

**Matching Fund Special Purpose  
Securitization Corporation**  
(A Blended Component Unit of the  
Government of the U.S. Virgin Islands)

Management's Discussion  
and Analysis and Financial Statements (with  
Independent Auditors' Report's Thereon)  
Year Ended September 30, 2025

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.



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Year Ended September 30, 2025

**Matching Fund Special Purpose Securitization Corporation**  
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## **Independent Auditor's Report**

The Board of Directors  
Matching Fund Special Purpose Securitization Corporation  
U.S Virgin Islands

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, and the debt service major fund of the Matching Fund Special Purpose Securitization Corporation (the Corporation), a blended component unit of the Government of U.S. Virgin Islands, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Corporation'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 governmental activities, and the debt service major fund information of the Corporation, as of September 30, 2025, and the respective changes in financial position and fund balance for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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 Corporation 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 opinions.

#### ***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 Corporation'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 opinions. 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 Corporation'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 Corporation'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 March 31, 2026 on our consideration of the Corporation'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 Corporation'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 Corporation's internal control over financial reporting and compliance.

BDO USA, P.C.

March 31, 2026

## **Management's Discussion and Analysis**

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# Matching Fund Special Purpose Securitization Corporation (A Blended Component Unit of the Government of the U.S. Virgin Islands)

## Management's Discussion and Analysis

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The purpose of the following management's discussion and analysis of the financial performance and activity of the Matching Fund Special Purpose Securitization Corporation (the Corporation) is to help readers understand the basic financial statements of the Corporation as of September 30, 2025 with selected comparative information for the year ended September 30, 2024. 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 Corporation

The Corporation is a special purpose, independent and autonomous public corporation, and governmental instrumentality of the Government of the United States Virgin Islands (the Government), incorporated under the provisions of the Virgin Islands Act No. 8540, effective February 8, 2022, adding Chapter 24 to Title 29 of the Virgin Islands Code (the Act). On April 6, 2022, the Corporation issued the Matching Fund Securitization Bonds, Series 2022A (the Series 2022A Bonds) and Taxable Series 2022B (the Series 2022B Bonds) pursuant to: (i) the Act, (ii) Resolution No. 2 adopted by the Board of Directors of the Corporation on February 22, 2022, and (iii) the Master Trust Indenture as of April 1, 2022 (the Master Indenture) as supplemented by the First Supplemental Trust Indenture dated April 1, 2022, by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the Trustee).

The Series 2022A and Series 2022B Bonds were issued by the Corporation to: (i) purchase from the Government the right, title and interest in Matching Fund Receipts (MFRs) received from the United States Department of Treasury, (ii) to pay capitalized interest on a portion of the Series 2022 Bonds and (iii) to pay certain costs of issuing the Series 2022 Bonds. The purchase price was the net proceeds of the Series 2022 Bonds and the issuance of a Residual Certificate to the Government entitling the Government to receive residual matching fund rights after required payments for debt service, corporate expenses and other obligations of the Corporation are paid.

The Act provided for the refunding and defeasance of the previously issued Matching Fund Bonds of the Public Finance Authority (PFA) to which the Matching Fund Receipts has been pledged with the stated goal of freeing up funds to provide financial stability and liquidity to the Government's defined benefit pension system, the Government Employees' Retirement System of the Virgin Islands (GERS). The net proceeds of the Series 2022A and Series 2022B bonds were used to repurchase and defease the PFA Matching Fund Bonds. The Act provided for PFA to issue the GERS Funding Note with sixty (60) payments to GERS from April 2022 to October 2051 in amounts ranging from \$73.6 million to \$157.9 million. The Government has secured the GERS Funding Note with residual MFRs as the holder of the Residual Certificate.

The Government has also pledged the residual MFRs for the payment of certain subsidy and incentive payments due to the two rum companies that produce rum in the Virgin Islands for export to the United States. Subsidy and incentive payments include molasses subsidy payments for each gallon of molasses purchased for use in the production of rum, bulk rum production incentive payments, branded rum production incentive payments and marketing support and rum promotion support payments.

As of September 30, 2025 and 2024, the Corporation had outstanding Securitization Bonds of \$971.6 million and \$974.2 million, respectively, net of amortized bond premiums.

**Matching Fund Special Purpose Securitization Corporation**  
**(A Blended Component Unit of the Government of the U.S. Virgin Islands)**

**Management's Discussion and Analysis**

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**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Governmental fund financial statements, and 3) Notes to Financial Statements.

- The Statement of Net Position and the Governmental Fund Balance Sheet include all of the Corporation's assets, deferred outflows of resources, and liabilities and provides information about the nature and amounts of investments in resources (assets), deferred charges on the purchase of matching fund rights (deferred outflows of resources), and the obligations to Corporation creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Corporation, and assessing the liquidity and financial flexibility of the Corporation.
- The Statement of Net Position is prepared on an economic resources measurement focus and reports information about the Corporation using accounting methods similar to those used by private sector companies (accrual basis of accounting) and presents all assets, deferred outflows of resources, and liabilities of the Corporation. The Governmental Fund Balance Sheet focuses on the Corporation's balances of spendable resources available for the payment of expenditures, including payment of debt service requirements at the end of the fiscal year.
- The activity of the Corporation is accounted for in the Statement of Activities and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. These statements measure the success of the Corporation's operations during the period of operations and can be used to determine the Corporation's ability to meet its financial objectives and creditworthiness.
- The Statement of Activities presents information on how the Corporation's net position changed during the fiscal year. 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 notes to the financial statements provide additional information that is essential to a full understanding of the data provided within.

**Matching Fund Special Purpose Securitization Corporation**  
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**Management's Discussion and Analysis**

**Summary of Financial Results**

**Government-Wide Financial Statements**

Statement of Net Position (Deficit) - Table 1 summarizes the Corporation's statement of net position as of September 30, 2025 and 2024:

Table 1: Summary of Statements of Net Position (in thousands)

September 30,	2025		2024		Change	Percent Change (%)	
<b>Assets</b>							
Restricted	\$	231,736	\$	224,704	\$	7,032	3
<b>Total Assets</b>		<b>231,736</b>		<b>224,704</b>		<b>7,032</b>	<b>3</b>
Deferred outflows of resources		540,193		599,662	(59,469)		(10)
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$</b>	<b>771,929</b>	<b>\$</b>	<b>824,366</b>	<b>\$</b>	<b>(52,437)</b>	<b>(6)</b>
<b>Liabilities</b>							
Accrued expenses	\$	106	\$	78	\$	28	36
Interest payable		23,934		23,933		1	-
Due to residual escrow agent		138,136		170,282	(32,146)		(19)
Unearned matching fund receipts		225,476		181,069	44,407		25
Bonds payable, net of bond premium		971,556		974,233	(2,677)		-
<b>Total Liabilities</b>	<b>\$</b>	<b>1,359,208</b>	<b>\$</b>	<b>1,349,595</b>	<b>\$</b>	<b>9,613</b>	<b>1</b>
<b>Net Position (Deficit)</b>							
Restricted for debt service	\$	231,736	\$	224,704	\$	7,032	3
Unrestricted deficit		(819,015)		(749,933)	(69,082)		(9)
<b>Total Net Position (Deficit)</b>	<b>\$</b>	<b>(587,279)</b>	<b>\$</b>	<b>(525,229)</b>	<b>\$</b>	<b>(62,050)</b>	<b>(12)</b>

As of September 30, 2025, the Corporation's assets amounted to \$231.7 million consisting of \$231.7 million in restricted cash and cash equivalents, and \$8,000 in restricted investments. Restricted assets increased by \$7 million mainly due to the increase in the advance of matching funds. Deferred outflows of resources decreased by \$59.5 million due to amortization of the account.

As of September 30, 2025, the Corporation's liabilities amounted to \$1.36 billion consisting of bonds payable, net of unamortized bond premium, of \$971.6 million, unearned matching fund revenues of \$225.5 million, interest payable of \$23.9 million, accrued expenses of \$106,000 and the amount due to the residual escrow agent of \$138.1 million. The increase in liabilities of \$9.6 million is due to the increase in unearned matching funds of \$44.4 million offset by the decrease in the amount due to the residual escrow agent of \$32.1 million and the decrease in bonds payable due to the amortization of premiums of \$2.7 million.

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**Management's Discussion and Analysis**

Statement of Activities - Table 2 summarizes the Corporation's Statement of Activities for the years ended September 30, 2025 and 2024:

Table 2: Summary of Statements of Activities (in thousands)

<i>Fiscal year ended September 30,</i>	<b>2025</b>	<b>2024</b>	<b>Change</b>	<b>Percent Change (%)</b>
Matching fund revenues	\$ 181,069	\$ 212,040	\$ (30,971)	(15)
Investment income	97	3,221	(3,124)	(97)
<b>Total Revenues</b>	<b>181,166</b>	<b>215,261</b>	<b>(34,095)</b>	<b>(16)</b>
Interest expense	45,190	45,191	(1)	-
General and administrative	419	769	(350)	(45)
Amortization of deferred outflows of resources	59,470	47,757	11,713	25
Payment of residual receipts to escrow agent	138,137	170,282	(32,145)	(19)
<b>Total Expenses</b>	<b>243,216</b>	<b>263,999</b>	<b>(20,783)</b>	<b>(8)</b>
<b>Change in Net Position (Deficit)</b>	<b>(62,050)</b>	<b>(48,738)</b>	<b>(13,312)</b>	<b>(27)</b>
<b>Net Deficit, beginning of year</b>	<b>(525,229)</b>	<b>(476,491)</b>	<b>(48,738)</b>	<b>(10)</b>
<b>Net Deficit, end of year</b>	<b>\$ (587,279)</b>	<b>\$ (525,229)</b>	<b>\$ (62,050)</b>	<b>(12)</b>

For the year ended September 30, 2025, revenues of \$181.2 million consisted of MFRs of \$181.1 million and investment earnings of \$97,000. Revenues decreased by \$34.1 million due to the decrease in MFRs of \$31.0 million and the decrease in investment income of \$3.1 million. MFRs decreased due to a net downward adjustment of \$28.9 million related to the fiscal year 2023 rum production, based on actual results.

Fiscal year 2025, expenses reported of \$243.2 million consisted of general and administrative expense of \$419,000, interest expense of \$45.2 million, residual receipts due to the residual escrow agent of \$138.1 million, and amortization of deferred outflows of resources amounting to \$59.5 million. Expenses are \$20.8 million less than the prior year mainly due to a reduction in the amount paid to the residual escrow agent of \$32.1 million and a decrease in general and administrative expenses of \$350,000; offset by an increase in amortization of deferred outflows of resources of \$11.7 million.

**Matching Fund Special Purpose Securitization Corporation**  
**(A Blended Component Unit of the Government of the U.S. Virgin Islands)**

**Management's Discussion and Analysis**

**Governmental Fund Financial Statements**

Governmental Fund Balance Sheet - Table 3 summarizes the Corporation's Balance Sheet as of September 30, 2025 and 2024:

Table 3: Summary of Governmental Fund Balance Sheets (in thousands)

<i>September 30,</i>	2025		2024		Change	Percent Change (%)
Restricted assets	\$	231,736	\$	224,704	\$ 7,032	3
<b>Total Assets</b>		<b>231,736</b>		<b>224,704</b>	<b>7,032</b>	<b>3</b>
Deferred outflow of resources:						
Purchase of matching funds		540,193		599,662	(59,469)	(10)
<b>Total Assets and Deferred Outflows of Resources</b>		<b>771,929</b>		<b>824,366</b>	<b>(52,437)</b>	<b>(6)</b>
<b>Total Liabilities</b>		<b>363,718</b>		<b>351,429</b>	<b>12,289</b>	<b>3</b>
<b>Fund Balance</b>	\$	<b>408,211</b>	\$	<b>472,937</b>	\$ (64,726)	(14)

As of September 30, 2025, the Corporation's assets amounted to \$231.7 million consisting of \$231.7 million in restricted cash and cash equivalents, and \$8,000 in restricted investments. Restricted assets increased by \$7 million mainly due to an increase in the advance of matching funds. Deferred outflows of resources decreased by \$59.5 million due to amortization of deferred outflows. Liabilities increased by \$12.3 million due to the increase in the advance of matching fund receipts of \$44.4 million and increase in accrued expenses of \$28,000; offset by the decrease in the residual escrow agent accrual of \$32.1 million.

The Summary of Governmental Fund Revenues, Expenditures and Changes in Fund Balance - Table 4 summarizes the Corporation's Governmental Fund Revenues, Expenditures, and Changes in Fund Balance for the years ended September 30, 2025 and 2024:

Table 4: Summary of Debt Service Fund Revenues, Expenditures and Changes in Fund Balance (in thousands)

<i>Fiscal year ended September 30,</i>	2025		2024		Change	Percent Change (%)
Revenues	\$	181,166	\$	215,261	\$ (34,095)	(16)
Expenditures		245,892		266,675	(20,783)	(8)
<b>Net Change in Fund Balance</b>		<b>(64,726)</b>		<b>(51,414)</b>	<b>(13,312)</b>	<b>(26)</b>
<b>Fund Balance, beginning of year</b>		<b>472,937</b>		<b>524,351</b>	<b>(51,414)</b>	<b>(10)</b>
<b>Fund Balance, end of year</b>	\$	<b>408,211</b>	\$	<b>472,937</b>	\$ (64,726)	(14)

In the fiscal year ended September 30, 2025, revenues of \$181.2 million consisted of MFRs of \$181.1 million and investment earnings of \$97,000. Revenues decreased by \$34.1 million due to the decrease in MFRs of \$31.0 million and a decrease in investment income of \$3.1 million. MFRs decreased mainly due to a net downward adjustment of \$28.9 million related to fiscal year 2023 rum production.

**Matching Fund Special Purpose Securitization Corporation**  
**(A Blended Component Unit of the Government of the U.S. Virgin Islands)**

**Management's Discussion and Analysis**

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In the fiscal year ended September 30, 2025, expenditures of \$245.9 million consisted of general and administrative expense of \$419,000, interest expense of \$47.9 million, amortization expense of \$59.5 million and residual receipts due to the residual escrow agent of \$138.1 million. Expenditures are \$20.8 million less than the prior year due mainly due to a decrease in the payment of residual receipts to the residual escrow agent of \$32.1 million and a decrease in general and administrative expenses of \$350,000, offset by an increase in amortization of deferred outflows of resources of \$11.7 million.

### **Long-Term Debt Activity**

On April 6, 2022, the Corporation issued the Series 2022A and Taxable Series 2022B Matching Fund Securitization Bonds (Series 2022A and B Bonds) in the amount of \$952.8 million. The Series 2022A and B Bonds were issued with an original issue premium of \$28.1 million. The bonds are secured by a pledge of the Matching Fund Receipts (MFRs) and certain accounts established by the First Supplemental Trust Indenture between the Corporation and Trustee, The Bank of New York Mellon Trust Company, N.A.

The Series 2022A Bonds maturing on October 1, 2039, are subject to redemption prior to maturity at the election or direction of the Corporation, in whole or in part, on any date on or after October 1, 2032, at a Redemption Price of par plus any accrued interest thereon to the date fixed for redemption. The Series 2022B Bonds are subject to redemption prior to maturity, at the election or direction of the Corporation, on any date at a redemption price equal to the greater of (a) the principal amount of such Series 2022B Bonds to be redeemed, or (b) the sum of the present values of the remaining scheduled payments of principal interest, not including any portion of those payments of interest accrued and unpaid as of the date redeemed, discounted to the date of redemption at the U.S. Treasury Rate plus 50 basis points plus accrued interest. The "Make Whole Optional Redemption" of the Series 2022B Bonds will be calculated by an independent accounting firm or advisor retained by the Corporation.

Interest on the Series 2022A and B Bonds is payable semi-annually on each April 1 and October 1. Interest expense paid for the year ended September 30, 2025, was \$47.9 million. Principal payments are due October 1st, beginning October 1, 2025. A capitalized interest account was funded on the issuance of the bonds in the amount of \$112.2 million. As of September 30, 2025, the remaining balance in the capitalized interest account was \$8,000.

On the issuance of the Series 2022A and 2022B Bonds, the Corporation received a bond rating by Kroll Bond Rating Agency (KBRA) of BBB, with an outlook of stable operations. On April 8, 2025, KBRA affirmed the BBB rating and revised the outlook to negative. On July 28, 2025, KBRA revised the outlook to stable, following the passage of H.R.1, the Big Beautiful Bill Act. Section 70427 of H.R.1 enacting a permanent increase in the cover over rate on distilled spirits of \$13.25 per proof gallon effective after December 31, 2025.

**Matching Fund Special Purpose Securitization Corporation**  
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**Management's Discussion and Analysis**

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The table below summarizes bond activity during the year:

Outstanding Bonds (in thousands)	Total Series	Series 2022A	Series 2022B
<b>Balance, September 30, 2024</b>	\$ 952,825	\$ 930,315	\$ 22,510
New issuances	-	-	-
Principal payments	-	-	-
<b>Balance, September 30, 2025</b>	\$ 952,825	\$ 930,315	\$ 22,510

### **Significant Currently Known Facts**

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

#### ***Payment Collections***

MFR collections may vary based on the demand for rum products and the fluctuating price and availability of molasses. Future levels of consumption of distilled spirits, or rum consumption, or the future market share to be garnered by U.S. Virgin Islands rum is unknown. Molasses, the principal ingredient of rum, is traded in the international commodity markets.

There can be no assurance that molasses will be available for U.S. Virgin Islands rum production at a commercially viable price. Rum products are produced by two Virgin Islands companies. Interruptions in production by the two companies may result in a reduction of MFRs. The Virgin Islands is subject to windstorms and seismic activity which may also adversely impact molasses importation or the operations of the distilleries.

The ability of the Corporation to make debt service payments on bonds is contingent upon the receipt of MFR payments. The bonds issued by the Corporation do not constitute a claim against the full faith, credit, or taxing powers of the Government of the U.S. Virgin Islands.

### **Contacting the Corporation's Financial Management**

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

Matching Fund Special Purpose Securitization Corporation  
P.O. Box 430  
St. Thomas, VI 00804  
340-714-1635

## Financial Statements

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**Matching Fund Special Purpose Securitization Corporation**  
**(A Blended Component Unit of the Government of the U.S. Virgin Islands)**

**Statement of Net Position and Governmental Fund Balance Sheet**  
(in thousands)

*September 30, 2025*

	Debt Service Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Restricted:			
Cash and cash equivalents	\$ 231,728	\$ -	\$ 231,728
Investments	8	-	8
<b>Total Assets</b>	<b>231,736</b>	<b>-</b>	<b>231,736</b>
<b>Deferred Outflows of Resources</b>			
Purchase of matching fund rights, net	540,193	-	540,193
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 771,929</b>	<b>\$ -</b>	<b>\$ 771,929</b>
<b>Liabilities</b>			
Current liabilities:			
Accrued expenses	\$ 106	\$ -	\$ 106
Interest payable	-	23,934	23,934
Due to residual escrow agent	138,136	-	138,136
Unearned matching fund revenue	225,476	-	225,476
Bonds payable	-	39,985	39,985
Noncurrent liabilities:			
Bonds payable, net of bond premium	-	931,571	931,571
<b>Total Liabilities</b>	<b>363,718</b>	<b>995,490</b>	<b>1,359,208</b>
<b>Fund Balance</b>			
Restricted for debt service	231,736	(231,736)	-
Unassigned fund balance (deficit)	176,475	(176,475)	-
<b>Total Fund Balance</b>	<b>408,211</b>	<b>(408,211)</b>	<b>-</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 771,929</b>	<b>\$ 587,279</b>	<b>\$ 1,359,208</b>
<b>Net Position (Deficit)</b>			
Restricted for debt service	\$ -	\$ 231,736	\$ 231,736
Unrestricted deficit	-	(819,015)	(819,015)
<b>Total Net Position (Deficit)</b>	<b>\$ -</b>	<b>\$ (587,279)</b>	<b>\$ (587,279)</b>

*See accompanying notes to financial statements.*

**Matching Fund Special Purpose Securitization Corporation**  
**(A Blended Component Unit of the Government of the U.S. Virgin Islands)**

**Statement of Activities and Governmental Fund Statement of Revenues,  
Expenditures and Changes in Fund Balance**  
(in thousands)

*Fiscal Year ended September 30, 2025*

	Debt Service Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Investment income	\$ 97	\$ -	\$ 97
Matching fund revenues	181,069	-	181,069
<b>Total Revenues</b>	<b>181,166</b>	<b>-</b>	<b>181,166</b>
<b>Expenditures/Expenses</b>			
General and administrative	419	-	419
Interest expense	47,866	(2,676)	45,190
Amortization of deferred outflows of resources	59,470	-	59,470
Payment of residual receipts to escrow agent	138,137	-	138,137
<b>Total Expenditures/Expenses</b>	<b>245,892</b>	<b>(2,676)</b>	<b>243,216</b>
<b>Net Change in Fund Balance/Net Position (Deficit)</b>	<b>(64,726)</b>	<b>2,676</b>	<b>(62,050)</b>
<b>Fund Balance/Net Position (Deficit), beginning of year</b>	<b>472,937</b>	<b>(998,166)</b>	<b>(525,229)</b>
<b>Fund Balance/Net Position (Deficit), end of year</b>	<b>\$ 408,211</b>	<b>\$ (995,490)</b>	<b>\$ (587,279)</b>

*See accompanying notes to financial statements.*

**Matching Fund Special Purpose Securitization Corporation**  
**(A Blended Component Unit of the Government of the U.S. Virgin Islands)**

**Notes to Financial Statements**

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## **1. Reporting Entity**

The Matching Fund Special Purpose Securitization Corporation (the Corporation) is a special-purpose, independent and autonomous public corporation and governmental instrumentality of the United States Virgin Islands incorporated on February 8, 2022. The Corporation was organized as a Virgin Islands nonprofit corporation in accordance with Title 13, Chapter 3 Section 491 of the Virgin Islands Code and Act No. 8540 passed by the Virgin Islands Legislature on January 31, 2022. The Corporation is a blended component unit of the Government of the Virgin Islands (Government). The Board of Directors of the Corporation includes the Governor and four private citizens appointed by the Governor.

The Corporation was created to: (i) purchase from the Government the right, title and interest to receive federal excise taxes on rum products produced in the Virgin Islands and exported to the United States (the Matching Fund Receipts or MFRs) imposed and collected under Title 26, Section 7652 of the United States Code, (ii) issue Matching Funds Securitization Bonds and a Residual Certificate, (iii) use the net proceeds of the Bonds to acquire the Government's interest and title in the MFRs and fund payments set forth in the Master Trust Indenture between the Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, (iv) provide an irrevocable direction to the Department of the Interior (DOI) to direct the Department of the Treasury (U.S. Treasury) to make annual payments of MFRs to the GVI Restricted Account, owned by the Government, and (v) to fund the Residual Accounts with MFRs after the payment of debt service on the bonds, costs of the issuance, maintenance of reserve funds, other obligations and operating expenses of the Corporation.

Act 8540 authorized the creation of the Corporation, and the issuance of the Matching Fund Securitization Bonds, to increase revenues dedicated to improving the solvency of the Government Employee's Retirement System of the U.S. Virgin Islands (GERS). GERS is a multiple employer defined benefit pension plan that plan actuaries had predicted would be insolvent by October 2024 without remediation by the Government. The issuance of the Matching Fund Securitization Bonds provided a plan of finance to defease the existing bonds with pledged MFRs issued by the Virgin Islands Public Finance Authority (Public Finance Authority), and to provide Residual Revenues for the establishment of a loan from the Public Finance Authority to GERS (GERS Funding Note) to promote the solvency of the pension plan.

The Corporation is a blended component unit of the Government of the U.S. Virgin Islands. The financial statements of the Corporation are not intended to present fairly the financial position and results of operations of the Government. Only the accounts of the Corporation are included in the reporting entity. There are no component units that should be considered for inclusion in the Corporation's financial statements.

## **2. Summary of Significant Accounting Policies**

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

**Matching Fund Special Purpose Securitization Corporation**  
**(A Blended Component Unit of the Government of the U.S. Virgin Islands)**

**Notes to Financial Statements**

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***Basis of Presentation***

The Corporation's basic financial statements include both government-wide (reporting on the corporation as a whole) and governmental fund financial statements.

***Government-wide Financial Statements***

The government-wide financial statements, i.e., the Statement of Net Position and the Statement of Activities, report on all activities of the Corporation. The government-wide focus is on the sustainability of the Corporation as an entity and the change in the Corporation's net position resulting from current period activities.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

***Fund Financial Statements***

In addition to the government-wide financial statements, the Corporation has prepared fund financial statements, i.e., a governmental funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. The fund financial statements include a reconciliation of the governmental Balance Sheet to the government-wide Statement of Net Position, and a reconciliation of the governmental Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded as soon as they are considered measurable and available. Revenues are considered available when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 90 days after the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, except that principal and interest on long-term debt is recognized when due.

The Corporation reports on one governmental fund—the Debt Service Fund. The Debt Service Fund reports the accumulation of resources restricted for the payment of principal and interest on the bonds payable and the payment of Residual Receipts to the Residual Receipt escrow agent. When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

As a blended component unit of the Government, the Corporation's financial statements are combined into the basic financial statements of the Government.

***Restricted Assets***

The use of certain assets of the Corporation is restricted by specific provisions of bond resolutions and the Master Trust Indenture. Assets subject to such designations are identified as restricted assets on the Statement of Net Position and the Governmental Fund Balance Sheet.

**Matching Fund Special Purpose Securitization Corporation**  
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**Notes to Financial Statements**

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***Cash and Cash Equivalents***

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

***Investments***

The Corporation reports investments at fair value, based on quoted market prices. In accordance with fair value measurements established in GASB Statement No. 72, *Fair Value Measurement and Application*, the Corporation values investments at quoted market prices when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or values obtained from independent pricing services.

***Deferred Outflows of Resources***

Under GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, the Corporation recognized the purchase price of the matching fund rights from the Government as a deferred outflow that is amortized over the transfer period of the Sale Agreement date to the final term of the outstanding Matching Fund Securitization Bonds.

***Accrued Expenses Payable***

The Corporation has entered into a services agreement with the Public Finance Authority (PFA) for professional services and the use of PFA office space and equipment. The Corporation also reimburses the PFA for all reasonable out-of-pocket expenses, bond issuance costs, and other costs. Amounts due and unpaid at year-end are reported as accrued expenses payable.

***Unearned Matching Fund Revenues***

On April 6, 2022, the Corporation purchased the right, title, and interest to receive the MFRs under the terms of the Assignment, Purchase and Sale Agreement (Sale Agreement) with the Government. MFRs are paid annually for the next fiscal year ending September 30 using estimates of the amount of rum to be shipped to the United States. In accordance with GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* and *GASB Statement 65, Items Previously Reported as Assets and Liabilities*, tax revenues received in advance (unearned but available) are reported as an unearned revenue liability in the governmental and government-wide financial statements.

***Bonds Payable***

In the government-wide financial statements, bonds payable are reported as a liability in the Statement of Net Position. Bond premiums are amortized over the life of the bonds they relate to using the effective interest method. Bonds are reported net of bond premiums.

In governmental funds, bond premiums are recognized in the year debt is issued as another financing source of revenue. Debt issued is also reported as other financing sources of revenues and principal payments on debt are reported as debt service expenditures.

**Matching Fund Special Purpose Securitization Corporation**  
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**Notes to Financial Statements**

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***Fund Balance***

Fund balance is the difference between total assets and deferred outflows of resources and total liabilities. The majority of the Corporation's assets were derived from the sale of bonds and the collection of MFRs to be used for debt service payments.

Use of these assets is controlled by specific provisions of bond resolutions. As such, amounts derived from bond proceeds and revenue collections for debt service have been reported as restricted for debt service.

***Net Position***

Net position is classified in the following components:

- Restricted net position consists of external constraints placed on net position use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position consists of the remaining portion of net position that is not included in restricted net position.

***Taxes***

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

***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, deferred outflows of resources, 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 fiscal year. Actual results could differ from those estimates.

***Adoption of Accounting Pronouncements***

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement is effective for fiscal years beginning after December 15, 2023. The Corporation has evaluated this Statement and determined there is no impact on the financial statements.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit vulnerable to the risk of a substantial impact.

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**Notes to Financial Statements**

Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The Corporation has evaluated this statement and disclosed certain concentrations and constraints in Note 9.

The following statements issued by GASB are effective in future years:

GASB Statement No.		Adoption Effective in Fiscal Year
103	Financial Reporting Model Improvements	2026
104	Disclosure of Certain Capital Assets	2026
105	Subsequent Events	2027

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

### 3. Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2025, are as follows (in thousands):

	Bank Balance	Carrying Amount
Restricted cash and cash equivalents	\$ 231,728	\$ 231,728
<b>Total</b>	<b>\$ 231,728</b>	<b>\$ 231,728</b>

Restricted cash and cash equivalents represent cash segregated for debt service due under the Corporation's debt agreements.

Custodial credit risk is the risk that in the event of bank failure, the Corporation's deposit may not be returned. The Corporation does not have a custodial risk policy. The Corporation maintains its deposits with The Bank of New York, which does not offer Federal Deposit Insurance Corporation insurance. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its deposits.

### 4. Restricted Investments

The Corporation maintains restricted investments for Debt Service. The Corporation categorizes the fair market measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides the framework for measuring fair value by establishing a three-level fair value hierarchy that describes inputs that are used to measure assets and liabilities as follows:

*Level 1* - This level consists of inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

*Level 2* - This level consists of inputs that are other than quoted prices included within Level 1 that are observable for an asset or liability, that are either directly or indirectly observable.

**Matching Fund Special Purpose Securitization Corporation**  
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**Notes to Financial Statements**

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*Level 3* - This level consists of inputs that are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 and the lowest priority to Level 3 inputs. If a price for an identical asset is not observable, a government may evaluate fair market value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

If the fair value of an asset is measured using inputs from more than one level of the fair market value hierarchy, the measurement is based on the lowest level input that is significant to the entire measurement.

The following section describes the valuation technique methodologies the Corporation is using to measure assets at fair value:

*Money Market Funds* - Investments in money market funds, which at the time of purchase have a maturity of one year or less and are held by a government outside of an external investment pool, are valued at amortized cost.

As of September 30, 2025, the Corporation had restricted investments of \$7,835, which were maintained in money market funds.

*Interest Rate Risk* - Interest rate risk is the risk that changes in an interest rate will adversely affect the fair value of an investment. The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market value losses arising from increasing interest rates.

*Credit Risk* - The authorizing legislation of the Corporation does not limit investments by credit rating categories. As of September 30, 2025, the Corporation's investments in money market funds were rated AAAM by Standard & Poor's and Aaa-mf by Moody's.

*Concentration of Credit Risk* - The Corporation places no limit on the amount that may be invested in one issuer. As of September 30, 2025, more than 5% of the Corporation's investments were invested in Dreyfus Government Securities Cash Management Fund 610 (100%).

*Custodial Credit Risk* - The Corporation does not have a custodial credit risk policy. The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution or other counterparty, the Corporation will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. For the fiscal year ended September 30, 2025, all investments of the Corporation were held in the name of the Bank of New York Mellon Trust Company, N.A. as Trustee for the Corporation.

## **5. Deferred Outflow of Resources**

On April 6, 2022, the Corporation entered an Assignment, Purchase and Sale Agreement (the Sale Agreement) with the Government. Under the terms of the Agreement, the Government sold its right to receive future matching fund receipts from the U.S. Treasury. The term of the Sale Agreement was for a transfer period beginning on the sale agreement date and ending when the last Matching Fund Securitization Bond is outstanding on October 1, 2039 (the Transfer Period). The Corporation issued the Series 2022 Bonds to purchase the rights and recognized the part of the purchase price

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used to defease the previously issued Matching Fund Bonds of the Public Finance Authority as a deferred outflow that is amortized over the life of the sale agreement.

The following is a summary of the deferred outflow amounts reported as of September 30, 2025 (in thousands):

**Deferred Outflow of Resources**

Deferred outflow of resources - purchase of matching fund rights (MFRs)	\$	762,996
Accumulated amortization		(222,803)
<b>Net Deferred Outflow of Resources on Purchase of MFRs</b>	<b>\$</b>	<b>540,193</b>

Amortization of the deferred outflows on the purchase of the matching fund receipts amounted to \$59.5 million for the year ended September 30, 2025.

**6. Bonds Payable**

Bonds payable consisted of the following as of September 30, 2025 (in thousands):

Series	Maturity (October 1)	Original Issuance	Interest Rate (%)	Yield (%)	Bonds Outstanding
Series 2022A, Term Bond	2025	\$ 17,475	5.000	4.050	\$ 17,475
Series 2022B, Term Bond	2025	22,510	6.000	6.000	22,510
Series 2022A, Term Bond	2026	54,710	5.000	4.150	54,710
Series 2022A, Term Bond	2027	57,515	5.000	4.250	57,515
Series 2022A, Term Bond	2028	60,460	5.000	4.300	60,460
Series 2022A, Term Bond	2030	130,380	5.000	4.433	130,380
Series 2022A, Term Bond	2032	144,090	5.000	4.522	144,090
Series 2022A, Term Bond	2039	465,685	5.000	4.730	465,685
<b>Subtotal</b>		<b>952,825</b>			<b>952,825</b>
Bond premium		18,731			18,731
<b>Bonds Payable and Premium</b>		<b>\$ 971,556</b>			<b>\$ 971,556</b>

On April 6, 2022, the Corporation issued the Series 2022A and Taxable Series 2022B Matching Fund Securitization Bonds (Series 2022A and B Bonds), the proceeds of which amounted to \$952.8 million. The bonds are secured by a pledge of MFRs, and certain accounts established by the First Supplemental Trust Indenture between the Corporation and Trustee, The Bank of New York Mellon Trust Company.

The Series 2022A and B Bonds were issued to: (i) purchase from the Government all of its right, title and interest in and to the MFRs, (ii) pay capitalized interest on the Series 2022 Bonds, (iii) pay the costs of issuance of the bonds, and (iv) transfer to the GERS Funding Note Trustee an amount sufficient to fund the GERS Funding Note Payment Obligations. The Series 2022A Bonds were issued with an original issue premium of \$28.1 million.

Interest on the Series 2022A and B Bonds is payable semi-annually on each April 1 and October 1, beginning October 1, 2022, and principal payments are due October 1, beginning October 1, 2025.

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A capitalized interest account was funded on the issuance of the bonds in the amount of \$112.2 million. Capitalized interest applied to semi-annual interest payments amounted to: \$18.3 million on October 1, 2022, \$18.8 million on April 1, 2023, \$18.8 million on October 1, 2023, \$18.2 million on April 1, 2024, \$18.8 million on October 1, 2024 and \$18.8 million on April 1, 2025. Interest expense for the fiscal year ended September 30, 2025, including accrued interest, amounted to \$47.9 million.

The Series 2022A Bonds maturing on October 1, 2039, are subject to redemption prior to maturity at the election or direction of the Corporation, in whole or in part, on any date on or after October 1, 2032, at a Redemption Price of par plus any accrued interest thereon to the date fixed for redemption.

The Series 2022B Bonds are subject to redemption prior to maturity, at the election or direction of the Corporation, on any date at a redemption price equal to the greater of (a) the principal amount of the Series 2022B Bonds to be redeemed, or (b) the sum of the present values of the remaining scheduled payments of principal interest, not including any portion of those payments of interest accrued and unpaid as of the date redeemed, discounted to the date of redemption at the U.S. Treasury Rate plus 50 basis points plus accrued interest. The “Make Whole Optional Redemption” of the Series 2022B Bonds will be calculated by an independent accounting firm or advisor retained by the Corporation.

***Future Debt Service Requirements***

Future maturity dates and debt service requirements for the 2022 Series A and Series B Term Bonds are as follows (in thousands):

*Year ending September 30,*

	Principal		Interest		Total	
2026	\$	39,985	\$	46,754	\$	86,739
2027		54,710		44,274		98,984
2028		57,515		41,469		98,984
2029		60,460		38,519		98,979
2030		63,560		35,419		98,979
2031-2035		370,145		124,728		494,873
2036-2040		306,450		27,774		334,224
	\$	952,825	\$	358,937	\$	1,311,762

Following is the schedule of debt issuance and payments for the year ending September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
<b>Securitization Bonds</b>						
Series 2022A Bonds	\$ 930,315	\$ -	\$ -	\$ 930,315	\$ 17,475	\$ 912,840
Series 2022B Bonds	22,510	-	-	22,510	22,510	-
<b>Total Bonds</b>	\$ 952,825	\$ -	\$ -	\$ 952,825	\$ 39,985	\$ 912,840

**Matching Fund Special Purpose Securitization Corporation**  
**(A Blended Component Unit of the Government of the U.S. Virgin Islands)**

**Notes to Financial Statements**

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***Other Bond Information***

Act 8540 provides conditions of the issuance of the Matching Fund Securitization Bonds including: (i) a portion of the proceeds of the Series 2022 Bonds to be escrowed for the refunding of the Public Finance Authority Matching Fund Bonds, (ii) the Corporation to deliver an irrevocable letter of instruction to DOI for the deposit of MFRs, (iii) the deposit of MFRs into the GVI Restricted Account as required by 26 U.S.C. Section 7652, (iv) the issuance of the Residual Certificate to the Government, (v) the issuance of the GERS Funding Note for deposit as an in-kind contribution from the Public Finance Authority to GERS, and (vi) the release by GERS of all pending claims regarding outstanding employer contributions and dismissal of all pending litigation between the Government and GERS. These conditions were met, and the bonds were issued on April 6, 2022.

The GVI Restricted Account is the trust account established in the name of the Government, in trust and for the sole benefit of the Corporation, and the Corporation's collateral assignee, the Trustee. The U.S. Department of Treasury through DOI deposits the advance payment of MFRs into the GVI Restricted Account in September.

On April 6, 2022, the Corporation paid \$763.0 million of bond proceeds to the Refunding Escrow Agent of the Public Finance Authority as part of a plan to defease the outstanding Matching Fund Bonds issued by the Public Finance Authority. The Corporation also paid the Public Finance Authority the initial payment under the GERS Funding Note of \$89.2 million and the costs of issuance of establishing the GERS Funding Note of \$1.6 million.

Pursuant to the Act and the Master Indenture, the Series 2022 Bonds are secured by a priority lien on the Trust Estate consisting of the right, title, and interest of the Corporation in the GVI Restricted Account, MFRs and Related Rights, and the right to continue receiving MFRs under the Sale Agreement. The Trust Estate does not include any moneys held in the Residual Escrow accounts.

**7. Matching Fund Receipts**

On September 5, 2025, the U.S. Treasury deposited the advance payment of fiscal year 2026 MFRs of \$225,475,529 into the GVI Restricted Account. On October 1, 2025, \$46,754,175 was deposited into the Debt Service Fund Interest Account, \$39,985,000 was deposited into the Debt Service Fund Principal Account, \$600,000 into the Operating Account, and \$138,136,354 into the Residual Fund and immediately transferred to the Residual Escrow Fund of the Public Finance Authority.

**8. Related Party Transactions**

During the fiscal year ended September 30, 2025, the Corporation reimbursed the PFA \$391,509 in connection with expenses paid on behalf of the Corporation.

**9. Contingencies, Concentrations and Constraints**

The payment of the Series 2022A and Series 2022B Term Bonds is dependent on the receipt of MFRs. The federal excise tax and the federal excise tax per proof gallon rate (the Cover-Over Rate) is set by Congress in Sections 5001(a)(1) and 7652(f) of the Code of Federal Regulations (CFR). Until 1984, a cover-over rate of \$13.50 per proof gallon on distilled spirits produced in, or imported into, the United States, qualified for reimbursement. Beginning in 1984, Congress introduced a cap on the cover-over rate of \$10.50 per gallon. From July 1, 1999, to December 31, 2021, the cap on the cover-over rate was increased to \$13.25.

**Matching Fund Special Purpose Securitization Corporation**  
**(A Blended Component Unit of the Government of the U.S. Virgin Islands)**

**Notes to Financial Statements**

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In September 2021, DOI advanced MFRs for the fiscal year ended September 30, 2022, based on the projected cover-over rate of \$13.25. Congress did not act to extend the \$13.25 cover over rate, and on January 1, 2022, the rate returned to \$10.50 per proof gallon. On July 4, 2025, Congress acted to increase the cover-over rate cap to \$13.25 effective after December 31, 2025.

The amount of MFRs collected is dependent on many factors, including the future level of consumption of distilled spirits and the future market share to be garnered by U.S. Virgin Islands rum. Currently, rum is produced in the U.S. Virgin Islands by two companies. There can be no assurance that another producer will not enter the market or that the two companies will maintain their current and planned production levels.

Rum producers in the U.S. Virgin Islands are subject to operational risks including hurricanes, seismic activity and other effects of climate change that may impact rum production and exportation to the United States.

One of the principal ingredients of rum is molasses, which is purchased on international commodity markets. The market price of molasses is subject to fluctuation and there is no assurance that molasses will be available for production or available at a commercially viable price.

In April 2025, the rating agency KBRA revised the outlook of the Matching Fund Securitization Bonds from stable to negative. KBRA cited the following reasons for the change in outlook: declining receipts of matching funds, lack of Congressional action to reinstate the \$13.25 cover-over rate, reduction in production of rum in the years 2023 and 2024, and fluctuations in consumer preferences for rum. In July 2025, KBRA returned the outlook for the bonds to stable following the passage of H.R. 1 and the return of the cover over rate to \$13.25 per proof gallon effective after December 31, 2025.

The Corporation was formed with the objective of providing financial resources for the Government's pension system. The capitalized interest account will be fully expended in the fiscal year ended September 30, 2025, and principal payments on the bonds will begin on October 1, 2025. Payments of debt service interest and principal will further reduce the amount of residual matching fund receipts available to provide additional financing for the Government's pension system.

The Series 2022 Matching Fund Securitization Bonds are payable only from the assets of the Corporation. If the assets of the Corporation are inadequate or have been exhausted, no amounts will be available for the payment of debt service requirements. The Series 2022 Bonds are not legal or moral obligations of the Government of the United States Virgin Islands, and no recourse may be had thereto for payment of amounts owing on the Series 2022A Term Bonds. The Corporation's only source of funds for payments on the Series 2022A Term Bonds is the MFRs. The Corporation has no taxing power.

The assets of the Corporation are not available to pay any creditor of the Government of the United States Virgin Islands. The Bonds issued by the Corporation do not constitute a claim against the full faith, credit, or taxing power of the Government.

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**Notes to Financial Statements**

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**10. Subsequent Events**

*Management's Evaluation*

Management has evaluated any events or transactions occurring after September 30, 2025, the statement of net position and governmental fund balance sheet date, through March 31, 2026 and noted that there have been no additional events or transactions which would require adjustments to or disclosure in the Corporation's financial statements for the fiscal year ended September 30, 2025.

**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  
Matching Fund Special Purpose Securitization Corporation  
U.S Virgin Islands

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 the governmental activities, and the debt service major fund of the Matching Fund Special Purpose Securitization Corporation (Corporation), a blended component unit of the Government of the U.S. Virgin Islands, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 31, 2026.

### ***Report on Internal Control Over Financial Reporting***

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

BDO USA, P.C.

March 31, 2026