The West Indian Company Limited
(A Blended Component Unit of the Virgin Islands Public Finance Authority)

Government Auditing Standards Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Year Ended September 30, 2020

The West Indian Company Limited
(A Blended Component Unit of the Virgin Islands Public Finance Authority)

Contents

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

To the Board of Directors
The West Indian Company Limited

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The West Indian Company Limited (the "Company"), a blended component unit of the Virgin Islands Public Finance Authority, which comprise the statement of net position as of September 30, 2020, and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2022.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in greater detail in Appendices A and B, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

Finding #	Nature of Finding
2020-001	Timeliness and Methodology of Close Process

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency identified below and described in greater detail in Appendix B to be a significant deficiency.

Finding #	Nature of Finding
2020-002	Financial Position

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Company's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the findings identified in our audit and described in Appendices A and B. The Company's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

BDO USA, LLP

November 30, 2022

Appendix A

Material Weakness in Internal Control Over Financial Reporting

Finding 2020-001: Timeliness and Methodology of Close Process

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

Finding and Recommendation:

We noted that detailed schedules supporting general ledger accounts did not always agree with the respective general ledger balances. Various adjustments were, therefore, necessary during the audit process in order to properly reflect account balances in the financial statements.

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

Further strict adherence to a year-end closing schedule should be required because this will allow for the year-end work and audit preparation to be a much less time-consuming and arduous process, without sacrificing the quality of the accounting records or minimizing existing internal controls.

Views of Responsible Officials:

The Company concurs with the auditor's findings and recommendations.

Action Plan: Management has updated its policies and procedures to ensure a timely month-end and year-end closing and completion of monthly and annual financial reporting. This includes the implementation and adherence to following a month-end and year-end close checklist. This will assist with timely, consistent, and accurate closing processes based on best practices. This includes periodic reviews of all accounts, accruals, and reconciliations. Any unreconciled differences will be determined and followed up on, and any journal entries deemed necessary will be recorded in the same fiscal year.

Implementation Date: Ongoing.

Person(s) Responsible: Chief Financial Officer and Financial Manager.

Appendix B

Significant Deficiency in Internal Control Over Financial Reporting

Finding 2020-002: Financial Position

The Company has recently been financially challenged and its situation was exacerbated by the global coronavirus pandemic. The management team unveiled its plan for the immediate future focusing on exploration of alternative revenue sources, reduction of operating expenses, and investment of Federal funds to facilitate the restart of cruise operations.

Finding and Recommendation:

The Company has incurred significant losses from operations, resulting in a net deficit position. This financial position has caused the financial statements to include a disclosure in the audit opinion. Future plans and budgets should be developed to produce operating income, avoid continuing deficits, and begin to rebuild net position. Continuation of these negative financial results could have a significant impact on the financial position and cash flows of the Company.

Views of Responsible Officials:

The Company concurs with the auditor's findings and recommendations.

Action Plan: The Company incurred significant losses primarily because of a mandated pause in the cruise industry from March 2020 to September 2021 to mitigate the spread of the coronavirus pandemic. Management's plan includes exploring and diversifying revenue sources to supplement the Company's main revenue drivers: cruise passenger fees and rental of land and warehouses. In addition, management has implemented and is still actively pursuing ways to reduce operating expenses. Management is also pursuing other short-term investments yielding higher rates for unrestricted cash reserves. More specifically, management has implemented the following strategies to continue operating, mitigate losses, and improve cash flow:

- In the month of October 2021, the Company experienced a return of cruise passengers as cruise lines relaxed pandemic related restrictions. During the latter part of fiscal year 2022, the Company noted an increase in cruise ship passenger occupancy and ship arrivals. The Company projects that this trend will continue through fiscal year 2023.

- In fiscal year 2022, management pursued and received Federal grants to defray payroll costs and other operating expenses as it awaited the return of the cruise industry. The Company received $4.0 million of ARPA funds and $717,000 in PPP funds. The Company's PPP loan of $717,000 was forgiven in October 2022.

- In the month of June 2022, the Company refinanced its Banco Popular loans with the issuance of the Port Facilities Revenue Bonds to improve working capital, replenish debt reserves, and provide funding for certain capital improvements.

- The Company, along with external stakeholders, is currently discussing the much-needed dredging of the harbor to accommodate Oasis class ships. This will allow the Company access to a larger number of cruise ship passengers per vessel.

Appendix B

Significant Deficiency in Internal Control Over Financial Reporting

- The Company has assessed and adjusted its current fee structure of all revenue sources to ensure its alignment with current market prices:
  - In fiscal year 2023, management notified the cruise lines of a planned tariff increase per passenger of $1.24, of which the Company anticipates receiving a $1 increase by January 1, 2023. This $1 increase in tariff will amount to a 15% increase in passenger fee revenue.
  - The Company has executed new leases for warehouse rentals with rental fee increases starting in fiscal year 2023.

Implementation Date: Ongoing.

Person(s) Responsible: Chief Executive Officer, Chief Financial Officer, and Financial Manager.