VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2014 AND 2013
Together With Independent Auditor's Report

BERT SMITH & Co.

Certified Public Accountants and Management Consultants

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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BERTSMITH & Co.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Virgin Islands Economic Development Authority
St. Thomas, U.S. Virgin Islands

Report on the Financial Statements
We have audited the accompanying statements of net position of the Virgin Islands Economic Development Authority (the Authority) a component unit of the Government of the U.S. Virgin Islands, as of and for the years ended September 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depends on the auditor's judgment, including, the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinions
In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the Authority as of September 30, 2014 and 2013, and the respective changes in net position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis and the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 Information
Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The other supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters.

The purpose of that report is 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 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 Authority's internal control over financial reporting and compliance.

Bert Smith & Co.

Washington D.C.
May 22, 2015

I. Introduction

The Virgin Islands Economic Development Authority ("VIEDA" or "Authority") is a semi-autonomous governmental instrumentality responsible for the development, promotion and enhancement of the economy of the U.S. Virgin Islands.

The VIEDA is the umbrella organization which assumes, integrates, and unifies the functions of the following subsidiary entities: the Economic Development Bank ("EDB"), the Economic Development Commission ("EDC"), the Economic Development Park Corporation ("EDPC"), and the Enterprise and Commercial Zone Commission ("ECZC").

The VIEDA operates under one Governing Board ("Board") in order to achieve maximum efficiency of operation to avoid duplication of services, positions, and responsibilities; to reduce expenses of personnel, physical plant and operations; and to develop comprehensive programs for the economic development of the U.S. Virgin Islands. The Authority is funded primarily by allotments from the Office of Management and Budget via the Department of Finance based on an approved budget authorized by the Legislature of the Virgin Islands.

As management of the Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended September 30, 2014 and September 30, 2013. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements. This overview and analysis is required by accounting principles generally accepted in the United States of America ("GAAP"), and the Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Government.

II. Overview of the Financial Statements

The financial report and statements consist of four parts: management's discussion and analysis, the financial statements, notes to the financial statements, and supplementary schedules. The Authority is a component unit of the Government of the U.S. Virgin Islands, and follows enterprise fund reporting. The financial statements, therefore, are presented in a manner similar to that of a private business, using the economic resources measurement focus and the accrual basis of accounting.

- ***The Statement of Net Position:*** This statement includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). The assets and liabilities are presented in order of liquidity. The resulting net position presented in these statements is displayed as restricted or unrestricted.

- ***The Statement of Revenues, Expenses and Changes in Net Position:*** All of the current year's revenues and expenses are accounted for in the Statement of Revenue, Expenses and Changes in Net Position. This statement measures the activities of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through appropriations and the services it provided.

- ***Statement of Cash Flows:*** The primary purpose of this statement is to provide information about the Authority's net cash used in operating activities, capital and related financing activities, and provide information regarding the sources and uses of cash and the changes in the cash balance during the reporting period. The notes to the financial statements provide additional information essential to the full understanding of the Authority's financial statements.

- ***Notes to the Financial Statements:*** The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements.

- ***Supplementary Schedules:*** The Authority's fund financial statements are presented as supplementary schedules. These schedules separate the financial statements and operations for each of the major funds.

III. FINANCIAL HIGHLIGHTS

2014

- The Authority's net position increased by $364,914 or 2% compared to fiscal year 2013.

- The Authority's total assets increased by $589,316 or 3% and total liabilities increased by $224,402 or 3% compared to fiscal year 2013.

- The Authority's operating revenues increased by $458,623 or 7% and operating expenses decreased by $1,590,930 or 18% compared to fiscal year 2013.

- Government appropriations increased by $374,175 or 8% compared to fiscal year 2013.

IV. CONDENSED FINANCIAL INFORMATION

Condensed Statements of Net Position as of September 30, 2014 and 2013

	2014	2013	Variances
Current Assets	$ 4,183,785	$ 5,081,511	$ (897,726)
Noncurrent Assets	15,937,971	14,084,520	1,853,451
Capital Assets, net	2,259,654	2,626,063	(366,409)
Total Assets	22,381,410	21,792,094	589,316
Current Liabilities	5,057,022	5,416,235	(359,213)
Noncurrent Liabilities	2,075,731	1,492,116	583,615
Total Liabilities	7,132,753	6,908,351	224,402
Net Position			
Invested in Capital Assets, net of related debt	2,259,654	2,626,063	(366,409)
Restricted	13,553,923	13,647,640	(93,717)
Unrestricted	(564,920)	(1,389,960)	825,040
Total Net Position	$15,248,657	$14,883,743	$364,914

Current Assets

- Current assets decreased by $897,726 or 18% compared to last fiscal year. This was due mainly to the cumulative effect of a decrease in cash of $60,875 or 2% and a decrease of $562,243 or 73% in investments relating to the financial activities of the State Small Business Credit Initiative (SSBCI) program. Accounts receivables, net of allowance for doubtful accounts, decreased by $254,134 or 16% due to the reimbursement of funds expended by the Authority on behalf of two federal programs. Prepaid and other assets decreased by $20,474 or 25% which represents the portion used up during the period.

Noncurrent Assets

- Noncurrent assets increased by $1,853,451 or 13% compared to last fiscal year. Loan receivable, net of allowance for doubtful accounts, increased by $145,487 or 4% and is attributable to the Economic Development Bank (EDB) making more loans and thus increasing its loan portfolio. Restricted cash decreased by $312,547 or 4% while restricted investments increased by $2,020,511 or 76% due mainly to the use of SSBCI funds to provide the required collateral for business loans approved by local banks.

Capital Assets

- Capital assets, net of accumulated depreciation, decreased by $366,409 or 14% compared to last fiscal year. This is due to the capitalization of the leasehold improvement, equipment and furniture and depreciation taken on the capital assets

Current Liabilities

- Current liabilities decreased by $359,213 or 7% compared to last fiscal year. This decrease includes $58,901 or 9% in accounts payable due to a reduction in vendor obligations. There was also a decrease of $226,296 or 68% in accrued expenses due to reductions in payroll liabilities, contractual and other obligations. Additionally, compensated absences decreased by $12,291 or 8% due to management enforcing its vacation policy. There was also a decrease in deferred revenues of $62,620 or 1% representing the amount earned during the period.

Noncurrent Liabilities

- Noncurrent liabilities increased by $583,615 or 39 % compared to last fiscal year. This net increase was due mainly to the $400,000 received in matching funds from the local government as a required match for a federal grant to support the Authority Post-Disaster Relief Revolving Loan Fund. There is $1,000,000 in deferred revenue that is restricted for loans within the lending program. Security deposits increased by $4,234 or 11% due to new tenants moving into the Industrial Park. Long term debt decreased by $25,614 or 7% as the Authority pay down its debt on its Intermediary Relending Program (IRP) loan.

Net Position

- Net position represents residual interest in the Authority's assets after all liabilities are deducted for reporting purposes and are divided into three major components:

  - Invested in Capital Assets
  - Restricted Net Position
  - Unrestricted Net Position

  The increase in the Authority's total net position of $364,914 or 2% was due to the excess of revenues over expenses in the reporting period.

Condensed Statements of Revenues, Expenses and Changes in Net Position for the Years Ended September 30, 2014 and 2013

	2014	2013	Variances
Operating Revenues	$ 7,280,588	$ 6,821,965	$ 458,623
Operating Expenses	(7,181,283)	(8,772,213)	(1,590,930)
Operating Income	99,305	(1,950,248)	2,049,553
Net Non-operating Revenues	265,609	57,867	207,742
Change in Net Position	364,914	(1,892,381)	2,257,295
Net Position, Beginning of the Year	14,883,743	16,776,124	(1,892,381)
Net Position, End of the Year	$ 15,248,657	$ 14,883,743	$ 364,914

Revenues

- Operating revenues increased by $458,623 or 7% compared to last fiscal year. Included in this was an increase in government allotments of $374,175 or 8% to restore employees' salaries at their full level after they were reduced due to the fiscal condition of the government. Other operating income includes $214,568 that was earned in tour bus revenues when the Authority took control of the tour bus. Penalties in the amount $88,607 were assessed on EDC beneficiaries that did not submit reports on time. There was an increase in rental income of $62,150 or 15% due to an increase in occupancy at the Industrial Park continues. Application and processing fees decreased by $296,412 or 31% due to the decrease in (EDC) beneficiary fines imposed. Interest on loans decreased by $63,819 or 28% due to the increase in the number of loans that were written-off during within last two years. Grant revenue decreased by $157,479 or 23% due to the expiration of a grant program.

Operating Expenses

- Operating expenses decreased by $1,590,930 or 18% compared to last fiscal year. Included in this was a decrease of $977,280 or 88% in bad debt due to the Authority writing off a large amount of its delinquent in the previous year. Grant expenditure by $156,881 or 23% due to the close-out of one of the grant programs. Travel and per diem decreased by $10,135 or 10% due to the Authority making better use video technology to reduce inter-island travel. Professional service costs decreased by $382,873 or 32% due to a reduction in consulting expenses relative to the EDC program. Occupancy decreased by $28,392 or 9% due to that in FY 2013 the Authority paid to months rent to Rebob Development Corp. after the Authority moved out based on the contract agreement. Advertising expense increased by $43,827 or 22%, due to the designing and launching of the Authority's new website. Additionally, the Authority incurring expenses relative to captive insurance and the EB-5 program Personnel cost increased by $59,709 or 2% due to the hiring of an employee to oversee the expansion of activities within the marketing area.

Non-operating Revenues and Expenses

- Non-operating revenues increased by $207,742 or 359% compared to last year. This includes an increase of $49,172 in interest income from deposit accounts and certificate of deposits and $29,233 collected in bad debt recoveries. Additionally, $55,238 was earned in indirect revenues from the administration of federal programs and $71,900 was received from the sale of the tour buses.

V. CAPITAL ASSETS

The Authority's capital assets as of September 30, 2014 and 2013 were $2,259,654 and $2,626,063, respectively (net of accumulated depreciation). The net decrease in capital assets of $366,409 results from the disposition of the tour buses and reduction in the value of the capital assets due to depreciation.

	2014	2013
Building & Building Improvements	$ 9,149,776	$ 9,149,776
Leasehold Improvements	858,894	836,124
Equipment	1,132,399	1,038,349
Furniture & Fixture	356,325	349,457
Vehicles	232,621	1,119,896
Leasehold Equipment	20,585	20,585
Total Costs	11,750,600	12,514,187
Less: Accumulated Depreciation	(9,490,946)	(9,888,124)
Net Capital Assets	$ 2,259,654	$ 2,626,063

VI. FINANCIAL HIGHLIGHTS

2013

- The Authority's net position was $14,883,743 in fiscal year 2013, which represents a decrease of $1,892,382 or 11% compared to fiscal year 2012.

- Total assets exceeded total liabilities by $14,883,743 in fiscal year 2013 compared to fiscal year 2012.

- Operating revenues were $6,821,965 in fiscal year 2013, which reflects an increase of $653,003 or 11% compared to fiscal year 2012.

- Operating expenses were $8,050,838 in fiscal year 2013, an increase of $2,004,830 or 25% compared to fiscal year 2012.

- Appropriations totaling $4,481,814 received from the Government of the Virgin Islands in fiscal year 2013 were $204,321 or 4% lower than in fiscal year 2012.

VII. CONDENSED FINANCIAL INFORMATION

Condensed Statements of Net Position as of September 30, 2013 and 2012

	2013	2012	Variances
Current Assets	$ 5,081,511	$ 5,527,254	$ (445,743)
Noncurrent Assets	14,084,520	15,355,225	(1,270,705)
Capital Assets, net	2,626,063	2,422,132	203,931
Total Assets	21,792,094	23,304,611	(1,512,517)
Current Liabilities	5,416,235	4,887,887	528,348
Noncurrent Liabilities	1,492,116	1,640,600	(148,484)
Total Liabilities	6,908,351	6,528,487	379,864
Net Position			
Invested in Capital Assets, net of related debt	2,626,063	2,422,132	203,931
Restricted	13,647,640	14,524,049	(876,409)
Unrestricted	(1,389,960)	(170,057)	(1,219,903)
Total Net Position	$14,883,743	$16,776,124	$(1,892,381)

Current Assets

- Current assets decreased by $445,743 or 8% in fiscal year 2013 compared to fiscal year 2012. This includes a reduction in cash and cash equivalents of $1,178,887 or 31% that was used for leasehold improvements and the purchase of furniture and fixtures at the new office on St. Thomas. Investments increased by $417,003 or 118% compared to fiscal year 2012. This increase in investments is attributed to the State Small Business Credit Initiative (SSBCI) grant funds used as collateral in support of loans financed through the local banks. Accounts receivables, net increased by $310,212 or 25% compared to fiscal year 2012 and, of this amount, $158,160 or 51% is owed to the Authority in reimbursable expenses from the State Trade Export (STEP) and Incubator Federal programs. Additionally, the outstanding receivables from the Economic Development Commission (EDC) beneficiaries increased by $194,233 or 162% due to a substantial fine assessed on one beneficiary. The increase in prepaid and other assets of $5,929 or 8% was as a result of an advance payment made on the financial institutional bond insurance premium.

Noncurrent Assets

- Noncurrent assets decreased by $1,270,705 or 8% which was due largely to the net write-off of $1,246,504 between loan receivables and allowance for uncollectible that was written off in the lending unit. Restricted cash and cash equivalents increased by $105,835 or 1% from the cumulative effect of changes in restricted cash and cash equivalent. There was an increase in restricted investments of $33,738 or 1%, of which $21,884 is sequestered in compliance with Federal restriction. The additional amount in restricted funds of $11,854 constitutes interest income received on funds invested on restricted assets.

Capital Assets

- There was a net increase of $203,931 or 8% due to the capitalization of the leasehold improvements and purchase of furniture and fixtures for the new office and storage facility on St. Thomas and depreciation taken on the authority's capital assets.

Current Liabilities

- The Authority's current liabilities increased in fiscal year 2013 by $528,348 or 11% compared to fiscal year 2012 and were due largely to the net effect of the following:

  - An increase in accounts payable of $379,394 or 145%, that represents vendor payments and payroll liabilities that were not paid by the end of the fiscal year.
  - An increase in accrued expenses of $174,774 or 112%, that consists of various obligations including contractual agreements and earned employee compensation absences.
  - A decrease in deferred revenues of $57,951 or 1% as funds was transferred from the SSBCI account to provide collateral support to local banks.

Noncurrent Liabilities

- Noncurrent liabilities decreased by $148,484 or 9% this fiscal year compared to the same period last year. This decrease was due to the cumulative effect of:

  - A reduction in compensated absences of $141,737 or 66% as management strictly enforced the Authority's compensated absence policy.
  - A reduction of $24,812 or 6% in long term debt that represents this year's payment of principal on a revolving loan.
  - An increase of $9,937 or 1% in deferred revenue representing advance rent payment from a tenant in the Industrial Park.
  - An increase in security deposits of $8,128 or 26% for a new tenant at the Industrial Park.

Net Position

- Net position represents residual interest in the Authority's assets after all liabilities are deducted for reporting purposes and are divided into three major components:

  - Invested in Capital Assets
  - Restricted Net Position
  - Unrestricted Net Position

  The Authority's total net position at September 30, 2013 were reduced to $14,883,743, which is a decrease of 11% compared to fiscal year 2012 as total expenses exceeded total revenues by $1,892,381 or 28%.

Condensed Statements of Revenues, Expenses and Changes in Net Position for the Years Ended September 30, 2013 and 2012

	2013	2012	Variances
Operating Revenues	$ 6,821,965	$ 6,168,962	$ 653,003
Operating Expenses	(8,775,997)	(6,582,952)	(2,193,045)
Operating Income	(1,954,032)	(413,990)	(1,540,042)
Net Non-operating Revenues	61,651	33,250	28,401
Change in Net Position	(1,892,381)	(380,740)	(1,511,641)
Net Position, Beginning of the Year	16,776,124	17,156,864	(380,740)
Net Position, End of the Year	$ 14,883,743	$ 16,776,124	$ (1,892,381)

Revenues

- Operating revenues increased by $653,002 or 11% in fiscal year 2013 compared to the same period of the prior fiscal year. The net effect of this change includes:
  - An increase in (EDC) beneficiary billings of $437,536 or 83% due to a substantial fine that was imposed on one beneficiary.
  - An increase in grant revenues of $567,989 or 439% including $547,070 received from the STEP program.
  - A decrease of $34,463 or 13% in loan interest was due to the write-down of certain loans in the Government Development Bank (GDB) portfolio.
  - A decrease of $74,806 or 95% in PFA funds. The $4,184 drawdown this year was the final amount to be received from the appropriation.
  - A decrease in penalties of $30,987 or 144% was due mainly to collaborative efforts with the EDC beneficiaries to ensure they comply with rules and regulations.
  - A decrease in other operating income of $11,342 or 19%, which includes NSF and late fees, was due to management revising policies with respect to collections.
  - A decrease in government allotment of $204,322 or 4%, which was a result of a reduction in government revenues.

Operating Expenses

- Operating expenses increased by $2,193,045 or 33% in fiscal year 2013 compared to the previous year. The major changes were in the following areas:
  - Personnel costs were increased by $285,008 or 9% due to the filling of vacancies, and the addition of part-time and temporary employees, to assist the Authority in meeting its mandate.
  - Advertising costs went up by $111,725 or 130% as the Authority continues to aggressively market the EDC program within the United States and Europe.
  - Professional services increased by $614,137 or 106% due to increased marketing and lead generation activities, legal and other consulting services in support of the EDC program, and the marine economic development initiative.

- Other administrative expenses increased by $242,206 or 28%. This amount includes $175,986 attributable to grant expenses. Within this expense category, funds were expended to do emergency repairs to the St. Croix office building.
- Grant expenditures were $567,391 or 439% more than the previous year which include $24,446 for the Scrape and Paint and Historical Walking Tour programs that are administered by the Enterprise Zone Commission. Additionally, $56,533 and $546,472 were expended for the SSBCI and STEP programs, respectively.
- Loss on asset termination was $157,259, the amount written-off that represents the undepreciated costs of leasehold improvements when the Authority moved from its old location on St. Thomas to Nisky Center.
- Bad debt increased by $246,653 or 29% as the Authority is aggressively taking the necessary steps of removing from its portfolio those loans that are determined to be uncollectible.
- Depreciation expenses increased by $27,172 or 5% due to the acquisition of capital assets during the fiscal year.

Non-operating Revenues and Expenses

- Although total net non-operating revenues increased by $21,857 or 55% in fiscal year 2013, interest income declined by $8,755 or 30% due to the conversion of a certificate of deposit to cash which was used to pay for leasehold improvements and furniture and fixtures at the new office on St. Thomas. However, other income increased by $30,612 or 287% due to the receipt of $20,950 in bad debt recoveries and $14,927 as a gain on the sale of an asset. There was also a reduction in interest expense and finance charges of $2,760 or 42% as the Authority continues to pay down its outstanding debts.

VIII. CAPITAL ASSETS

The Authority's capital assets as of September 30, 2013 and 2012 were $2,626,063 and $2,422,132 (net of accumulated depreciation). The capital assets addition during the fiscal year included leasehold improvements, equipment and furniture.

	2013	2012
Building & Building Improvements	$ 9,149,776	$ 9,148,427
Leasehold Improvements	836,124	428,431
Equipment	1,038,349	960,530
Furniture & Fixture	349,457	220,326
Vehicles	1,119,896	1,112,518
Leasehold Equipment	20,585	20,585
Total Costs	12,514,187	11,890,817
Less: Accumulated Depreciation	(9,888,124)	(9,468,685)
Net Capital Assets	$ 2,626,063	$ 2,422,132

PROGRAMS

Enterprise and Commercial Zone Program – This program offers incentives for businesses to invest in severely economically depressed areas on St. Thomas and St. Croix. It provides tax credits to businesses, which provide employment to residents of the designated areas. Additionally, it manages the Scrape and Paint and Historic Walk programs funded by sub-grants from federal grantor agencies.

Tax-Incentive Program – This program is aimed at local entrepreneurs who want to develop and expand their current businesses in exchange for various tax exemptions.

Micro Loan Program – This program is geared to current and potential business owners who meet certain eligibility criteria. The micro-loans range from $1,000 to $50,000, have an interest rate of 5% and a term of five (5) years. The Micro Loan program is administered by the Economic Development Bank (EDB).

Performance Bonding Program – This program allows local contractors to participate in capital development projects by providing payment and performance bonding.

Tour Bus Program – Financing was obtained in the amount of $1,000,000 from the PFA to purchase twenty-six (26) tour buses to provide ground transportation for cruise passengers on the island of St. Croix. The buses were sold in August of 2014 and local taxi operators are now providing this service.

Energy Loan and Rebate Program – As a loan agent for this program, the Authority processes loan applications, issues loan and rebate checks, and maintains loan files and balances on behalf of the Virgin Islands Energy Office. These transactions are not reflected in the financial statements of the Authority.

Department of Agriculture Loan Program – As a loan agent for this program, the Authority processes loan applications, issues loan checks and maintains loan files and balances on behalf of the Department of Agriculture. These transactions are not reflected in the financial statements of the Authority.

State Small Business Credit Initiative (SSBCI) Program – The Authority was awarded a federal grant of $13.1M to support loan enhancements and performance bonding for local businesses. Those businesses who otherwise qualify to receive a loan from local banks are eligible for this program.

State Trade Export Program (STEP) – This federal program was designed to promote trade and assist small local manufacturers to increase exports and promote trade.

Disaster Small-Midsized Enterprises Incubator Program – The Authority was awarded $1.0M in federal funds matched with $200,000 of local funding in the establishment of an incubator program on the island of St. Croix. It is a collaborative venture, involving the government and other community based institutions to create avenues for economic viability and sustainability.

Post-Disaster Relief Revolving Loan – The United States EDA awarded $2,000,000 in federal grant matched with $400,000 of local funding to support natural disaster resiliency and economic diversification in the territory.

Request for Information – This financial report is designed to provide a general overview of the Authority's finances for those with an interest in the Authority's operation. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Virgin Islands Economic Development Authority, Nisky Shopping Center, Suite 620, St. Thomas, VI 00802.

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 2,608,485	$ 2,669,360
Investments	206,848	769,091
Receivable, net	1,306,627	1,560,761
Prepaid and Other Assets	61,825	82,299
Total Current Assets	4,183,785	5,081,511
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,552,195	7,864,742
Restricted Investments	4,695,812	2,675,301
Restricted Loans Receivable, net	3,689,964	3,544,477
Total Noncurrent Assets	15,937,971	14,084,520
Capital Assets, net	2,259,654	2,626,063
Total Assets	$ 22,381,410	$ 21,792,094
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 581,700	$ 640,601
Accrued Expenses	104,680	330,976
Compensated Absences, current	135,060	147,351
Interest Payable	20,638	19,987
Deferred Revenue	4,190,312	4,252,932
Loan Payable, current	24,632	24,388
Total Current Liabilities	5,057,022	5,416,235
Noncurrent Liabilities:		
Compensated Absences	289,479	74,547
Security Deposits	44,099	39,865
Deferred Revenue	1,000,000	1,009,937
Relief Revolving Funds	400,000	-
Loan Payable	342,153	367,767
Total Noncurrent Liabilities	2,075,731	1,492,116
Total Liabilities	7,132,753	6,908,351
Net Position:		
Invested in Capital Assets, net of related debt	2,259,654	2,626,063
Restricted Net Position	13,553,923	13,647,640
Unrestricted Net Position	(564,920)	(1,389,960)
Total Net Position	$ 15,248,657	$ 14,883,743

The accompanying notes are an integral part of these financial statements.

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	**2013**
Operating Revenues:		
Government Appropriation	$ 4,855,989	$ 4,481,814
Allocation of Bond Proceeds	(1,945)	4,184
Application and Processing Fees	665,195	961,607
Rental Income	474,761	412,611
Interest Income from Loans	162,913	226,732
Grant Revenue	539,761	697,240
Penalties	88,607	-
Other Operating Revenue	495,307	37,777
Total Operating Revenues	7,280,588	6,821,965
Operating Expenses:		
Personnel Costs	3,386,931	3,327,222
General and Administrative	1,211,020	1,118,648
Occupancy	272,450	300,842
Advertising	241,350	197,523
Professional Services	810,529	1,193,402
Travel	95,280	105,415
Program Cost	539,761	696,642
Bad Debt	133,864	1,111,144
Total Operating Expenses	6,691,186	8,050,838
Excess (Deficiency) of Revenues from Operations Before Depreciation and Other Assets	589,402	(1,228,873)
Depreciation	490,097	564,116
Loss on Assets/Termination of Lease	-	157,259
Operating Income (Loss)	99,305	(1,950,248)
Non-operating Revenues (Expenses):		
Interest Income	69,536	20,364
Other Income	199,818	41,287
Interest Expenses and Finance Charges	(3,745)	(3,784)
Total Non-Operating Revenues	265,609	57,867
Change In Net Position	364,914	(1,892,381)
Net Position, Beginning of Year	14,883,743	16,776,124
Net Position, End of Year	$ 15,248,657	$ 14,883,743

The accompanying notes are an integral part of these financial statements.

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Cash Received from Primary Government and Allocation of Bond Proceeds	$ 5,094,083	$ 4,404,911
Cash Received from Application and Processing	509,240	767,374
Cash Received from Tenants	514,130	444,926
Cash Received from Loan Repayments	547,991	838,998
Cash Received from Other Operating Income	746,827	264,509
Cash Received from Federal Government	792,849	484,576
Cash Paid for Grant Program	(539,762)	(696,642)
Cash Paid for Goods and Services	(2,894,701)	(2,367,701)
Cash Paid to Employee for Services	(3,184,290)	(3,436,960)
Loan Disbursements	(618,072)	(434,291)
Net Cash Provided by Operating Activities	968,295	269,700
Cash Flows from Noncapital Financing Activities		
Other Income	194,778	41,287
Interest Expense and Finance Charges	1,295	(3,784)
Net Cash Provided by Noncapital Financing Activities	196,073	37,503
Cash Flows from Capital and Related Financing Activities		
Note Principal Payments	(25,370)	(24,572)
Acquisition of Property and Equipment	(123,688)	(925,306)
Net Cash (Used In) Capital and Related Financing Activities	(149,058)	(949,878)
Cash Flows from Investing Activities		
Interest Income	69,536	20,364
Net Purchase (Sale) of Investments	(1,458,268)	(450,741)
Net Cash (Used In) Investing Activities	(1,388,732)	(430,377)
Net (Decrease)/Increase in Cash and Cash Equivalents	(373,422)	(1,073,052)
Cash and Cash Equivalents, Beginning of Year	10,534,102	11,607,154
Cash and Cash Equivalents, End of Year	$ 10,160.680	$ 10,534,102
Reconciliation of Operating Income to Net Cash Used in Operating Activities:		
Operating Income (Loss)	$ 99,305	$ (1,950,248)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	490,097	564,116
Bad Debt Expense	133,864	1,111,144
Loss on Assets/Termination of Lease	-	157,259
Decrease (Increase) in Accounts Receivable	120,270	(415,784)
Decrease (Increase) in Prepaid Expenses	20,474	(5,929)
(Increase) Decrease in Loans Receivable	(145,487)	404,706
(Decrease) Increase in Accounts Payable and Accrued Expenses	(285,198)	554,168
Increase (Decrease) in Compensated Absences	202,641	(109,738)
(Decrease) in Deferred Revenue	(72,557)	(48,014)
Increase in Security Deposit	4,234	8,128
Increase in Relief Revolving Funds	400,000	-
Increase (Decrease) in Interest Payable	651	(108)
Net Cash Provided by Operating Activities	$ 968,294	$ 269,700

The accompanying notes are an integral part of these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- ***Governance:*** The Virgin Islands Economic Development Authority (the "Authority"), was created on December 21, 2000, as an umbrella authority to assume, integrate and unify the functions of the Government Development Bank, the Economic Development Commission, the Industrial Park Development Corporation and the Small Business Development Agency under an executive board, which consists of seven members appointed by the Governor. The Authority is a public corporation and a semi-autonomous instrumentality of the Government of the Virgin Islands and operates under the provisions of Act of 6390, approved by the Twenty-third Legislature of the Virgin Islands of the United States Virgin Islands. The general purposes and functions of the Authority were previously carried out by the Government Development Bank for the United States Virgin Islands which was created originally in 1978 by Act No. 902, and subsequently amended in 1995 and 1996.

  The mission of the Authority is to accelerate the economic development of the Virgin Islands by providing financial and technical assistance to industrial and commercial enterprises to create and save jobs in the community. In this regard, the Authority is authorized, among other things, to make loans to eligible small business enterprises.

  The Authority is a component unit of the Government of the Virgin Islands and as such, its financial statements are included in the Comprehensive Annual Financial Statements of the Central Government.

- ***Economic Dependency:*** The Authority's sustainability depends primarily on appropriations from the Government of the Virgin Islands. In addition, it earns income from application fees, processing fees, compliance fees, and rental income from its Industrial Park facilities. During fiscal years ended September 30, 2014 and 2013, the Authority received in appropriations totaling $4,855,989 and $4,481,814 from the Government of the Virgin Islands, which approximates 67 and 66 percent, respectively, of its operating revenue.

- ***Basis of Presentation:*** The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by Government Accounting Standards Board. The Authority uses the economic resources measurement focus and follows the accrual basis of accounting.

  In accordance with the provisions of Government Accounting Standards Board (GASB) Pronouncement as well as any applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

  The Authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing business operations. Operating expenses include costs and losses resulting from services, administrative expenses, and depreciation expense. All other revenues and expenses are reported as nonoperating revenues and expenses. Nonoperating revenues consist of interest generated from restricted and unrestricted investments in short-term investment instruments.

Note 1 – Summary of Significant Accounting Policies (Continued)

- ***Separate Funds:*** The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. All transactions are recorded in a separate set of self-balancing accounts, which include assets, liabilities, fund net assets, revenues and expenses.

  During fiscal years ended September 30, 2014 and 2013, the Authority maintained twelve (12) accounting entities and twelve (12) major funds, respectively, which constitute major transactions of the Authority:

  The following is a summary of these funds:

  - **Government Development Bank Fund (GDB)** accounts for the locally funded Micro Loan Program. This fund accounts for interest income from the operating account and certificate of deposit, local government appropriations, and administrative costs. The Authority's administration and processing of loan applications on behalf of the Virgin Islands Department of Agriculture and the Virgin Islands Energy Office also occur within this fund. Those transactions have however been excluded from the Authority's financial statements.
  - **Economic Development Commission Fund (EDC)** accounts for application, activation and annual compliance fees. Local government appropriations are also accounted for in this account together with related administrative costs.
  - **Small Business Development Agency (SBDA)** accounts for the Federal Economic Development Administration Loan Funds from the U.S. Department of Agriculture, Farmers and Fishermen local loans, Frederiksted Revolving Loan Fund and the SDBA Direct Loan Fund. Appropriations from the central government and administrative costs are also accounted for under this fund. The SBDA legislation does not allow interest earned from its loan portfolio to be used for administrative purposes. The interest income is restricted and is used for issuing new loans.
  - **Industrial Park Development Corporation Fund (IPDC)** accounts for the activities conducted by the IPDC. The IPDC was established in March 1984 to acquire, operate, and improve industrial parks in order to provide suitable sites for the location of industries to the Virgin Islands. The IPDC accounts for rental and investment income, and administrative costs associated with its operation. The IPDC does not receive any appropriations from the local government.
  - **Intermediary Relending Program (IRP)** accounts for loans that are funded by the United States Department of Agriculture Rural Development Program. The interest income earned from these loans is applied to the program's administrative costs.
  - **Enterprise Zone Commission (EZC)** accounts for funds committed to the task of offering incentives to businesses that invest in severely economically depressed designated areas of St. Thomas and St. Croix. As a result, employment opportunities are provided to residents of the areas so designated.
  - **Economic Development Authority (Authority)** accounts for loans that are funded through U.S. Department of Agriculture.
  - **Tax Increment Financing (TIF)** this fund allows projects to be financed by pledging the increases in tax revenues that can be reasonably anticipated to be collected by the government once the financed project or activity is completed.
  - **Economic Development Management (EDM)** this account was established to record all administrative costs associated with the day-to-day operations of the Authority.
  - **State Small Business Credit Initiative (SSBCI)** this fund was established by the Small Business Jobs Act of 2010 by the Federal Government to Collateral Support Program, the Credit Guarantee Program and the Payment, Surety and Performance Bond Program.

- **State Trade and Export Promotion Grant Program (STEP)** this program is funded by a federal grant from U.S. Small Business Administration. The program authorized by the Small Business Jobs Act of 2010 is a 3-year trade and export promotion pilot initiative to make matching-fund grants for states to assist 'eligible small business concerns.' The program objectives are to increase the number of small businesses that are exporting, and to increase the value of exports for those small businesses.

- **Disaster Small-Midsized Enterprises Incubator Program –** The Authority was awarded a Federal grant in the amount of $1.0M that is matched with $200, 000 of local funding for the establishment of an incubator program on the island of St. Croix. The program promotes resource collaborations between the local government and other community based institutions to create an avenue to spark economic viability and sustainability.

- ***Cash and Cash Equivalents:*** For the purposes of reporting cash flows, cash and cash equivalents are defined as cash on hand, demand deposits, certificate of deposits with financial institutions and all highly liquid investments available for current use with an initial maturity of three months or less are considered to be cash or cash equivalents.

- ***Investments:*** Investments in marketable securities or other short-term investments of cash with readily determinable fair values and investments in debt securities are reported at their fair values in the Authority's statement of net assets.

- ***Restricted Cash and Cash Equivalents:*** This consists of cash and cash equivalents to be used for specific purposes as specified by legislation or by a grant agreement.

- ***Allowance for Uncollectible Accounts*** **(Loan Losses)*:*** The Authority provides for losses when a specific need for an allowance is indicated. The provision for loan losses charged to operating expenses is the amount necessary to report the net asset at its estimated realizable value. In determining the adequacy of the allowance, management considers the composition of the loan portfolio, economic factors, historical loss experience, and value and sufficiency of collateral in the current level of the allowance.

- ***Capital Assets:*** The Authority capitalizes all property and equipment at cost. The property and equipment is capitalized and depreciated using the straight line method over the assets estimated useful lives. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extends the asset life are not capitalized.

  Depreciation has been provided using the straight line method. The estimated economic lives of the Authority's property and equipment varied as follows:

Equipment and Furniture and Fixtures	3-5 Years
Vehicles	5 Years
Buildings and Leasehold Improvements	5-27 Years

- ***Compensated Absences:*** The Authority has recognized the liability for annual leave, which is payable to employees upon separation. Sick leave balances are not paid out upon termination, however, a liability for the balances do exist in the event an employee transfers to another government agency; such liability is recognized at the time of the transfer. The liability for both amounts is calculated based on the Authority salary rates in effect at the statements of net position date.

- ***Use of Estimates:*** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

- ***Recently Adopted Accounting Pronouncements:*** The Authority recently adopted GASB 62 and 63 for the period ending September 30, 2013.In December, 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011, with earlier application encouraged. The objective of GASB Statement No. 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for period beginning after December 15, 2011, with earlier application encouraged. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. For fiscal year 2013, both GASB 62 and 63 had no effect on the financial statements of the Authority. *New Accounting Pronouncements:* In March 2012, the GASB issued Statement No. 65, Items *Previously Reported as Assets*

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at September 30, 2014 and 2013:

	Unrestricted	Restricted	Total 2014
Cash and Cash Equivalents	$2,608,485	$7,552,195	$10,160,680

	Unrestricted	Restricted	Total 2013
Cash and Cash Equivalents	$2,669,360	$7,864,742	$10,534,102

Custodial Risk is the risk that in the event of bank failure the Authority's deposits may not be returned to it. Cash consists of cash on hand held by depository institutions and trustees in the Authority's name. During the fiscal years, including the final date of the period, September 30, 2014 and 2013, accounts at each financial institution were insured by the Federal Deposit Insurance Corporation up to $250,000. Cash in excess of this limit are $16,347,475 and $15,595,308, respectively, and are fully collateralized.

Restricted Cash and Cash Equivalents. The restricted cash and cash equivalents at September 30, 2014 and 2013 consist of the following:

	2014	2013
Micro Credit Loan Program	$1,997,983	$1,290,480
Farmers and Fishermen Loan Fund	295,859	280,779
Frederiksted Revolving Loan Fund	264,888	264,001
Performance Bonding Loan Fund	1,666,148	1,792,645
Intermediary Relending Loan Fund	119,468	201,992
SBDA Revolving Loan Fund	447,857	385,593
SBDA Administration Loan Fund I	88,334	43,834
SBDA Administration Loan Fund II	97,403	43,310
SSBCI Grant	2,166,327	3,543,541
Historic Grant	8,039	18,567
Relief revolving Fund	399,889	-
	$7,552,195	$7,864,742

Note 2 – Cash and Cash Equivalents (Continued)

The restrictions above relate to revolving loan funds established through legislation to offer direct assistance to various industries and businesses and to aid in the creation of economic opportunities within the United States Virgin Islands.

NOTE 3 INVESTMENTS

Investments at September 30, 2014 and 2013 were comprised of certificate of deposits totaling $4,902,660 and $3,444,392, respectively. Balances in excess of $250,000 maintained in depository institution are collateralized.

Investments as of September 30, 2014 and 2013 are as follows:

FY 2014		Investment Maturities	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
Certificate of Deposits	$4,902,660	$4,716,660	$ 186,000

FY 2013		Investment Maturities	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
Certificate of Deposits	$3,444,392	$2,859,386	$ 585,006

NOTE 4 RESTRICTED NET POSITION FOR LOAN PROGRAMS AND OTHER FUNDS

The restricted net position at September 30, 2014 and 2013 consist of the following:

	2014	**2013**
Micro Credit Loan Program	$ 2,739,572	$ 2,078,220
GDB Funds – Start Up	2,665,338	2,653,417
Farmers and Fishermen Loan Fund	309,563	310,672
Frederiksted Revolving Loan Fund	264,889	264,001
Performance Bonding Loan Fund	2,717,019	2,479,975
Intermediary Relending Loan Fund	(79,079)	363,917
SBDA Revolving Loan Fund	1,212,651	861,504
SBDA Administration Loan Fund I	259,067	236,402
SBDA Administration Loan Fund II	277,324	252,419
SSBCI Grant	3,179,540	4,128,548
Historic Walk Grant	8,039	18,565
	$ 13,553,923	$13,647,640

NOTE 5 LOANS RECEIVABLE

Loans receivable at as of September 30, 2014 and 2013 are as follows:

	2014	**2013**
Loan Principal	$ 4,889,119	$ 9,596,574
Allowance for Doubtful Accounts	(1,199,155)	(6,052,097)
Net Loans Receivable	$ 3,689,964	$ 3,544,477

Note 5 – Loans Receivable (Continued)

The loans bear interest rates ranging from 4% to 12%. The majority of the allowance for doubtful accounts is attributed to SBDA loans which were assumed by the Authority at its inception; the additional allowances recorded in fiscal year 2014 and 2013 were $1,065,645 and $628,586, respectively.

NOTE 6 RECEIVABLES

The receivable balances as of September 30, 2014:

	Receivables	Allowance	Receivables, net
Interest Receivable	$ 11,730	$ -	$ 11,730
Performance Bonding Receivable	412,646	-	412,646
EDC Fees & Charges	688,530	(229,392)	459,138
SBDA Receivable	2,265	-	2,265
Rent Receivable	209,083	(161,205)	47,878
Grant Receivable – Board Up & Scrap	40	-	40
Tax Increment Financing Fund	30,015	(30,015)	-
Economic Development Management	58,760	-	58,760
STEP Grant & STEP Grant 2	80,052	-	80,052
Incubator Grant	158,448	-	158,448
Receivable for USVI Government	71,900	-	71,900
Receivable – Taxi – Tour Bus	3770	-	3,770
Total	$ 1,727,239	$ (420,612)	$ 1,306,627

There was no provision for uncollectible accounts during fiscal year 2014.

The receivable balances as of September 30, 2013:

	Receivables	Allowance	Receivables, net
Interest Receivable	$ 6,027	$ -	$ 6,027
Performance Bonding Receivable	910,646	-	910,646
EDC Fees & Charges	608,849	(295,166)	313,683
Rent Receivable	254,156	(187,630)	66,526
Grant Receivable – Board Up & Scrap	1,790		1,790
Tax Increment Financing Fund	30,015	(30,015)	-
Economic Development Management	103,469	-	103,469
Employee Advance	460	-	460
STEP Grant	88,969	-	88,969
Incubator Grant	69,191	-	69,191
Total	$ 2,073.572	$ (512,811)	$ 1,560,761

Total provision for uncollectible accounts during fiscal year 2013 was $192,551.

NOTE 7 CAPITAL ASSETS

Capital assets are composed of the following at September 30, 2014

	Beginning Balance	Additions	Retirement	2014 Ending Balance
Capital Assets				
Building and Building Improvements	$ 9,149,776	$ -	$ -	$ 9,149,776
Leasehold Improvements	836,124	22,770	-	858,894
Equipment	1,038,349	94,050	-	1,132,399
Furniture and Fixtures	349,457	6,868	-	356,325
Vehicles	1,119,896	-	(887,275)	232,621
Leasehold Equipment	20,585	-	-	20,585
Total Capital Assets	12,514,187	123,688	(887,275)	11,750,600
Accumulated Depreciation				
Building and Building Improvements	(7,692,627)	(231,573)	-	(7,924,200)
Leasehold Improvements	(68,138)	(75,415)	-	(143,553)
Equipment	(850,841)	(94,300)	-	(945,141)
Furniture and Fixtures	(225,414)	(27,862)	-	(253,276)
Vehicles	(1,030,519)	(60,947)	887,275	(204.191)
Leasehold Equipment	(20,585)	-	-	(20,585)
Total Accumulated Depreciation	(9,888,124)	(490,097)	887,275	(9,490,946)
Capital Assets, net	$ 2,626,063	(366,409)	$ -	$ 2,259,654

Depreciation expense for the year ended September 30, 2014 totaled $490,097

Capital assets are composed of the following at September 30, 2013:

	Beginning Balance	Additions	Retirement	2013 Ending Balance
Capital Assets				
Building and Building Improvements	$ 9,148,427	$ 1,349	$ -	$ 9,149,776
Leasehold Improvements	428,431	678,715	(271,022)	836,124
Equipment	960,530	77,819	-	1,038,349
Furniture and Fixtures	220,326	129,131	-	349,457
Vehicles	1,112,518	38,293	(30,915)	1,119,896
Leasehold Equipment	20,585	-	-	20,585
Total Capital Assets	11,890,817	925,307	(301,937)	12,514,187
Accumulated Depreciation				
Building and Building Improvements	(7,461,054)	(231,573)	-	(7,692,627)
Leasehold Improvements	(139,584)	(42,316)	113,762	(68,138)
Equipment	(773,673)	(77,168)	-	(850,841)
Furniture and Fixtures	(208,091)	(17,323)	-	(225,414)
Vehicles	(865,698)	(195,736)	30,915	(1,030,519)
Leasehold Equipment	(20,585)	-	-	(20,585)
Total Accumulated Depreciation	(9,468,685)	(564,116)	144,677	(9,888,124)
Capital Assets, net	$ 2,422,132	$ 361,191	$ (157,260)	$ 2,626,063

Depreciation expense for the year ended September 30, 2013 totaled $564,116.

NOTE 8 LOANS PAYABLE

The Authority entered into an Intermediary Relending Program loan agreement (IRP) with the United States Department of Agriculture Rural Business Cooperative Services on April 21, 1998. This agreement requires the repayment of the approved loan principal of $670,530 to begin after three (3) years in twenty-seven (27) equal annual installments. An interest rate of 1% accrues on the outstanding balance. As of September 30, 2014 and 2013, the outstanding loan balances was $392,155 and $416,726, respectively.

As of September 30, 2014, the outstanding loan balance is comprised of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Loan Payable	$ 392,155	$ -	$ (25,370)	$ 366,785	$ 24,632
	$ 392,155	$ -	$ (25,370)	$ 366,785	$ 24,632

As of September 30, 2013, the outstanding loan balance is comprised of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Loan Payable	$ 416,726	$ -	$ (24,571)	$ 392,155	$ 24,388
	$ 416,726	$ -	$ (24,571)	$ 392,155	$ 24,388

Future minimum payments to the U.S. Department of Agriculture

2015	24,632
2016	24,879
2017	25,127
2018	25,379
2019	25,633
2020 – 2024	132,059
2025 – 2028	109,076
Total	$ 366,785

NOTE 9 COMPENSATED ABSENCES

Compensated absences balance as of September 30, 2014 and 2013 were $424,539 and $221,898, of which $135,060 and $147,351 respectively are due within a year.

NOTE 10 LEASES

Lessor --- The Authority leased a total of 26 buses to tour bus operators on the island of St. Croix during the year. Out of the 26 buses 13 are operating the other 13 tour buses have technical problems and are not on the road. These leases are for two-year terms, with monthly payments depending on revenues earned from the operation of the buses. The tour bus operators pay the Authority 20% of earned revenue in the months when less than four cruise ships dock at the Frederiksted Pier and 30% when more than four cruise ships dock. Revenue earned from the tour buses in FY 2014 and 2013 was $214,568 and $6,000, respectively.

The Authority also leases commercial properties it owns through the Industrial Park Development Corporation. The terms of the leases vary from one to five years, with monthly rent payments dependent on the amount of square footage occupied and the location of the property.

Lessee --- The Authority leases office space from January 1, 2013 through December 31, 2017 for office and common area spaces with increase in rent on the 2nd and 4th anniversaries equal to the percentage of the cost of living increase for the preceding year, based upon the Consumer Price Index (CPI-U) as published by the U.S. Department of Labor Bureau of Labor Statistics. In addition, the Industrial Park buildings are located on parcels of lease land. The land is rented under a thirty (30) year term lease which expires May 2013. Two additional ten year option periods are available to the Industrial Park with the rental amounts based upon the Bureau of Labor Statistics' Consumer Price Index.

Rent expense for the years ending September 30, 2014 and 2013 were $272,450 and $298,870, respectively. The aggregate lease commitment for the Authority is as follows as of September 30, 2014:

2015	166,600
2016	166,600
2017	166,600
Oct. 2017 – Dec. 2017	41,650
Total	$ 541,450

NOTE 11 DEFERRED REVENUE

Current Deferred Revenue: Represent grant funds received in fiscal year 2012 from the United States Department of Treasury for the State Small Business Credit Initiative. The amount not expended as of the fiscal year end has been reflected in the financial statement as current deferred revenue in the amount of $4,190,312 and $4,252,932 for fiscal year 2014 and 2013, respectively.

Noncurrent Deferred Revenue: In October 2009, the Virgin Islands Public Finance Authority (VIPFA) issued $87 million in bonds of which $5 million was allotted to the Authority. These funds are to be utilized for developmental loan programs and are drawn down from VIPFA as loans are issued. Out of the noncurrent deferred revenue reflected in the financial statements $1,000,000 represents advanced funds received from VIPFA in fiscal year 2009. The deferred revenue will be relieved as additional loans are made in the future.

NOTE 12 RETIREMENT PLAN

The Government Employees Retirement System of the Virgin Islands (GERS) is a cost sharing, multiple employer public employee retirement system, established by the Government of the Virgin Islands to provide retirement, death and disability benefits to its employees. The Authority's part-time employees who at the time of employment are under age 55 years with one year of government service are eligible to participate in the system. The Authority's required contribution was 17.5% of the member's annual salary. Member contributions were 8% of annual salary. The Authority's contribution to the retirement plan was $403,626, $355,306 and $351,103 for fiscal years 2014, 2013 and 2012, respectively. The financial report of the retirement system can be obtained from the Government Employees' Retirement System, 3438 Kronprindens Gade, Saint Thomas, Virgin Islands, 00802.

NOTE 13 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Authority has various outstanding commitments at September 30, 2014 and 2013 which includes outstanding loan commitments in the process of being approved by the Board of Directors which are not reflected on the statement of net assets.

The Authority asserts that there have not been any material claims, suits or complaints filed nor are any pending against the Authority. In the opinion of management, all other matters which are asserted or unasserted are without merit and would not have a significant effect on the financial position or results of operations if they were disposed of unfavorably.

NOTE 14 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters for which the Authority has commercial insurance coverage. Annual premium payments are made in proportion to the anticipated exposure to the liability losses assessed.

NOTE 15 TOUR BUS PROGRAM

On September 7, 2014 the Economic Development Authority through the Virgin Islands Department of Property and Procurement sold all 26 buses on public auction at St. Croix for $71,900. The Authority received the proceeds in fiscal year 2015

NOTE 16 SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through May 22, 2015, which is the date the financial statements were available to be issued. Management is not aware of any facts or circumstances that require disclosure in the financial statements for the year ended September 30, 2014.

SUPPLEMENTARY INFORMATION

VIRGIN ISLANDS ECONOMIC DEVELOPMEN TAUTHORITY
COMBINING SCHEDULE OF NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

ASSETS	GDB	EDM	EDC	SBDA	IPDC	IRP	EZC	USE	TIF	SSBCI	STEP	INCUBATOR	Tour Bus	Eliminations	2014	2013	Variance
Current Assets:																	
Cash and Cash Equivalents	-	1,451,221	915,888	650	153,463	-	-	-	-	-	75,639	3,001	8,623	-	2,608,485	2,669,360	(60,875)
Investments	-	-	-	-	184,821	-	-	22,027	-	-	-	-	-	-	206,848	769,091	(562,243)
Accounts Receivable, net	414,985	58,760	459,138	2,285	48,063	-	40	-	-	9,186	80,052	158,448	75,670	-	1,306,627	1,560,761	(254,134)
Due from Other Fund	2,352,132	449,361	851,423	273,709	3,038	-	-	-	-	-	34,870	-	-	(3,964,533)	-	-	-
Prepaid & Other Assets	-	51,677	-	-	9,744	-	-	-	-	-	-	-	404	-	61,825	82,299	(20,474)
				`													-
Total Current Assets	2,767,117	2,011,019	2,226,449	276,644	399,129	-	40	22,027	-	9,186	190,561	161,449	84,697	(3,964,533)	4,183,785	5,081,511	(897,726)
Non-Current Assets																	
Loan Receivable, net	2,792,462	-	-	378,609	-	168,239	-	350,654	-	-	-	-	-	-	3,689,964	3,544,477	145,487
Restricted Cash & Cash Equivalents	2,664,130	1,000,000	-	1,408,494	-	119,468	8,039	185,737	-	2,166,327	-	-	-	-	7,552,195	7,864,742	(312,547)
Restricted Investments	2,665,338	-	-	-	-	-	-		-	2,030,474	-	-	-	-	4,695,812	2,675,301	2,020,511
Total Non-Current Assets	8,121,930	1,000,000	-	1,787,103	-	287,707	8,039	536,391	-	4,196,801	-	-	-	-	15,937,971	14,084,520	1,853,451
Capital Assets, net	17,944	868,756	46,136	111,760	1,213,263	-	-	-	-	-	1,795	-	-	-	2,259,654	2,626,063	(366,409)
Total Assets	$ 10,906,991	$ 3,879,775	$ 2,272,585	$ 2,175,507	$ 1,612,392	$ 287,707	$ 8,079	$ 558,418	$ -	$ 4,205,987	$ 192,356	$ 161,449	$ 84,697	$ (3,964,533)	$ 22,381,410	$ 21,792,094	$ 589,316
LIABILITIES																	
Current Liabilities																	
Accounts Payable	46,937	472,715	26,072	-	26,386	-	-	500.00	-	4,006	4,820	-	264	-	581,700	640,601	(58,901)
Accrued Expenses	-	92,151	-	-	6,384	-	-	-	-	-	6,145	-	-	-	104,680	330,976	(226,296)
Compensated Absences - Current	-	123,277	-	-	11,783	-	-	-	-	-	-	-	-	-	135,060	147,351	(12,291)
Interest Payable	18,245	-	-	-	-	2,393	-	-	-	-	-	-	-	-	20,638	19,987	651
Due to Other Fund	-	3,379,928	10	-	112,507	-	-	-	7,596	-	163,378	214,126	86,988	(3,964,533)	-	-	-
Deferred Revenue	-	-	-	-	-	-	8,037	-	-	4,182,275	-	-	-	-	4,190,312	4,252,932	(62,620)
Long-Term Debt - Current	-	-	-	-	-	24,632	-	-	-	-	-	-	-	-	24,632	24,388	244
Total Current Liabilities	65,182	4,068,071	26,082	-	157,060	27,025	8,037	500	7,596	4,186,281	174,343	214,126	87,252	(3,964,533)	5,057,022	5,416,235	(359,213)
Non-Current Liabilities																	
Compensated Absences	-	250,489	-	-	38,990	-	-	-	-	-	-	-	-	-	289,479	74,547	214,932
Revolving Funds	-	-	-	400,000	-	-	-	-	-	-	-	-	-	-	400,000	-	400,000
Deferred Revenue	1,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000,000	1,009,937	(9,937)
Security Deposit	-	-	-	-	44,099	-	-	-	-	-	-	-	-	-	44,099	39,865	4,234
Long-Term Debt	-	-	-	-	-	342,153	-	-	-	-	-	-	-	-	342,153	367,767	(25,614)
														-			
Total Non-Current Liabilities	1,000,000	250,489	-	400,000	83,089	342,153	-	-	-	-	-	-	-	-	2,075,731	1,492,116	583,615
Total Liabilities	1,065,182	4,318,560	26,082	400,000	240,149	369,178	8,037	500	7,596	4,186,281	174,343	214,126	87,252	(3,964,533)	7,132,753	6,908,351	224,402
NET POSITION																	
Invested in Capital Assets, net of Debt	17,944	868,756	46,136	111,760	1,213,263	-	-	-	-	-	1,795	-	-	-	2,259,654	2,626,063	(366,409)
Restricted Net Position	7,121,929	1,000,000	-	1,787,103	-	(79,079)	8,039	536,391	-	3,179,540	-	-	-	-	13,553,923	13,647,640	(93,717)
Unrestricted Net Position	2,701,936	(2,307,541)	2,200,367	(123,356)	158,979	(2,392)	(7,997)	21,527	(7,596)	(3,159,833)	16,218	(52,677)	(2,555)	-	(564,920)	(1,389,960)	825,040
Total Net Position	$ 9,841,809	$ (438,785)	$ 2,246,503	$ 1,775,507	$ 1,372,242	$ (81,471)	$ 42	$ 557,918	$ (7,596)	$ 19,707	$ 18,013	$ (52,677)	$ (2,555)	$ -	$ 15,248,657	$ 14,883,743	$ 364,914

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	GDB	EDM	EDC	SBDA	IPDC	IRP	EZC	USE	TIF	SSBCI	STEP	INCUBATOR	Tour Bus	2014	2013
Operating Revenues															
Application and Processing Fees	$ 3,785	$ 22,410	$ 639,000	$ -	$ -	$ -	$ -	-	$ -	$ -	$ -	-	$ -	$ 665,195	$ 961,607
Interest from Loans	110,377	-	-	25,183	-	3,069	-	24,284	-	-	-	-	-	162,913	226,732
Rental Income	-	-	-	-	471,761	-	-	-	-	-	-	3,000	-	474,761	412,611
Grant Revenue	-	-	-	-	-	-	49,001	-	-	53,115	173,657	263,988	-	539,761	697,240
Government Appropriation	55,832	4,627,312	104,995	18,332	-	-	49,518	-	-	-	-	-	-	4,855,989	4,481,814
PFA Bonds	(1,945)	-	-	-	-	-	-	-	-	-	-	-	-	(1,945)	4,184
Penalties	-	-	88,607	-	-	-	-	-	-	-	-	-	-	88,607	-
Other Operating Income	244,129	-	-	1,755.16	34,579	276	-	-	-	-	-	-	214,568	495,307	37,777
Total Revenue	412,178	4,649,722	832,602	45,270	506,340	3,345	98,519	24,284	-	53,115	173,657	266,988	214,568	7,280,588	6,821,965
Operating Expenses															
Personnel Costs	-	3,068,930	-	-	294,401	-	-	-	-	-	-	23,600	-	3,386,931	3,327,222
Occupancy	-	232,065	-	-	40,386	-	-	-	-	-	-	-	-	272,451	300,842
Advertising	-	238,310	-	-	-	-	-	-	-	-	-	3,040	-	241,350	197,523
Professional Services	-	782,075	3,452	-	3,512	-	-	-	-	-	-	21,490	-	810,529	1,193,402
Travel and Per Diem	-	93,445	-	-	1,835	-	-	-	-	-	-	0	-	95,280	105,415
Other Administrative Expenses	211	744,742	25,000	9,176	133,955	102	-	1,264	-	-	-	7,547	289,023	1,211,020	1,118,648
Grant Expenditure	-	-	-	-	-	-	49,001	-	-	53,115	173,657	263,988	-	539,761	696,642
Bad Debt	-	-	10,500	98,799	(26,425)	50,990	-	-	-	-	-	-	-	133,864	1,111,144
Total Operating Expenses	211	5,159,567	38,952	107,975	447,664	51,092	49,001	1,264	-	53,115	173,657	319,665	289,023	6,691,186	8,050,838
Operating Income or (Loss) Before Depreciaiton	411,967	(509,845)	793,650	(62,705)	58,676	(47,747)	49,518	23,020	-	-	-	(52,677)	(74,455)	589,402	(1,228,873)
Depreciation	65,780	142,980	31,335	10,780	238,025	-	-	-	-	-	1,197	-	-	490,097	564,116
Loss on Assets/termination of Lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	157,259
Operating Income or (Loss)	346,187	(652,825)	762,315	(73,485)	(179,349)	(47,747)	49,518	23,020	-	-	(1,197)	(52,677)	(74,455)	99,305	(1,950,248)
Other Revenues/(Expenses)															
Interest Income	13,233	40,863	-	880	948	-	-	-	-	13,612	-	-	-	69,536	20,364
Other Income	-	77,420	-	24,605	-	-	-	24,193	-	-	1,700	-	71,900	199,818	41,287
Interest Expense and Finance Charges	-	-	-	-	-	(3,745)	-	-	-	-	-	-	-	(3,745)	(3,784)
Total Other Revenues/(Expenses)	13,233	118,283	-	25,485	948	(3,745)	-	24,193	-	13,612	1,700	-	71,900	265,609	57,867
Changes in Net Position	359,420	(534,542)	762,315	(48,000)	(178,401)	(51,492)	49,518	47,213	-	13,612	503	(52,677)	(2,555)	364,914	(1,892,381)
Net Position, Beginning of Year	9,482,389	95,757	1,484,188	1,823,507	1,550,643	(29,979)	(49,476)	510,705	(7,596)	6,095	17,510	-	-	14,883,743	16,776,124
Net Position, End of Year	9,841,809	(438,785)	2,246,503	1,775,507	1,372,242	(81,471)	42	557,918	(7,596)	19,707	18,013	(52,677)	(2,555)	15,248,657	14,883,743