability, the IIJ Act provides for a minimum initial grant allocation to the U.S. Virgin Islands of \$25.0 million.

Grants will be administered through the Broadband Equity, Access, and Deployment Program to be established within 180 days from the enactment of the IIJ Act. The Company continues to examine the impact that the IIJ Act may have on its operations.

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In April 2022, the Company received a \$10.8 million grant, under the American Rescue Plan Act of 2021 (ARPA), to provide funding to support viNGN community Wi-Fi expansion by installing Wi-Fi hotspots in ninety-five additional locations through the territory in support of distance learning, telemedicine, and virtual government.

Management's Evaluation

Management has evaluated any events or transactions occurring after September 30, 2021, the statement of net position date, through December 21, 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 Company's financial statements for the year ended September 30, 2021.