



**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
Financial Statements (with Independent
Auditor's Report Thereon)
Year Ended September 30, 2018**

**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 Financial Statements (with
Independent Auditor's Report Thereon)
Year Ended September 30, 2018

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

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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 Financial Statements

We have audited the accompanying 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, 2018, and the related notes to the financial statements, which collectively comprise the Company'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 from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of viNGN, INC. d/b/a Virgin Islands Next Generation Network as of September 30, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 9 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 have also issued our report dated June 17, 2020, 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.

BDO USA, LLP

June 17, 2020

**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, 2018, with selected comparative information for the year ended September 30, 2017. 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 are intended to serve as an introduction to the Company's basic financial statements. The Company's basic financial statements consist of four components: 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses, and Changes in Net Position, 3) the Statement of Cash Flows, and 4) the 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.

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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, 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, 2018 and 2017.

Table 1: Summary of Statements of Net Position

September 30,	2018	2017	Change	% Change
Assets:				
Current	\$ 3,544,902	\$ 4,579,124	\$ (1,034,222)	-23%
Capital assets, net	67,002,199	68,832,096	(1,829,897)	-3%
Total assets	\$ 70,547,101	\$ 73,411,220	(2,864,119)	-4%
Liabilities:				
Current liabilities	\$ 1,107,768	\$ 674,383	\$ 433,385	64%
Long-term liabilities	36,804,453	36,804,453	-	-
Total liabilities	\$ 37,912,221	\$ 37,478,836	\$ 433,385	1%
Net position:				
Net investment in capital assets	\$ 30,197,746	\$ 32,027,643	\$ (1,829,897)	-6%
Unrestricted	2,437,134	3,904,741	(1,467,607)	-38%
Total net position	\$ 32,634,880	\$ 35,932,384	\$ (3,297,504)	-9%

For fiscal year 2018, the Company's assets amounted to \$70.6 million, of which \$1.9 million represented cash and cash equivalents, \$994,000 represented accounts receivable, \$320,000 represented prepaid expenses and other assets, and \$67.0 million represented capital assets. The Company reported federal grant receivables of \$349,000 related to public assistance grants for disaster recovery projects following Hurricanes Irma and Maria (the "Hurricanes") in September 2017.

Cash and cash equivalents decreased by \$1.8 million mainly due to the net effect of a decrease in cash from operations of \$1.1 million, receipt of insurance recoveries of \$2.5 million, acquisition of property, plant, and equipment of \$3.2 million and interest income of \$8,000. Capital assets decreased by \$1.8 million due to the net effect of acquisition of assets of \$3.2 million and depreciation and amortization expense of \$5.0 million.

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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 year ended September 30, 2018 and 2017.

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

September 30,	2018	2017	Change	% Change
Operating revenues	\$ 3,651,220	\$ 4,100,716	\$ (449,496)	-11%
Operating expenses	(9,806,351)	(12,331,250)	2,524,899	20%
Operating loss	(6,155,131)	(8,230,534)	2,075,403	25%
Non-operating revenues	2,857,627	9,674	2,847,953	29439%
Change in net position	(3,297,504)	(8,220,860)	4,923,356	60%
Net position - beginning of year	35,932,384	44,153,244	(8,220,860)	-19%
Net position - end of year	\$ 32,634,880	\$ 35,932,384	\$ (3,297,504)	-9%

For fiscal year 2018, operating revenues of \$3.7 million decreased by \$449,000 due to loss of revenue caused by the Hurricanes. Operating expenses decreased by \$2.5 million due to the decrease in impairment loss of \$3.9 million which was offset by an increase in general and administrative expenses of \$1.4 million due to clean up and related expenses as a result of the Hurricanes. The Company reported an increase in non-operating revenues of \$2.8 million due to the receipt of \$2.5 million in insurance recovery proceeds and \$350,000 in Federal Emergency Management Agency ("FEMA") reimbursements related to damage incurred following the Hurricanes.

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 2018, capital assets not being depreciated increased by \$500,000 due to purchases of \$1.2 million of material and supplies for construction and transfer of \$700,000 to property, plant, and equipment for completed construction. Property, plant, and equipment increased by \$2.5 million mainly due to capitalized improvements following the 2017 Hurricanes. Accumulated amortization and depreciation increased by \$5.0 million due to amortization of \$687,000 and depreciation of \$4.3 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, 2018 and 2017:

	Balance 09/30/2017	Additions	Reclassification	Transfers	Balance 9/30/2018
Capital assets not being depreciated	\$ 3,114,581	\$ 1,238,059	\$ -	\$ (683,822)	\$ 3,668,818
Capital assets being amortized and depreciated:					
Buildings and building improvements	394,659	-	112,276	-	506,935
Personal property and equipment	61,473,468	2,012,069	(112,276)	683,822	64,057,083
Intangible assets	20,973,568	-	-		20,973,568
Total capital assets being amortized and depreciated	82,841,695	2,012,069	-	683,822	85,537,586
Total accumulated amortization and depreciation	(17,124,180)	(5,080,025)	-	-	(22,204,205)
Total capital assets being amortized and depreciated, net	65,717,515	(3,067,956)	-	683,822	63,333,381
Capital assets, net	\$ 68,832,096	\$ (1,829,897)	\$ -	\$ -	\$ 67,002,199

Loan Payable

As of September 30, 2018, 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.

Significant Currently-Known Fact

The following is a currently known fact that could have a potential significant effect on financial position and changes in the financial position in future years:

Coronavirus COVID-19 Pandemic

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. The extent of the impact of COVID-19 on the operational and financial performance of the Company will depend on certain developments, including the duration and spread of the outbreak and impact on customers, employees, and vendors, all of which are uncertain and cannot be predicted.

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

Contacting the Company's Financial Management

This financial report is designed to provide the Company's customers, creditors, and other interested persons 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:

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9015 Havensight Mall, Suite 7
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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>	<i>2018</i>
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,880,584
Accounts receivable	994,401
Grants receivable	349,666
Prepaid expenses and other current assets	320,251
Total current assets	3,544,902
Noncurrent assets:	
Capital assets, net	67,002,199
Total assets	\$ 70,547,101
Liabilities	
Current liabilities:	
Accounts payable, accrued expenses, and other current liabilities	\$ 1,107,768
Noncurrent liabilities:	
Loan payable	36,804,453
Total liabilities	37,912,221
Net position:	
Net investment capital assets	30,197,746
Unrestricted	2,437,134
Total net position	\$ 32,634,880

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>	2018
Operating revenues	
Fees for services	\$ 3,651,220
Operating expenses	
General and administrative expenses	4,726,326
Depreciation and amortization	5,080,025
Total operating expenses	9,806,351
Operating loss	(6,155,131)
Non-operating revenues	
Interest income	7,961
Grants revenue	349,666
Proceeds from insurance recovery	2,500,000
Total non-operating revenues	2,857,627
Change in net position	(3,297,504)
Net position, beginning of year	35,932,384
Net position, end of year	\$ 32,634,880

See accompanying notes to financial statements.

viNGN, INC. d/b/a Virgin Islands Next Generation Network
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Statement of Cash Flows

<i>Year ended September 30,</i>	2018
Cash flows from operating activities	
Cash received from customers	\$ 3,176,917
Cash paid to employees	(2,324,180)
Cash paid to suppliers	(1,917,422)
Net cash used in operating activities	(1,064,685)
Cash flows from investing activities	
Interest income	7,961
Net cash provided by investing activities	7,961
Cash flows from capital and related financing activities	
Proceeds from insurance recovery	2,500,000
Acquisition of capital assets	(3,250,128)
Net cash used in capital and related financing activities	(750,128)
Decrease in cash and cash equivalents	(1,806,852)
Cash and cash equivalents, beginning of year	3,687,436
Cash and cash equivalents, end of year	\$ 1,880,584
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (6,155,131)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	5,080,025
Changes in operating assets and liabilities:	
Accounts receivable	(474,303)
Prepaid expenses and other current assets	51,339
Accounts payable, accrued expenses, and other current liabilities	433,385
Total adjustments	5,090,446
Net cash used in operating activities	\$ (1,064,685)

See accompanying notes to financial statements.

viNGN, INC. d/b/a Virgin Islands Next Generation Network
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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, 2018, all payments on the bonds and notes have been made as required and the PFA is in compliance 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
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Notes to Financial Statements

Basis of Accounting

The Company complies with all applicable pronouncements of the Governmental Accounting Standards Board (“GASB”). 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.

Basic Financial Statements

Standards for external financial reporting for state and local governments 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.

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.

Taxes

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

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

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.

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
Building 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.

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

The Company had two customers whose revenue individually represented more than 10% of the Company's total revenue. As of September 30, 2018, these companies accounted for 75% of the revenue earned in fiscal year 2018.

Customers with revenues greater than 10% are as follows:

Broadband VI	62%
Alliance Data Services	13%
<hr/>	
Total	75%

Grants and Contributions from Federal and State Government Grants

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 June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The requirements of this Statement are effective for the Company's financial statements for the year ended September 30, 2018. The Company has evaluated this Statement and has determined there is no impact on the financial statements. The Company does not provide postemployment benefits to its employees.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for the Company's financial statements for the year ended September 30, 2018. The Company has evaluated this Statement and has determined there is no impact on the financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practical issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

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

The requirements of this Statement are effective for the Company's financial statements for the year ended September 30, 2018. The Company has evaluated this Statement and has determined there is no impact on the financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishments Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt. The Statement provides guidance for transactions in which cash and other monetary assets acquired with existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for the Company's financial statements for the year ended September 30, 2018. 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.

GASB Statement No.		Adoption Effective in Fiscal Year (as Revised)
83	Certain Asset Retirement Obligations	2020
84	Fiduciary Activities	2021
87	Leases	2022
88	Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements	2020
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	Conduct Debt Obligations	2023
92	Omnibus 2020	2022
93	Replacement of Interbank Offered Rates	2022
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023

Certain provisions of GASB Statement No. 92 are excluded from GASB Statement No. 95. Additionally, GASB Statement No. 95 excludes provisions in GASB Statement No. 93 related to lease modifications and excludes GASB Statement No. 94 since the GASB considered the pandemic in determining effective dates. Earlier application of the standards is permitted to the extent specified in each pronouncement as originally issued. The Company is currently evaluating the impact of these statements.

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

3. Cash and Cash Equivalents

At September 30, 2018, the Company reported \$1,880,584 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.

4. Capital Assets

Capital assets as of September 30, 2018, are comprised as follows:

	Beginning Balance	Additions	Reclassifications	Transfers	Ending Balance
Capital assets not being depreciated:					
Assets under construction	\$ 2,697,893	\$ 1,238,059	\$ -	\$ (683,822)	\$ 3,252,130
Assets idle in warehouse	416,688	-	-	-	416,688
Total capital assets not being depreciated	3,114,581	1,238,059	-	(683,822)	3,668,818
Capital assets being amortized and depreciated:					
Personal property and equipment	61,473,468	2,012,069	(112,276)	683,822	64,057,083
Buildings and building improvements	394,659	-	112,276	-	506,935
Intangible assets	20,973,568	-	-	-	20,973,568
Total capital assets being amortized and depreciated	82,841,695	2,012,069	-	683,822	85,537,586
Less accumulated amortization and depreciation for:					
Personal property and equipment	(10,999,012)	(4,349,082)	-	-	(15,348,094)
Buildings and buildings improvements	(164,284)	(43,454)	-	-	(207,738)
Intangible assets	(5,960,884)	(687,489)	-	-	(6,648,373)
Total accumulated amortization and depreciation	(17,124,180)	(5,080,025)	-	-	(22,204,205)
Total capital assets being amortized and depreciated, net	65,717,515	(3,067,956)	-	683,822	63,333,381
Total capital assets, net	\$ 68,832,096	\$ (1,829,897)	\$ -	\$ -	\$ 67,002,199

In September 2017, the U.S. Virgin Islands were struck by two category 5 hurricanes. As a result of the hurricanes, the Company identified \$3.9 million of damage to its assets. During fiscal year 2018, the Company filed a claim with its insurance provider and received a partial payment of \$2.5 million.

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.

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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, 2018. The outstanding balance of the loan as of September 30, 2018, was \$36,804,453.

6. Grants and Contributions from Federal and State Government Grants

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 as a result of the Hurricanes. Total expenses approved by FEMA during the year ended September 30, 2018, were \$349,666.

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. As of September 30, 2018, no drawdowns had been made and no expenses were incurred on the grant award.

7. Commitments and Contingencies

Operating Lease Agreements

The Company does not own any real estate. In 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,

2019	\$ 129,600
2020	129,600
2021	129,600
2022	129,600
2023	32,400
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Total	\$ 550,800

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In 2015, the Company entered into a five-year lease for a warehouse owned by TOPA Properties, LLC which expires on August 31, 2020, and contains two 5-year renewable options each with a 5-year term through August 31, 2030. Future minimum lease payments for the remaining fiscal years are as follows:

Year ending September 30,

2019	\$ 90,000
2020	82,500
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Total	\$ 172,500

In 2016, the Company also entered into a three-year lease for a warehouse owned by the Virgin Islands Development Park Corporation, expiring on October 31, 2018. The agreement was not renewed and future minimum lease payments for fiscal year 2019 amount to \$4,720.

For the year ended September 30, 2018, rent expense for all operating leases agreements was \$283,409.

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.

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 \$18,368 in matching employer contributions for the year ended September 30, 2018. 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 that confront all businesses 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.

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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

Natural Disasters - Hurricanes Irma and Maria

The Company has made significant progress towards restoring its assets which were damaged by Hurricanes Irma and Maria in September 2017. The Company continues to tabulate the associated costs and expenses with respect to remediation, clean-up, mitigation, and the restoration of services.

Subsequent to year end, the Company received a reimbursement of \$526,589 as part of the Territory's FEMA disaster recovery grant. Additionally, the Company has received approximately \$3.3 million in connection with its insurance claims related to the damages incurred.

Contracts and Agreements

In April 2019, the Company entered into mediation with one of its customers to resolve a contractual dispute regarding wholesale rates for broadband bandwidth. This dispute was settled on January 24, 2020, and as part of the settlement agreement, the Company issued an account credit to the customer in the amount of \$531,516.

In April 2020, the Company amended its Memorandum of Agreement ("MOA") with the Virgin Islands Water and Power Authority ("WAPA"), an autonomous instrumentality of the Government. As part of the original agreement, the Company has an exclusive use of certain underground fiber and infrastructure owned by WAPA (see Note 4). Following Hurricanes Irma and Maria in 2017, as WAPA has obtained certain federal funding for the hardening of its infrastructure, the MOA was amended to provide the Company a continued and exclusive right to use all future telecommunications fiber and spare underground or subsea conduit owned by WAPA.

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.

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The extent of the impact of COVID-19 on the operational and financial performance of the Company will depend on certain developments, including the duration and spread of the outbreak. Prolonged travel and social gathering restrictions could negatively impact the Company's vendors and customers due to business disruptions and increased unemployment. The Company may also experience 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 and its operations are expected to continue throughout the pandemic.

Economic Relief Legislation

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. There is no assurance the Company is eligible for these funds or will be able to obtain them. The Company continues to examine the impact that the CARES Act may have on its operations.

Management's Evaluation

Management has evaluated any events or transactions occurring after September 30, 2018, the statement of net position date, through June 17, 2020, 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, 2018.