

King's Alley Management, Inc.
(A Blended Component Unit of the
Virgin Islands Public Finance Authority)

Management Discussion and Analysis
and Financial Statements
Year Ended September 30, 2023

The report accompanying these financial statements was issued by
BDO USA, P.C., a Virginia professional corporation, and the U.S. member of
BDO International Limited, a UK company limited by guarantee.



King's Alley Management, Inc.
(A Blended Component Unit of the
Virgin Islands Public Finance Authority)

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Year Ended September 30, 2023

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Independent Auditor's Report

The Board of Directors
King's Alley Management, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of King's Alley Management, Inc. (the Company), a blended component unit of the Virgin Islands Public Finance Authority, as of and for the year ended September 30, 2023, 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 financial position of King's Alley Management, Inc. as of September 30, 2023, and the changes in financial position and its cash flows 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.

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.



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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.



We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2025 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, P.C.

September 29, 2025

Management's Discussion and Analysis

King's Alley Management, Inc.
(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 the King's Alley Management, Inc. (the Company) is to help readers understand the basic financial statements of the Company for the year ended September 30, 2023, with selected comparative information for the year ended September 30, 2022. 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 is a U.S. Virgin Islands corporation that is owned by the Government of the U.S. Virgin Islands (the Government) through the Virgin Islands Public Finance Authority (the PFA). The Company was incorporated in 2001 for the purpose of acquiring land, buildings, improvements and other real property and to conduct business activities such as the lease and management of property and other assets. The Company began operations by managing a hotel and rental complex on the island of St. Croix that was owned by the PFA. In 2003, the PFA conveyed to the Company ownership of the hotel and rental complex. The Company managed these properties until sold in 2022. In 2023 the Company managed the acquisition of a parcel of land in Frederiksted, St. Croix on behalf of the primary 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, deferred outflows of resources, liabilities, and deferred inflows of resources of the Company, with the difference reported as net position.
- 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 changes 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, noncapital, 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.

King's Alley Management, Inc.
(A Blended Component Unit of the Virgin Islands Public Finance Authority)

Management's Discussion and Analysis

Summary of Financial Results

Statement of Net Position - Table 1 summarizes the Company's Statements of Net Position as of September 30, 2023 and 2022.

Table 1: Summary of Statements of Net Position

September 30,	2023	2022	Change	% Change
Assets:				
Current assets	\$ 3,288,096	\$ 4,501,197	\$ (1,213,101)	-27%
Total assets	\$ 3,288,096	\$ 4,501,197	\$ (1,213,101)	-27%
Liabilities:				
Current liabilities	\$ -	\$ 1,611	\$ (1,611)	-100%
Noncurrent liabilities	619,346	619,346	-	0%
Total liabilities	\$ 619,346	\$ 620,957	\$ (1,611)	0%
Net position:				
Unrestricted	\$ 2,668,750	\$ 3,880,240	\$ (1,211,490)	-31%
Total net position	\$ 2,668,750	\$ 3,880,240	\$ (1,211,490)	-31%

For fiscal year 2023, the Company's assets amounted to \$3.3 million, of which \$3.2 million represented cash and cash equivalents, \$50,000 represented an escrowed deposit in connection with a real estate transaction, and \$2,000 of receivables. Current assets decreased by \$1.2 million due to a decrease in cash and cash equivalents of \$1.2 million, a decrease in deposits of \$25,000, and a decrease in receivables of \$3,000.

For fiscal year 2023, the Company's liabilities amounted to \$619,000, consisting of amounts due to PFA. This amount did not change from the prior year. As of September 30, 2022, the Company reported certain accrued payroll liabilities of \$2,000 that were paid during the current fiscal year. As of September 30, 2023, the net position of the Company was \$2.7 million, a decrease of \$1.2 million from the prior year. The decrease was due to a land purchase on behalf of the primary Government of \$1.2 million.

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(A Blended Component Unit of the Virgin Islands Public Finance Authority)

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, 2023 and 2022.

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

September 30,	2023	2022	Change	% Change
Operating revenues	\$ -	\$ 151,844	\$ (151,844)	-100%
Operating expenses:				
General and administrative expenses	7,580	377,247	(369,667)	-98%
Depreciation	-	106,389	(106,389)	-100%
Total operating expenses	7,580	483,636	(476,056)	-98%
Operating loss	(7,580)	(331,792)	324,212	98%
Nonoperating revenues (expenses)	(1,203,910)	1,540,528	(2,744,438)	-178%
Change in net position	(1,211,490)	1,208,736	(2,420,226)	-200%
Net position, beginning of year	3,880,240	2,671,504	1,208,736	45%
Net position, end of year	\$ 2,668,750	\$ 3,880,240	\$ (1,211,490)	-31%

For fiscal year 2023, operating revenues decreased by \$152,000 from the prior year due to the closing of hotel operations. Operating expenses of \$8,000 decreased by \$476,000 due to a decrease in general and administrative expenses of \$370,000 million and a decrease in depreciation expense of \$106,000.

The Company reported a decrease in nonoperating revenue of \$2.7 million due to the net effect of the gain on the sale of the King's Alley property in the prior year of \$1.5 million, and the purchase of land in Frederiksted, St. Croix on behalf of the Government in the current year of \$1.2 million.

Due to the Public Finance Authority

In the first three years of operations, the Company borrowed money from certain accounts of the PFA to pay for operating expenses. At September 30, 2023 and 2022, the Company reported \$619,346 in related party liabilities due to the PFA.

Significant Current-Known Facts

As of the end of the current fiscal year, the entity remains inactive following the sale of its primary capital asset—a hotel property—in the prior fiscal year. The entity now holds only cash and has no ongoing operations, or capital assets. There are no known plans to resume operations, acquire new assets, or dissolve the entity. Management is not aware of any conditions, decisions, or external factors that are expected to significantly affect the entity's financial position or results of operations in the foreseeable future.

King's Alley Management, Inc.
(A Blended Component Unit of the Virgin Islands Public Finance Authority)

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:

Virgin Islands Public Finance Authority
32 & 33 Kongens Gade, Government Hill
St. Thomas, VI 00802
340-714-1635

Financial Statements

King's Alley Management, Inc.
(A Blended Component Unit of the Virgin Islands Public Finance Authority)

Statement of Net Position

<i>September 30,</i>	<i>2023</i>
Assets	
Current assets:	
Cash and cash equivalents	\$ 3,235,719
Accounts receivable	2,377
Deposits	50,000
Total current assets	3,288,096
Total assets	\$ 3,288,096
Liabilities	
Noncurrent liabilities:	
Due to the Public Finance Authority	\$ 619,346
Total noncurrent liabilities	619,346
Total liabilities	\$ 619,346
Net position	
Unrestricted	2,668,750
Total net position	\$2,668,750

See accompanying notes to financial statements.

King's Alley Management, Inc.
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Statement of Revenues, Expenses, and Changes in Net Position

<i>Year ended September 30,</i>	<i>2023</i>
Operating expenses	
General and administrative expenses	\$ 7,580
Total operating expenses	7,580
Operating loss	(7,580)
Non-operating revenues (expenses)	
Payments on behalf of Government	(1,203,910)
Total non-operating expenses	(1,203,910)
Change in net position	(1,211,490)
Net position, beginning of year	3,880,240
Net position, end of year	\$ 2,668,750

See accompanying notes to financial statements.

King's Alley Management, Inc.
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Statement of Cash Flows

<i>Year ended September 30,</i>	<i>2023</i>
Cash flows from operating activities	
Cash received from customers	\$ 2,644
Cash paid to suppliers	(9,191)
Net cash used by operating activities	(6,547)
Cash flows from non-capital financing activities	
Payments on behalf of the Government	(1,178,910)
Net cash used by non-capital financing activities	(1,178,910)
Decrease in cash and cash equivalents	(1,185,457)
Cash and cash equivalents, beginning of year	4,421,176
Cash and cash equivalents, end of year	\$ 3,235,719
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (7,580)
Changes in operating assets and liabilities:	
Accounts receivable	2,644
Accrued expenses and other liabilities	(1,611)
Total adjustments	1,033
Net cash used by operating activities	\$ (6,547)

See accompanying notes to financial statements.

King's Alley Management, Inc.
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Notes to Financial Statements

1. Reporting Entity

King's Alley Management, Inc. (the Company), a corporation operating 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 Company was originally established in 2001 as a hotel management company. In 2022, the assets of the Company were sold. During the year ending September 30, 2023, the Company operations consisted of serving as a land purchasing conduit on behalf of the Government.

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.

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 related 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 fees from management services. Operating expenses for the Company's include the cost of services, general and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating items.

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 less 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.

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Notes to Financial Statements

- *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, after net investment in Capital Assets, 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.

Account Receivables

Receivables 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.

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

During the year ended September 30, 2023, the Company implemented the following standards promulgated by the Government Accounting Standards Board (GASB):

GASB Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers of bonds and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Company has evaluated this Statement and has determined there is no impact on the financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets for a period in an exchange or exchange-like transaction. The Company has evaluated this Statement and has determined there is no impact on the financial statements.

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Notes to Financial Statements

GASB Statement No. 96, *Subscription-Based Information Technology Agreements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end-users. The Company has evaluated this Statement and has determined there is no impact on the financial statements.

GASB Statement No. 99, *Omnibus 2022*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. 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:

GASB Statement No.		Adoption Effective in Fiscal Year
100	Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62	2024
101	Compensated Absences	2025
102	Certain Risk Disclosures	2025
103	Financial Reporting Model Improvements	2026
104	Disclosure of Certain Capital Assets	2026

Earlier application of these 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

Cash and cash equivalents at September 30, 2023, are as follows:

	Bank Balance	Carrying Amount
Unrestricted	\$ 3,235,719	\$ 3,235,719

Unrestricted cash and cash equivalents may be used for operational purposes.

Custodial credit risk is the risk that in the event of bank failure, the Company's deposit may not be returned. The Authority does not have a custodial risk policy. The Company maintains its deposits at Banco Popular de Puerto Rico, which at times may exceed federally insured limits. Generally, the Federal Deposit Insurance Corporation insures depositor funds up to \$250,000. The funds held by the financial institution as of September 30, 2023, were fully collateralized and the Company has not experienced any losses in such accounts.

King's Alley Management, Inc.
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Notes to Financial Statements

4. Accounts Receivable

The company has receivables related to its prior hotel activities. During the year ended September 30, 2023, the Company wrote off receivables of \$1,580 not deemed collectible. The Company's accounts receivable balance as of September 30, 2023, was \$2,377.

5. Payable to PFA

The Company was formed in 2001 to manage certain hotel and rental property in St. Croix owned by PFA. During the first two years of operation, the PFA operating and bond accounts loaned money to the Company to pay general and administrative expenses of the Company. As of September 30, 2023, the Company's balance due to the PFA was \$619,346.

6. Payments on Behalf of the Government

On July 28, 2022, the Virgin Islands Public Finance Authority (the Authority), acting on behalf of the Government of the Virgin Islands, entered into a contract to purchase approximately 68.74 acres of beachfront property located in Frederiksted, St. Croix, for a total purchase price of \$1.2 million. The acquisition was undertaken to support the Government's initiative to expand the Territorial Park System, in recognition of the property's environmental significance as a wetland and its cultural value as a potential park for educational and recreational purposes.

On November 23, 2022, the Authority's Board, which provides oversight of KAMI, formally approved the land purchase and authorized the Authority's Executive Director, Director of Finance and Administration, and other designated officers to execute all necessary documents and complete the transaction.

7. Subsequent Events

Management's Evaluation

Management has evaluated any events or transactions occurring after September 30, 2023, the statement of net position date, through September 29, 2025, 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, 2023.

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



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*

The Board of Directors
King's Alley Management, Inc.

We have audited, in accordance with the 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 King's Alley Management, Inc (the Company), a blended component unit of the Virgin Islands Public Finance Authority, which comprise the statement of financial position as of September 30, 2023, and the related statements 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 September 29, 2025.

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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

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

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, P.C.

September 29, 2025