



NRVCS



NEW RIVER VALLEY  
COMMUNITY SERVICES

# Financial Report

June 30, 2025

# New River Valley Community Services

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# Introductory Section



# New River Valley Community Services

## Directory of Principal Officials

June 30, 2025

### Board of Directors

Cheri Warburton – Chair  
Kelly Edmonson – Vice-Chair

Judy Diggs  
Susan Richardson  
Mary Biggs  
Sally McCarthy  
Katie Thompson  
Jerry Boothe

Linda Millsaps  
Richard Chidester  
Jason Buckland  
Emily Hite  
Guy Wohlford

### Principal Management Team

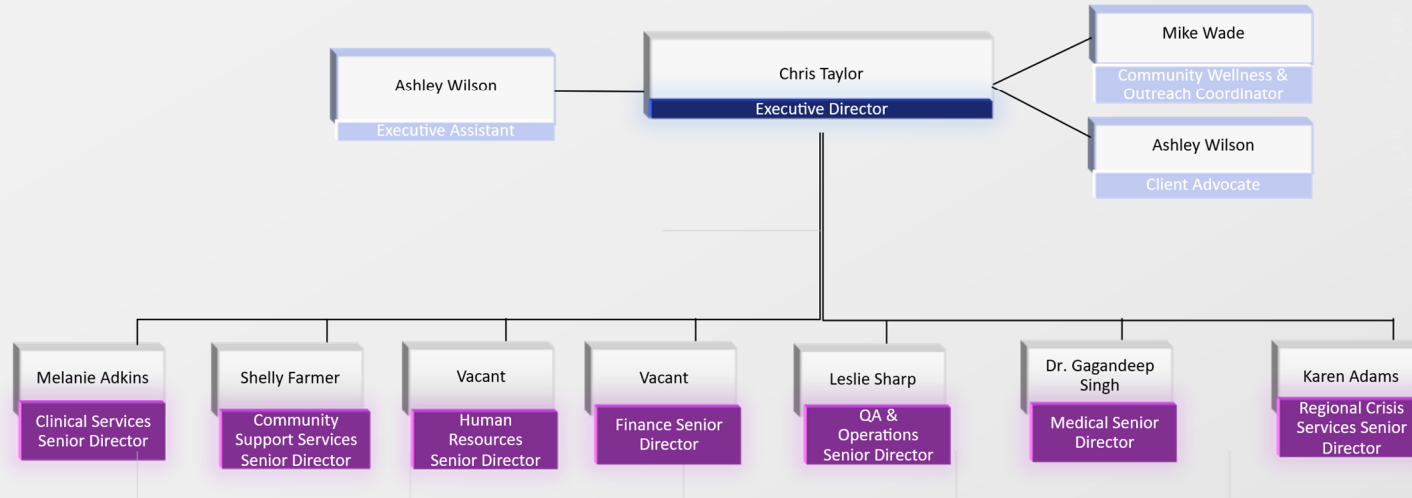
Chris Taylor..... Executive Director  
Vacant ..... Finance Senior Director  
Melanie Adkins..... Clinical Services Senior Director  
Shelly Farmer ..... Community Support Services Senior Director  
Gagandeep Singh, M.D..... Medical Senior Director  
Leslie Sharp ..... Quality Assurance and Operations Senior Director  
Vacant ..... Human Resources Senior Director  
Karen Adams ..... Regional Crisis Services Senior Director

# New River Valley Community Services

## Organizational Chart

June 30, 2025

### EXECUTIVE DIRECTOR



■ Senior Directors  
■ Supervises



# Financial Section

The Financial Section contains the  
Basic Financial Statements.



## Independent Auditor's Report

To the Board of Directors  
New River Valley Community Services  
Blacksburg, Virginia

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of New River Valley Community Services (the "Agency"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30, 2025, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Change in Accounting Principle*

As described in Note 1 to the financial statements, in 2025, the Agency adopted new accounting guidance, GASB **Statement No. 101**, *Compensated Absences*. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 Agency'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 Agency'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 and other required supplementary information, as listed in the table of contents, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying combining financial statements are presented for purposes of additional analysis and are 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 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists; we are required to describe it in our report.

## **Report on Summarized Comparative Information**

We have previously audited the Agency's 2024 financial statements, and our report dated July 2, 2025 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented therein for the year ended June 30, 2024 is consistent in all material respects, with the audited financial statements from which it has been derived.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2025 on our consideration of the Agency'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 Agency'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 Agency's internal control over financial reporting and compliance.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
December 3, 2025

# NEW RIVER VALLEY COMMUNITY SERVICES

## Management's Discussion and Analysis Year Ended June 30, 2025

The management team of New River Valley Community Services (NRVCS) presents the readers of its financial report this discussion and analysis of the financial activities for the fiscal year ended June 30, 2025.

Following this overview are the NRVCS financial statements together with the accompanying notes which are essential to a full understanding of NRVCS' financial position. In addition, there is certain required supplementary information, combining financial statements and a compliance section included in this report. The combining financial statements show the extent to which NRVCS' component unit, Mountain Empire Services, contributes to the overall financial position of NRVCS. This Management's Discussion and Analysis focuses solely on NRVCS, excluding activity of the blended component unit Mountain Empire Services.

### NRVCS FINANCIAL HIGHLIGHTS

#### REVENUES

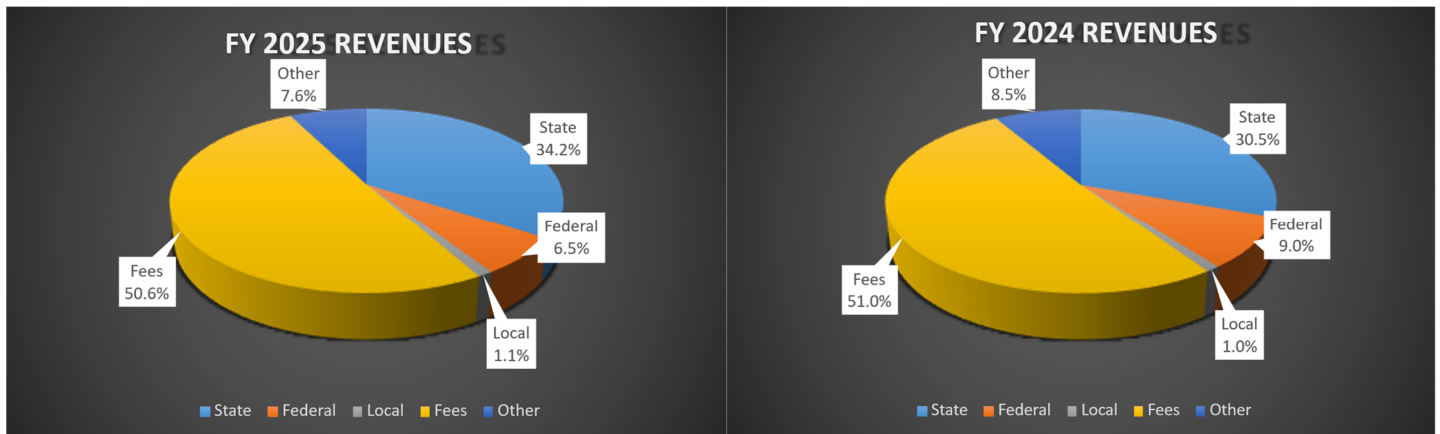
Sources of NRVCS revenues from fiscal year 2025 compared with the prior year are as follows:

	<b>FY 2025</b>	<b>FY 2024</b>	<b>Percent Change</b>	<b>Amount Change</b>
Charges for Services, net	\$ 38,375,527	\$ 36,917,854	3.9%	\$ 1,457,673
Commonwealth of Virginia	25,971,819	22,136,448	17.3%	3,835,371
Federal Government	4,954,231	6,553,783	(24.4%)	(1,599,552)
Local Governments	817,515	747,300	9.4%	70,215
Other Revenue	5,728,340	6,168,452	(7.1%)	(440,112)
<b>Total Revenues</b>	<b>\$ 75,847,432</b>	<b>\$ 72,523,837</b>	<b>4.6%</b>	<b>\$ 3,323,595</b>

Total revenues increased by \$3,323,595 or 4.6% due to:

- Charges for Services increased \$1,457,673 due to increased staffing.
- State funds increased \$3,835,371 due to:
  - \$840,859 increase in state general funds.
  - \$400,177 increase in Crisis Intervention Team funding to compensate for increases in law enforcement contracts.
  - \$264,913 increase in Step-VA Regional Outpatient funding.
  - \$2,077,619 increase in Step-VA funding associated with regional mobile crisis.
- Federal funds decreased \$1,599,552 due to:
  - Mental Health and Substance Use ARPA funds decreased \$812,781 with the revocation of Federal ARPA funds.
  - MH State & Local Recovery funds decreased \$1,390,001 mainly due to Mobile Crisis Projects that were funded in the prior year.
- Local government funding increased \$70,215 as localities are striving to meet the required 10% match.
- Other funds decreased \$440,112 mainly related to the decrease of \$373,319 for RTAP/DRPT Transportation funding related to vans that had been on hold for multiple years and were received in FY24.

The following charts show the major revenue sources and the percentage of total revenues for the fiscal years ended June 30, 2025 and 2024.



A summary of revenues for the fiscal years ended June 30, 2025 and 2024 is as follows:

	<b>FY 2025</b>	<b>Percent of Total</b>	<b>FY 2024</b>	<b>Percent of Total</b>
State	\$ 25,971,819	34.2%	\$ 22,136,448	30.5%
Federal	\$ 4,954,231	6.5%	\$ 6,553,783	9.0%
Local	\$ 817,515	1.1%	\$ 747,300	1.0%
Fees	\$ 38,375,527	50.6%	\$ 36,917,854	50.9%
Other	\$ 5,728,340	7.6%	\$ 6,168,452	8.5%
<b>TOTAL</b>	<b>\$ 75,847,432</b>	<b>100%</b>	<b>\$ 72,523,837</b>	<b>100%</b>

## EXPENSES

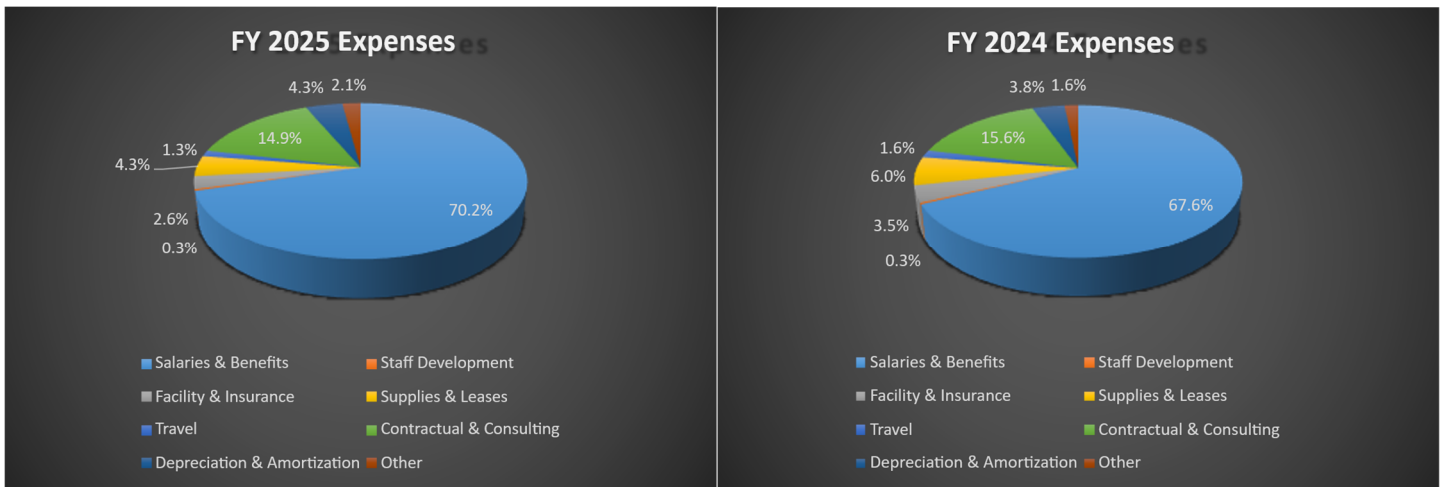
Categories of NRVCS expenses for fiscal year 2025 compared with the prior year are as follows:

	<b>FY 2025</b>	<b>Percent of Total</b>	<b>FY 2024</b>	<b>Percent of Total</b>
Salaries & Benefits	\$ 54,371,507	70.2%	\$ 46,947,936	67.6%
Staff Development	253,461	0.3%	216,872	0.3%
Facility & Insurance	2,066,782	2.6%	2,426,584	3.5%
Supplies & Leases	3,293,928	4.3%	4,139,306	6.0%
Travel	976,360	1.3%	1,148,417	1.6%
Contractual & Consulting	11,550,567	14.9%	10,823,143	15.6%
Depreciation & Amortization	3,299,392	4.3%	2,607,352	3.8%
Other	1,619,675	2.1%	1,082,961	1.6%
<b>Total Expenses</b>	<b>\$ 77,431,672</b>	<b>100%</b>	<b>\$ 69,392,571</b>	<b>100%</b>

Total expenses increased \$8,039,101 or 11.6% primarily due to the following:

- Salary and benefits increased \$7,423,571 or 15.8%. Staff received a 3% COLA in July 2024 (FY25). Additional grant funding and the addition of new programs led to a greater need for staff members and their time. Additionally, NRVCS introduced the PTO Buyback program in FY25, leading to a greater salary expense.
- Facility & Insurance decreased \$359,802 mainly due renovations to the Roanoke St building that occurred in the prior year with no such expense in FY2025.
- Supplies & Leases decreased \$845,378 due to Oracle system being fully implemented in FY25 so mainly paying for consulting services and license renewals.
- Travel decreased \$172,057 with the implementation of the NRVCS ride share program and fewer vehicles purchased for the agency fleet.
- Contractual & Consulting increased \$727,424 due to an increase in DAP services of \$540,259 and client need expenses of \$166,727.

The following charts show the major expense categories and the percentage of total expenses for the fiscal years ended June 30, 2025 and 2024.



A summary of expenses for the fiscal years ended June 30, 2025 and 2024 is as follows:

	FY 2025	FY 2024	Percent Change	Amount Change
Salaries and Benefits	\$ 54,371,507	\$ 46,947,936	15.8%	\$ 7,423,571
Staff Development	253,461	\$ 216,872	16.9%	36,589
Facility & Insurance	2,066,782	\$ 2,426,584	(14.8%)	(359,802)
Supplies & Leases	3,293,928	\$ 4,139,306	(20.4%)	(845,378)
Travel	976,360	\$ 1,148,417	(15.0%)	(172,057)
Contractual and Consulting	11,550,567	\$ 10,823,143	6.7%	727,424
Depreciation & Amortization	3,299,392	\$ 2,607,352	26.5%	692,040
Other	1,619,675	\$ 1,082,961	49.6%	536,714
<b>Total Expenses</b>	<b>\$ 77,431,672</b>	<b>\$ 69,392,571</b>	<b>11.6%</b>	<b>\$ 8,039,101</b>

## NET POSITION

The following table shows the change in net position for fiscal year 2025 compared to the prior year.

	<b>FY 2025</b>	<b>FY 2024</b>
Operating Revenues	\$ 38,375,527	\$ 36,917,854
Non-operating Revenue	\$ 37,471,905	\$ 35,605,983
Operating Expenses	\$ (77,119,267)	\$ (69,017,307)
Non-operating Expenses	\$ (312,405)	\$ (375,264)
<b>Change in Net Position</b>	<b>\$ (1,584,240)</b>	<b>\$ 3,131,266</b>

The Statement of Net Position serves over time as a useful indicator of NRVCS's financial position. NRVCS' total net position was \$28,949,743 on June 30, 2025 and \$30,533,983 on June 30, 2024. A summary of the NRVCS Statement of Net Position on June 30, 2025 and June 30, 2024 is as follows:

	<b>FY 2025</b>	<b>FY 2024</b>	<b>Difference</b>
<b>ASSETS:</b>			
Current assets	\$ 49,297,106	\$ 42,287,884	\$ 7,009,222
Restricted current assets	443,900	573,859	(129,959)
Noncurrent assets	27,942,975	30,508,060	(2,565,085)
<b>Total Assets</b>	<b>\$ 77,683,981</b>	<b>\$ 73,369,803</b>	<b>\$ 4,314,178</b>
Deferred Outflows of Resources	\$ 3,154,672	\$ 273,428	\$ 2,881,244
<b>LIABILITIES AND NET POSITION:</b>			
Current liabilities	\$ 41,665,598	\$ 32,551,209	\$ 9,114,389
Noncurrent liabilities	7,725,876	8,090,980	(365,104)
<b>Total Liabilities</b>	<b>\$ 49,391,474</b>	<b>\$ 40,642,189</b>	<b>\$ 8,749,285</b>
Deferred Inflows of Resources	\$ 2,497,436	\$ 2,467,059	\$ 30,377
<b>NET POSITION</b>	<b>\$ 28,949,743</b>	<b>\$ 30,533,983</b>	<b>\$ (1,584,240)</b>

Current assets increased \$7,009,222 mainly due to a corresponding increase in cash. See the Statement of Cash Flows.

Restricted current assets consist of the conserved funds we maintain as representative payee for approximately 230 clients and the flexible spending account (FSA) for staff. Payee funds decreased by \$122,274 and FSA funds decreased by \$7,685.

Noncurrent assets decreased \$2,565,085 due to capital assets decreasing \$466,390 from the net effect of current year depreciation and amortization and current year additions and disposals (see note 4) and decrease of \$2,098,695 million in net pension asset (see note 8).

Deferred Outflows of Resources increased \$2,881,244 and Deferred Inflow of Resources increased \$30,377 due to ongoing market fluctuations impacting VRS investment income.

Total liabilities increased \$8,749,285 due to deferred revenue increases in line with increase in state funding, mainly related to the STEP VA Crisis Funding and Permanent Supportive Housing Programs. Additionally, the accrued payroll and related liability increased in line with compensation increases.

## **FINANCIAL STATEMENTS**

NRVCS' financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

## **REQUEST FOR INFORMATION**

This financial report is intended to provide a general overview of NRVCS' financial position for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Senior Director of Finance, New River Valley Community Services, 700 University City Boulevard, Blacksburg, Virginia 24060.



# **Basic Financial Statements**



# New River Valley Community Services

## Statement of Net Position

June 30, 2025

	<b>2025</b>	<b>(For Comparative Purposes Only) 2024</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 45,482,280	\$ 38,212,674
Accounts receivable, net (Note 3)	2,588,637	3,345,243
Due from other governments (Note 4)	2,351,217	1,539,727
Lease receivable (Note 1)	104,894	127,017
Other receivables	3,004	169
Prepaid expenses and other	41,070	35,448
Cash and cash equivalents, restricted for clients or employees (Note 2)	443,900	573,859
Total current assets	<u>51,015,002</u>	<u>43,834,137</u>
<b>NONCURRENT ASSETS</b>		
Net pension asset (Note 9)	12,469,132	14,567,827
Capital assets, net (Note 5)	20,976,507	21,656,450
Total noncurrent assets	<u>33,445,639</u>	<u>36,224,277</u>
Total assets	<u>84,460,641</u>	<u>80,058,414</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension-related deferred outflows (Note 9)	3,154,672	273,428
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	926,846	1,455,186
Accrued payroll and related liabilities	3,414,873	2,920,742
Accrued interest	63,467	30,272
Unearned revenue (Note 7)	31,700,456	23,653,151
Amounts held for clients, payable from restricted assets	418,598	540,872
Other current liabilities	1,861	2,286
Noncurrent liabilities due within one year (Note 6)	5,207,053	4,023,068
Total current liabilities	<u>41,733,154</u>	<u>32,625,577</u>
<b>NONCURRENT LIABILITIES</b>		
Other noncurrent liabilities due in more than one year (Notes 6 and 8)	11,149,301	11,562,887
Total liabilities	<u>52,882,455</u>	<u>44,188,464</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension-related deferred inflows (Note 9)	2,392,542	2,340,042
Deferral inflow lease rents (Note 1)	104,894	127,017
Total deferred inflows of resources	<u>2,497,436</u>	<u>2,467,059</u>
<b>NET POSITION</b>		
Net investment in capital assets	8,368,111	8,892,127
Restricted – net pension asset	12,469,132	14,567,827
Unrestricted	11,398,179	10,216,365
Total net position	<u><u>\$ 32,235,422</u></u>	<u><u>\$ 33,676,319</u></u>

# New River Valley Community Services

## Statement of Revenues, Expenses, and Changes in Fund Net Position

Year Ended June 30, 2025

	<b>2025</b>	<b>(For Comparative Purposes Only) 2024</b>
OPERATING REVENUES		
Net client service revenue (Note 10)	\$ 38,375,527	\$ 36,917,854
OPERATING EXPENSES		
Salaries and benefits	54,371,507	46,947,936
Staff development and recruitment	253,461	216,872
Facility	1,916,262	2,360,645
Supplies	2,578,692	3,647,113
Travel	976,360	1,148,417
Contractual and professional services	11,592,415	10,871,543
Leases	6,250	3,974
Insurance	233,554	148,364
Depreciation and amortization	3,512,944	2,821,101
Other	1,307,270	707,697
Total operating expenses	<u>76,748,715</u>	<u>68,873,662</u>
Operating loss	<u>(38,373,188)</u>	<u>(31,955,808)</u>
NONOPERATING REVENUES (EXPENSES)		
Commonwealth of Virginia grants	25,971,819	22,136,448
Federal grants	4,954,231	6,553,783
Contributions from participating local governments (Note 11)	817,515	747,300
Interest income	1,314,764	1,351,268
Interest expense	(553,156)	(619,765)
Other income (Note 12)	4,360,400	4,963,724
Rental income	10,808	16,212
Gain (loss) on sale of capital assets	55,910	(144,695)
Net nonoperating revenues	<u>36,932,291</u>	<u>35,004,275</u>
Change in net position	<u>(1,440,897)</u>	<u>3,048,467</u>
NET POSITION AT JULY 1	33,676,319	30,627,852
NET POSITION AT JUNE 30	<u><u>\$ 32,235,422</u></u>	<u><u>\$ 33,676,319</u></u>

# New River Valley Community Services

## Statement of Cash Flows Year Ended June 30, 2025

	2025	(For Comparative Purposes Only) 2024
<b>OPERATING ACTIVITIES</b>		
Receipts from clients, private insurers, Medicaid, and others	\$ 39,137,048	\$ 35,380,769
Payments to suppliers	(19,398,701)	(18,453,466)
Payments to employees	(53,681,100)	(47,746,136)
Other payments	(136,783)	(10,262)
Net cash used in operating activities	(34,079,536)	(30,829,095)
<b>NON-CAPITAL FINANCING ACTIVITIES</b>		
Contributions from local, state, and federal governments	38,979,380	36,868,232
Other receipts	4,367,209	4,963,724
Net cash provided by non-capital financing activities	43,346,589	41,831,956
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(911,759)	(2,369,992)
Proceeds from the sale of capital assets	304,515	260,910
Principal paid on debt	(2,325,773)	(2,185,208)
Interest paid on debt	(519,961)	(616,684)
Net cash used in capital and related financing activities	(3,452,978)	(4,910,974)
<b>INVESTING ACTIVITIES</b>		
Rent received	10,808	16,212
Interest income	1,314,764	1,351,268
Net cash provided by investing activities	1,325,572	1,367,480
Net increase in cash and cash equivalents	7,139,647	7,459,367
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning at July 1	38,786,533	31,327,166
Ending at June 30	\$ 45,926,180	\$ 38,786,533
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>		
Cash and cash equivalents	\$ 45,482,280	\$ 38,212,674
Cash and cash equivalents, restricted for clients	443,900	573,859
	\$ 45,926,180	\$ 38,786,533

# New River Valley Community Services

## Statement of Cash Flows Year Ended June 30, 2025

	<u>2025</u>	<u>(For Comparative Purposes Only) 2024</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET</b>		
<b>CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (38,373,188)	\$ (31,955,808)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	3,512,944	2,821,101
Pension expense less pension contributions, net	(730,049)	(1,938,205)
Decrease (increase) in:		
Accounts receivable, net	756,606	(1,537,085)
Other receivables	(9,644)	(1,280)
Prepaid expenses and other	(5,622)	7,745
Increase (decrease) in:		
Accounts payable	(528,340)	641,128
Accrued payroll and related liabilities	494,131	987,625
Other payable	(425)	2,286
Compensated absences	926,325	152,380
Amounts held for clients, payable from restricted assets	(122,274)	(8,982)
Net cash used in operating activities	<u><u>\$ (34,079,536)</u></u>	<u><u>\$ (30,829,095)</u></u>
<b>SCHEDULE OF NON-CASH ACTIVITIES</b>		
Capital assets obtained through lease liabilities, subscription-based information technology agreements, and financed purchases	<u><u>\$ 2,208,922</u></u>	<u><u>\$ -</u></u>

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

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### Note 1 – Summary of Significant Accounting Policies

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#### *Financial Reporting Entity*

New River Valley Community Services (the “Agency”) is a jointly governed entity that operates as an agent for the Counties of Montgomery, Pulaski, Floyd, and Giles, and the City of Radford, Virginia, in the establishment and operation of treatment programs for community mental health disorders, developmental disabilities, and substance abuse disorders as provided for in Chapter 5 of Title 37.2 of the *Code of Virginia* (1950), relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, the Agency provides treatment for community mental health disorders, developmental disabilities, and substance use disorders with a system of services that relates to, and is integrated with, existing and planned programs. Substantially all of the entity’s funding is from service fees, the Commonwealth of Virginia, the Federal Government, and the aforementioned localities.

#### *Blended Component Unit*

Mountain Empire Services of the Southwest, Inc. (MES) was established to hold title to certain real property on behalf of the Agency.

Although legally a separate entity, MES is, in substance, part of the Agency’s operations, and all property held by MES is utilized by the Agency. Financial information from this unit is combined with the financial statements of the Agency as a blended component unit. MES and New River Valley Community Services are collectively referred to herein as the “Agency.” Rents charged by MES to New River Valley Community Services and any other intercompany amounts are eliminated from the accompanying financial statements.

#### *Measurement Focus and Basis of Accounting*

The Agency is a governmental health care entity and follows the accounting and reporting practices of the Governmental Accounting Standards Board. The Agency’s financial statements consist of a single enterprise fund, which includes the blended component unit previously described, and are reported using 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.

The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Agency’s principal ongoing operations. The principal operating revenues of the Agency are fees collected from clients and the related collections from the various third-party insurers including Medicaid. Operating expenses consist of the direct and indirect costs of fulfilling the programs of the Agency. All other revenues and expenses are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first.

#### *Use of Estimates*

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities as well as the reported revenues and expenses. Actual results could differ from those estimates.

The allowance for uncollectible accounts is a significant estimate that involves a great deal of judgment and the consideration of many factors. By nature, this estimate is not precise and requires re-evaluation as the conditions and

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

factors change. Key factors that affect this calculation for the Agency are delays in collections from third parties, the need to rebill multiple third-party payors, rate adjustments and settlements with third-party payors, and the financial assistance provided to clients based on their ability to pay.

### *Cash and Cash Equivalents*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### *Investments*

Investments are stated at fair value. The reported value of the state-sponsored investment pool is the same as the fair value of the pooled shares.

### *Accounts Receivable*

Revenue and related receivables are recorded at the Agency's full established rates, less allowances for uncollectible accounts. Amounts collectible from third-party payors are usually less than the Agency's full established rates, and are generally determined by contractual agreements with the third-party payor (e.g., Medicaid). Management estimates the allowance for uncollectible accounts using historical collection data and the aging of accounts receivable. Accounts that management believes to be ultimately not collectible are written off upon such determination.

### *Net Client Service Revenue*

Net client service revenue is reported at the estimated net realizable amounts from clients, residents, third-party payors, and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Retroactive adjustments are reported in operations in the year of settlement.

### *Financial Assistance*

The Agency is required to collect the cost of services from third-party sources and those individuals who are able to pay. However, the payment of amounts charged varies based on individual circumstances and unpaid balances are pursued to the extent of the client's ability to pay. The Agency has established procedures for granting financial assistance in cases of hardship. The granting of financial assistance results in a substantial reduction and/or elimination of charges to individual clients. Because the Agency does not pursue the collection of amounts determined to qualify for financial assistance, such amounts are not reported as revenue.

### *Other Receivables*

Other receivables consist primarily of amounts due from contract and program billings to other entities.

### *Capital Assets*

Capital assets include property and equipment with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at date of donation. The costs of normal maintenance and repairs that do not materially add to the value of an asset or its life are expensed.

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Furniture and equipment	3-7 years
Vehicles	5 years

Leased assets are amortized over the shorter of the lease term or useful life of the underlying asset. In leases where a purchase option is reasonably certain of being exercised, the asset is amortized over the useful life, unless the underlying asset is nondepreciable in which the leased asset is not amortized.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or useful life of the underlying capital IT asset.

### *Compensated Absences*

Employees are entitled to certain compensated absences based upon length of employment. Paid time off vests with the employee at rates based on years of service. A provision for these vested compensated absences has been recorded in the financial statements.

### *Pensions*

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's Retirement Plan and the additions to/deductions from the Agency's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement that presents net position reports a separate section for deferred outflows of resources. These items represents a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. The Agency has two items that qualify for reporting in this category. The first is contributions subsequent to the measurement date for pensions, which will be applied to the net pension asset in the next fiscal year. The second is the difference between actual and expected experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over the estimated remaining service life of employees subject to the plan.

In addition to liabilities, the statement that presents financial position reports a separate section for deferred inflows of resources. These items represents an acquisition of net assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Agency has two types of items that qualify for reporting in this category. The first is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five-year period. The second is the difference between actual and expected experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over the estimated remaining service life of employees subject to the plan.

Lease-related amounts are recognized at the inception of leases in which the Agency is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

### *Unearned Revenue*

Unearned revenue represents amounts for which asset recognition criteria has been met but for which revenue recognition criteria have not been met. Unearned revenue is comprised of state and federal funds with purpose and, also typically, time restrictions. Revenue is recorded when expenses are incurred in accordance with the grantor's requirements. If expenses are not incurred, the funds may revert back to the grantor.

### *Income Taxes*

Mountain Empire Services of the Southwest, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the *Internal Revenue Code*. New River Valley Community Services is exempt from such taxes as a governmental entity. Accordingly, the accompanying financial statements do not reflect a provision for income taxes.

### *Comparative Information*

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the prior year from which the summarized information was derived.

### *Fair Value Measurements*

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

### *Subscription-Based Information Technology Arrangements*

The Agency has SBITAs for various software platforms for periods expiring between June 2027 and December 2030. The Agency uses its estimated incremental borrowing rate as the discount rate as the subscription arrangement does not explicitly state an interest rate. The value of the right-to-use subscription asset and related accumulated amortization as of year end are disclosed in Note 5. The related liability as well as principal and interest requirements to maturity are disclosed in Note 6.

### *Leases*

Key estimates and judgments include how the Agency determines (1) the discount rate it uses to discount the expected lease receipts and/or payments to present value, (2) lease term, and (3) lease receipts and/or payments.

- The Agency uses an estimated incremental borrowing rate as the discount rate for lease.

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

- The lease term includes the noncancellable periods of the lease. Lease receipts and payments are included in the measurement of the lease receivable or liability, respectively, and are composed of fixed payments.
- The Agency monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure if certain changes occur that are expected to significantly affect the amount of the lease receivable or liability.

### *Right-of-Use Lease Asset and Related Lease Liability*

The Agency is a lessee for noncancellable leases of buildings and equipment. The Agency recognized an intangible right-to-use asset (lease asset) and a related lease liability on the financial statements. At the commencement of a lease, the Agency initially measures a lease liability at the present value of payments expected to be made during the lease period. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain direct costs. Subsequent to the initial measurement and recognition, the lease asset is amortized on a straight-line basis over its useful life.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt in the statement of net position.

### *Change in Accounting Principle*

During 2025, the Agency adopted GASB **Statement No. 101, *Compensated Absences***. GASB Statement No. 101 established new guidance by updating the recognition and measurement for compensated absences. A liability should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. As stated in GASB **Statement No. 100, *Accounting Changes and Error Corrections***, a change in accounting principle should be reported retroactively by restating beginning net position for the cumulative effect of the change of the newly adopted accounting principle on prior periods. The Agency determined the cumulative effect on beginning net position was minimal and, therefore, no restatement of the prior year net position was necessary.

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## **Note 2 – Deposits and Investments**

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### *Deposits*

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2 4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in amount from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

### *Investments*

Statutes authorize the Agency to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

### *Custodial Credit Risk (Investments)*

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the Agency nor its blended component unit has an investment policy for custodial credit risk. The Agency's investments at June 30, 2025 were held in the Agency's name by the Agency's custodial bank. The LGIP is not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form.

### *Credit Risk of Debt Securities*

The Agency's rated debt investments as of June 30, 2025 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

<b>Agency's Rated Debt Investments' Values</b>		
<b>Rated Debt Investments</b>	<b>Quality Ratings</b>	<b>Value</b>
LGIP	AAAf	<b>\$ 38,959,948</b>

The fair value of the positions in the LGIP is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

### *Concentration of Credit Risk*

The Agency does not have an investment policy regarding the concentration of credit risk.

### *Interest Rate Risk*

The Agency's investment policy does not address interest rate risk, but at June 30, the Agency only had investments with LGIP.

The Agency's deposits and investments consist of the following at June 30:

Deposits and investments	
Deposits	\$ 6,966,232
Investments	38,959,948
	<b>\$ 45,926,180</b>
Statement of net position	
Cash and cash equivalents	\$ 45,482,280
Cash and cash equivalents, restricted for clients or employees	443,900
	<b>\$ 45,926,180</b>

The Agency reports as restricted cash those funds held on behalf of clients or employees. Such amounts are not available to be used for the Agency's operations.

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

### Note 3 – Accounts Receivable

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	\$ 1,810,389
Direct client	1,029,970
Third-party insurers and other	904,883
	3,745,242
Allowance for uncollectible accounts	(1,156,605)
	<b>\$ 2,588,637</b>

### Note 4 – Due from Other Governments

Amounts due from other governments for the reimbursement of expenditures and services provided under various programs and grants consist of the following:

County of Pulaski	\$ 64,350
City of Radford	35,609
Commonwealth of Virginia	193,196
Federal Government	2,058,062
	<b>\$ 2,351,217</b>

### Note 5 – Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable				
Land	\$ 1,307,514	\$ -	\$ -	\$ 1,307,514
Construction in progress	229,759	95,956	(229,759)	95,956
Capital assets, nondepreciable	1,537,273	95,956	(229,759)	1,403,470
Capital assets, depreciable				
Building and improvements	12,904,227	140,096	-	13,044,323
Furniture and equipment	2,119,678	921,987	(678,014)	2,363,651
Vehicles	5,811,103	866,391	(610,060)	6,067,434
Capital assets, depreciable	20,835,008	1,928,474	(1,288,074)	21,475,408
Less accumulated depreciation	(10,344,174)	(1,219,271)	1,039,469	(10,523,976)
Capital assets, depreciable, net	10,490,834	709,203	(248,605)	10,951,432
Capital assets, net	12,028,107	805,159	(478,364)	12,354,902
Lease assets				
Buildings and equipment	10,977,203	576,507	-	11,553,710
Less accumulated amortization	(5,475,994)	(1,273,194)	-	(6,749,188)
Total lease assets being amortized, net	5,501,209	(696,687)	-	4,804,522
Subscription right-to-use assets	5,547,610	710,428	-	6,258,038
Less accumulated amortization	(1,420,476)	(1,020,479)	-	(2,440,955)
Total subscription assets, net	4,127,134	(310,051)	-	3,817,083
Total capital assets, net	<b>\$ 21,656,450</b>	<b>\$ (201,579)</b>	<b>\$ (478,364)</b>	<b>\$ 20,976,507</b>

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

### *Intangible Right-to-Use Lease and SBITA Assets*

Implemented under the guidance in GASB **Statement No. 87, Leases**, the Agency recognized the value of buildings leased for various Agency services. Included in one of the building leases is a separate equipment lease. Intangible assets also include subscription right-to-use assets recorded under GASB **Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs)**, net of accumulated amortization.

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### **Note 6 – Long-Term Liabilities**

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The following is a summary of changes in long-term liabilities:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Notes from direct borrowings	\$ 3,517,325	\$ -	\$ (45,417)	\$ 3,471,908	\$ 48,483
Lease liabilities	6,188,682	576,507	(1,278,964)	5,486,225	1,292,872
Financed purchases	162,391	921,987	(162,391)	921,987	184,397
Subscription liabilities	2,895,925	671,353	(839,001)	2,728,277	870,333
Compensated absences *	2,821,632	926,325	-	3,747,957	2,810,968
	<b>\$ 15,585,955</b>	<b>\$ 3,096,172</b>	<b>\$ (2,325,773)</b>	<b>\$ 16,356,354</b>	<b>\$ 5,207,053</b>

\* The change in compensated absences above is a net change for the year.

Annual debt service requirements are as follows:

	<b>Notes from Direct Borrowings</b>	
	<b>Principal</b>	<b>Interest</b>
2026	\$ 48,483	\$ 225,972
2027	51,756	222,699
2028	55,249	219,205
2029	58,979	215,476
2030	62,960	211,495
2031-2035	384,585	987,687
2036-2040	533,134	839,138
2041-2045	739,063	633,209
2046-2050	1,024,533	347,739
2051-2052	513,166	35,743
	<b>\$ 3,471,908</b>	<b>\$ 3,938,363</b>

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

The future payments under financed, lease and subscription agreements are as follows:

Fiscal Year	Financed Purchase		Subscription Liabilities		Lease Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 184,397	\$ -	\$ 870,333	\$ 91,976	\$ 1,292,872	\$ 177,596
2027	184,398	-	901,396	60,913	1,369,309	134,998
2028	184,397	-	361,111	29,403	1,405,387	89,901
2029	184,398	-	252,542	17,637	1,418,657	44,156
2030	184,397	-	261,630	8,548	-	-
2031	-	-	81,265	764	-	-
	<b><u>\$ 921,987</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,728,277</u></b>	<b><u>\$ 209,241</u></b>	<b><u>\$ 5,486,225</u></b>	<b><u>\$ 446,651</u></b>

Details of financed purchases payable are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Due
Network equipment	0.00%	July 1, 2024	July 1, 2029	<b><u>\$ 921,987</u></b>	<b><u>\$ 921,987</u></b>

Financed assets acquired through financed purchases are as follows:

	Amount	Less Accumulated Depreciation	Net Financing Assets
Network equipment	<b><u>\$ 921,987</u></b>	<b><u>\$ 169,031</u></b>	<b><u>\$ 752,956</u></b>

### Note 7 – Unearned Revenue

Unearned revenue consists of the following grants restricted as to purpose or time:

State grants	\$ 31,571,385
Federal grants	104,171
Other grants	24,900
	<b><u>\$ 31,700,456</u></b>

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

### Note 8 – Leases and SBITAs

#### *Lease Liabilities*

A summary of significant leases are as follows:

Lease Description	Term	Asset Class	Interest Rate	Balance
401 West Main Street, Radford, VA	07/01/2017- 06/30/2029	Building	3.20%	\$ 1,984,019
1044 East Main Street, Pulaski, VA	07/01/2022- 06/30/2029	Building	3.20	149,825
210 Broad Street, Dublin, Va	07/01/2020- 06/30/2029	Building	3.20	623,213
824 W Main Street, Radford, VA and BGB equipment	10/01/2019- 06/30/2029	Building	3.20	1,186,472
6829 Tara Lane, Radford, VA	07/01/2022- 06/30/2027	Equipment	3.20	114,834
Two B and C Corporate Dr., Radford, VA	06/01/2020- 06/30/2029	Building	3.20	325,588
260 Webb's Mill Road, Floyd, VA	07/01/2019- 06/30/2029	Building	3.20	145,742
705 Wenonah Avenue, Pearisburg, VA	07/01/2022- 06/30/2029	Building	3.20	168,252
315-327 North Washington Street, Pulaski, VA	07/01/2017- 06/30/2027	Building	3.20	373,649
IT Data Servers	01/01/2024- 12/31/2028	Equipment	4.21	414,631
				<u><u>\$ 5,486,225</u></u>

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

### *SBITA Liabilities*

A summary of significant SBITAs are as follows:

<u>SBITA Description</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Balance</u>
Oracle Fusion Cloud Software	11/11/2022- 11/10/2030	3.549%	\$ 1,012,544
Credible Behavioral Health	07/01/2022- 06/30/2027	3.549	821,876
Relias Training	07/01/2022- 06/30/2027	3.549	187,164
Open Text	07/01/2022- 06/30/2027	3.549	77,618
APEX	07/01/2022- 06/30/2028	3.549	130,155
MS Office 365	07/01/2022- 06/30/2028	3.549	209,830
Vulog	05/01/2025- 12/31/2030	3.549	289,090
			<u>\$ 2,728,277</u>

### *Short-Term Leases*

The Agency leases equipment under terms which are less than a year. Rental expense related to these short-term leases for 2025 totaled \$3,537.

MES leases office space and other facilities to the Agency. All such rentals are intercompany agreements and, as such, activity is eliminated in consolidation. Such leases are not required to be reflected as liabilities under GASB No. 87 due to their inter entity nature.

## **Note 9 – Defined Benefit Pension Plan**

### *Plan Description*

All full-time, salaried permanent employees of the New River Community Services, (the “Political Subdivision”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer cost-sharing is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

### *Employees Covered by Benefit Terms*

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	100
Inactive members	
Vested inactive members	196
Non-vested inactive members	628
LTD	2
Inactive members active elsewhere in VRS	218
Total inactive members	<u>1,044</u>
Active members	<u>617</u>
Total covered employees	<u><u>1,761</u></u>

### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to Political Subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Political Subdivision's contractually required contribution rate for the year ended June 30, 2025 was 0.97% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Political Subdivision were \$370,630 and \$232,343 for the years ended June 30, 2025 and 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$248,404 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$222,243 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$24,841,423 for the year ended June 30, 2025.

### *Net Pension Asset*

The net pension asset is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Political Subdivisions, the net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023 rolled forward to the measurement date of June 30, 2024.

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

### *Actuarial Assumptions*

The total pension liability for General Employees in the Political Subdivision’s Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table and a Modified MP-2020 Improvement Scale with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates to better fit experience; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

### *Long-Term Expected Rate of Return*

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00	5.40	0.86
Credit Strategies	16.00	8.10	1.30
Real Assets	15.00	7.20	1.08
Private Equity	15.00	8.70	1.31
PIP – Private Investment Partnership	1.00	8.00	0.08
Diversifying Strategies	6.00	5.80	0.35
Cash	2.00	3.00	0.06
Leverage	(3.00)	3.50	(0.11)
Total	100.00%		7.07%
*Expected arithmetic nominal return			<b>7.07%</b>

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

\* The above allocation provides for a one-year return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

### Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

### Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2023	\$ 51,556,836	\$ 66,124,663	\$ (14,567,827)
Changes for the year			
Service cost	2,172,140	-	2,172,140
Interest	3,564,318	-	3,564,318
Differences between expected and actual experience	4,557,317	-	4,557,317
Contributions – employer	-	232,343	(232,343)
Contributions – employee	-	1,552,915	(1,552,915)
Net investment income	-	6,448,794	(6,448,794)
Benefit payments, including refunds of employee contributions	(1,848,523)	(1,848,523)	-
Administrative expenses	-	(40,404)	40,404
Other changes	-	1,432	(1,432)
Net changes	8,445,252	6,346,557	2,098,695
Balances at June 30, 2024	<u>\$ 60,002,088</u>	<u>\$ 72,471,220</u>	<u>\$ (12,469,132)</u>

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

### *Sensitivity of the Net Pension Asset to Changes in the Discount Rate*

The following presents the net pension asset of the Political Subdivision using the discount rate of 6.75%, as well as what the political subdivision's net pension asset would be if it was calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
Political Subdivision's net pension liability (asset)	\$ (3,129,677)	\$ (12,469,132)	\$ (19,576,687)

### *Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2025, the Political Subdivision recognized pension benefit of \$358,735. At June 30, 2025, the Political Subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,784,042	\$ 574,194
Net difference between projected and actual earnings on pension plan investments	-	1,818,348
Employer contributions subsequent to the measurement date	370,630	-
Total	\$ 3,154,672	\$ 2,392,542

The \$370,630 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Effect on Pension Expense</b>
2026	\$ (339,538)
2027	1,499,397
2028	(370,594)
2029	(397,765)
2030	-
Thereafter	-

### *Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at [varetire.org/media/shared/pdf/publications/2024-annual-report.pdf](http://varetire.org/media/shared/pdf/publications/2024-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

### *Payables to the Pension Plan*

At June 30, 2025, approximately \$396,343 was payable to the Virginia Retirement System for the legally required contributions related to June 2025 payroll.

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### **Note 10 – Net Client Service Revenue**

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Net client revenue arose from the following sources, net of adjustments and write-offs:

Medicaid	\$	33,578,921
Direct client fees		1,764,368
Third-party and other		3,032,238
	<b>\$</b>	<b>38,375,527</b>

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### **Note 11 – Contributions from Participating Local Governments**

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Contributions from participating local governments were as follows:

County of Montgomery	\$	326,124
County of Pulaski		211,803
County of Floyd		52,000
County of Giles		85,152
City of Radford		142,436
	<b>\$</b>	<b>817,515</b>

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### **Note 12 – Other Income**

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Other income arose from the following sources:

Donations	\$	76,155
Non-fee contract revenues		2,461,306
Administrative and other fees		1,395,597
In-kind revenues		187,185
Other revenues		240,157
	<b>\$</b>	<b>4,360,400</b>

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### **Note 13 – Commitments and Contingencies**

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Certain state and federal grants and programs are subject to audit to determine compliance with their requirements. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The Agency has a \$3,000,000 bank line of credit that bears interest at daily simple SOFR plus 1.95% (4.45% at June 30, 2025) and matures on December 17, 2025. At June 30, 2025, there were no amounts outstanding. The line of credit is secured by receivables, equipment, and fixtures.

# New River Valley Community Services

## Notes to Financial Statements

June 30, 2025

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### Note 14 – Risk Management

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The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; the health of and injuries to employees; and natural disasters. The Agency participates in the Virginia Association of Counties Group Self Insurance Risk Pool for various liability coverages, which have up to \$3,000,000 in coverage limits. The Agency also participates in the Virginia Association of Counties Risk Pool for workers compensation coverage.

There are no surety bonds for directors. The Agency assumes risks related to co-insurance, policy deductibles, and claims, which exceed insurance coverage. There have been no settlements that have exceeded the insurance coverage in the last three years and there has been no reduction in the amount of insurance coverage from the prior year.

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### Note 15 – New Accounting Standards

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In April 2024, the GASB issued **Statement No. 103**, *Financial Reporting Model Improvements*. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

In September 2024, the GASB issued **Statement No. 104**, *Disclosure of Certain Capital Assets*. This statement requires certain information regarding capital assets to be presented by major class. Certain types of capital assets are to be disclosed separately in the capital assets note disclosures required by Statement No. 34. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.



# **Required Supplementary Information**

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**New River Valley Community Services**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**  
**June 30, 2025**

	Plan Year		
	2024	2023	2022
<b>Total Pension Liability</b>			
Service cost	\$ 2,172,140	\$ 1,911,899	\$ 1,858,045
Interest on total pension liability	3,564,318	3,455,146	3,204,079
Changes of assumptions	-	-	-
Difference between expected and actual experience	4,557,317	(2,288,204)	133,567
Benefit payments, including refunds of employee contributions	(1,848,523)	(1,594,901)	(1,465,177)
Net change in total pension liability	8,445,252	1,483,940	3,730,514
<b>Total pension liability – beginning</b>	51,556,836	50,072,896	46,342,382
<b>Total pension liability – ending</b>	60,002,088	51,556,836	50,072,896
<b>Plan Fiduciary Net Position</b>			
Contributions – employer	232,343	215,122	361,090
Contributions – employee	1,552,915	1,278,733	1,223,235
Net investment income (loss)	6,448,794	4,058,318	(93,725)
Benefit payments, including refunds of employee contributions	(1,848,523)	(1,594,901)	(1,465,177)
Administrative expenses	(40,404)	(39,614)	(38,234)
Other	1,432	1,637	1,460
Net change in plan fiduciary net position	6,346,557	3,919,295	(11,351)
<b>Plan fiduciary net position – beginning</b>	66,124,663	62,205,368	62,216,719
<b>Plan fiduciary net position – ending</b>	72,471,220	66,124,663	62,205,368
<b>Net pension liability (asset) – ending</b>	<b>\$ (12,469,132)</b>	<b>\$ (14,567,827)</b>	<b>\$ (12,132,472)</b>
Plan fiduciary net position as a percentage of total pension liability	<b>121%</b>	<b>128%</b>	<b>124%</b>
Covered employee payroll	<b>\$ 34,391,609</b>	<b>\$ 29,404,274</b>	<b>\$ 27,640,349</b>
Net pension liability as a percentage of covered employee payroll	<b>-36%</b>	<b>-50%</b>	<b>-44%</b>

The plan years above are reported in the Agency’s financial statements in the fiscal year following the plan year – i.e., plan year 2015 information was presented in the Agency’s fiscal year 2016 financial report.

The Notes to Required Supplementary Information are an integral part of this schedule.

		Plan Year					
2021	2020	2019	2018	2017	2016	2015	
\$ 1,935,657	\$ 1,945,336	\$ 1,793,146	\$ 1,837,026	\$ 2,027,024	\$ 1,902,687	\$ 1,889,027	
2,877,678	2,671,472	2,446,128	2,301,761	2,100,510	1,954,418	1,824,535	
725,754	-	1,452,417	-	(916,999)	-	-	
(1,138,625)	(227,410)	178,464	(897,969)	725,893	(851,039)	(1,073,151)	
(1,380,703)	(1,288,270)	(1,186,697)	(1,170,167)	(952,654)	(885,427)	(684,438)	
3,019,761	3,101,128	4,683,458	2,070,651	2,983,774	2,120,639	1,955,973	
43,322,621	40,221,493	35,538,035	33,467,384	30,483,610	28,362,971	26,406,998	
46,342,382	43,322,621	40,221,493	35,538,035	33,467,384	30,483,610	28,362,971	
365,392	1,644,213	1,604,076	1,555,849	1,633,677	1,549,146	1,455,297	
1,202,720	1,209,657	1,160,737	1,126,699	1,175,124	1,117,074	1,046,612	
13,424,443	875,508	2,891,750	2,817,760	4,003,875	569,942	1,254,213	
(1,380,703)	(1,288,270)	(1,186,697)	(1,170,167)	(952,654)	(885,427)	(684,438)	
(32,309)	(28,372)	(25,948)	(22,513)	(20,841)	(16,907)	(15,099)	
1,277	(1,096)	(1,844)	(2,593)	(3,663)	(229)	(270)	
13,580,820	2,411,640	4,442,074	4,305,035	5,835,518	2,333,599	3,056,315	
48,635,899	46,224,259	41,782,185	37,477,150	31,641,632	29,308,033	26,251,718	
62,216,719	48,635,899	46,224,259	41,782,185	37,477,150	31,641,632	29,308,033	
<b>\$ (15,874,337)</b>	<b>\$ (5,313,278)</b>	<b>\$ (6,002,766)</b>	<b>\$ (6,244,150)</b>	<b>\$ (4,009,766)</b>	<b>\$ (1,158,022)</b>	<b>\$ (945,062)</b>	
<b>134%</b>	<b>112%</b>	<b>115%</b>	<b>118%</b>	<b>112%</b>	<b>104%</b>	<b>103%</b>	
<b>\$ 26,759,803</b>	<b>\$ 27,189,394</b>	<b>\$ 26,642,992</b>	<b>\$ 24,432,305</b>	<b>\$ 25,209,972</b>	<b>\$ 23,074,155</b>	<b>\$ 20,609,503</b>	
<b>-59%</b>	<b>-20%</b>	<b>-23%</b>	<b>-26%</b>	<b>-16%</b>	<b>-5%</b>	<b>-5%</b>	

# New River Valley Community Services

## Required Supplementary Information

### Schedule of Pension Contributions

June 30, 2025

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 370,630	\$ 370,630	\$ -	\$ 38,209,307	0.97 %
2024	232,343	232,343	-	34,391,609	0.68
2023	215,204	215,204	-	29,404,274	0.73
2022	361,090	361,090	-	27,640,349	1.31
2021	365,392	365,392	-	26,759,803	1.37
2020	1,644,213	1,644,213	-	27,189,394	6.05
2019	1,604,076	1,604,076	-	26,642,992	6.02
2018	1,555,849	1,555,849	-	24,432,305	6.37
2017	1,633,677	1,633,677	-	25,209,972	6.48
2016	1,646,616	1,646,616	-	23,074,155	7.14

**New River Valley Community Services**  
**Notes to Required Supplementary Information**  
June 30, 2025

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**Note 1 – Changes of Benefit Terms**

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*Pension*

There have been no actuarially material changes to the Virginia Retirement System (the “System”) benefit provisions since the prior actuarial valuation.

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**Note 2 – Changes of Assumptions**

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The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.



# **Other Supplementary Information**

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# New River Valley Community Services

## Combining Statement of Net Position

June 30, 2025

	New River Valley Community Services	Mountain Empire Services	Inter- Company Eliminations	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 44,204,464	\$ 1,277,816	\$ -	\$ 45,482,280
Accounts receivable, net	2,583,722	4,915	-	2,588,637
Due from other governments	2,351,217	-	-	2,351,217
Lease receivable	104,894	-	-	104,894
Other receivables	12,785	-	(9,781)	3,004
Prepaid expenses and other	40,024	1,046	-	41,070
Cash and cash equivalents, restricted for clients or employees	443,900	-	-	443,900
Total current assets	<u>49,741,006</u>	<u>1,283,777</u>	<u>(9,781)</u>	<u>51,015,002</u>
<b>NONCURRENT ASSETS</b>				
Net pension asset	12,469,132	-	-	12,469,132
Capital assets, net	15,473,843	5,502,664	-	20,976,507
Total noncurrent assets	<u>27,942,975</u>	<u>5,502,664</u>	<u>-</u>	<u>33,445,639</u>
Total assets	<u>77,683,981</u>	<u>6,786,441</u>	<u>(9,781)</u>	<u>84,460,641</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension-related deferred outflows	3,154,672	-	-	3,154,672
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	926,846	-	-	926,846
Accrued payroll and related liabilities	3,414,873	-	-	3,414,873
Accrued interest	46,205	17,262	-	63,467
Unearned revenue	31,700,456	-	-	31,700,456
Amounts held for clients, payable from restricted assets	418,598	-	-	418,598
Due to related party	-	9,781	(9,781)	-
Other current liabilities	50	1,811	-	1,861
Noncurrent liabilities due within one year	5,158,570	48,483	-	5,207,053
Total current liabilities	<u>41,665,598</u>	<u>77,337</u>	<u>(9,781)</u>	<u>41,733,154</u>
<b>NONCURRENT LIABILITIES</b>				
Other noncurrent liabilities due more than one year	7,725,876	3,423,425	-	11,149,301
Total liabilities	<u>49,391,474</u>	<u>3,500,762</u>	<u>(9,781)</u>	<u>52,882,455</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension-related deferred inflows	2,392,542	-	-	2,392,542
Deferral inflow lease rents	104,894	-	-	104,894
Total deferred inflows of resources	<u>2,497,436</u>	<u>-</u>	<u>-</u>	<u>2,497,436</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,337,355	2,030,756	-	8,368,111
Restricted – net pension asset	12,469,132	-	-	12,469,132
Unrestricted	10,143,256	1,254,923	-	11,398,179
Total net position	<u>\$ 28,949,743</u>	<u>\$ 3,285,679</u>	<u>\$ -</u>	<u>\$ 32,235,422</u>

# New River Valley Community Services

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Position Year Ended June 30, 2025

	New River Valley Community Services	Mountain Empire Services	Inter- Company Eliminations	Total
OPERATING REVENUES				
Net client service revenue	\$ 38,375,527	\$ -	\$ -	\$ 38,375,527
OPERATING EXPENSES				
Salaries and benefits	54,371,507	-	-	54,371,507
Staff development and recruitment	253,461	-	-	253,461
Facility	1,847,930	68,332	-	1,916,262
Supplies	2,575,629	3,063	-	2,578,692
Travel	976,360	-	-	976,360
Contractual and professional services	11,550,567	41,848	-	11,592,415
Leases	718,299	-	(712,049)	6,250
Insurance	218,852	14,702	-	233,554
Depreciation and amortization	3,299,392	213,552	-	3,512,944
Other	1,307,270	-	-	1,307,270
Total operating expenses	<u>77,119,267</u>	<u>341,497</u>	<u>(712,049)</u>	<u>76,748,715</u>
Operating loss	<u>(38,743,740)</u>	<u>(341,497)</u>	<u>712,049</u>	<u>(38,373,188)</u>
NONOPERATING REVENUES (EXPENSES)				
Commonwealth of Virginia grants	25,971,819	-	-	25,971,819
Federal grants	4,954,231	-	-	4,954,231
Contributions from participating local governments	817,515	-	-	817,515
Interest income	1,314,764	-	-	1,314,764
Interest expense	(312,405)	(240,751)	-	(553,156)
Other income	4,357,666	2,734	-	4,360,400
Rental income	-	722,857	(712,049)	10,808
Gain on sale of capital assets	55,910	-	-	55,910
Net nonoperating revenues	<u>37,159,500</u>	<u>484,840</u>	<u>(712,049)</u>	<u>36,932,291</u>
Change in net position	<u>(1,584,240)</u>	<u>143,343</u>	<u>-</u>	<u>(1,440,897)</u>
NET POSITION, at July 1	<u>30,533,983</u>	<u>3,142,336</u>	<u>-</u>	<u>33,676,319</u>
NET POSITION, at June 30	<u><u>\$ 28,949,743</u></u>	<u><u>\$ 3,285,679</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32,235,422</u></u>

# New River Valley Community Services

## Combining Statement of Cash Flows

Year Ended June 30, 2025

	New River Valley Community Services	Mountain Empire Services	Inter- Company Eliminations	Total
<b>OPERATING ACTIVITIES</b>				
Receipts from clients, private insurers, Medicaid, and others	\$ 39,137,048	\$ -	\$ -	\$ 39,137,048
Payments to suppliers	(19,973,838)	(136,912)	712,049	(19,398,701)
Payments to employees	(53,681,100)	-	-	(53,681,100)
Other payments	(131,868)	(4,915)	-	(136,783)
Net cash used in operating activities	<u>(34,649,758)</u>	<u>(141,827)</u>	<u>712,049</u>	<u>(34,079,536)</u>
<b>NON-CAPITAL FINANCING ACTIVITIES</b>				
Contributions from local, state, and federal governments	38,979,380	-	-	38,979,380
Other receipts	4,357,666	9,543	-	4,367,209
Net cash provided by non-capital financing activities	<u>43,337,046</u>	<u>9,543</u>	<u>-</u>	<u>43,346,589</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(911,759)	-	-	(911,759)
Proceeds from the sale of capital assets	304,515	-	-	304,515
Principal paid on debt	(2,280,356)	(45,417)	-	(2,325,773)
Interest paid on debt	(277,255)	(242,706)	-	(519,961)
Net cash used in capital and related financing activities	<u>(3,164,855)</u>	<u>(288,123)</u>	<u>-</u>	<u>(3,452,978)</u>
<b>INVESTING ACTIVITIES</b>				
Rent received	-	722,857	(712,049)	10,808
Interest income	1,314,764	-	-	1,314,764
Net cash provided by investing activities	<u>1,314,764</u>	<u>722,857</u>	<u>(712,049)</u>	<u>1,325,572</u>
Net increase in cash and cash equivalents	6,837,197	302,450	-	7,139,647
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning at July 1	37,811,167	975,366	-	38,786,533
Ending at June 30	<u>\$ 44,648,364</u>	<u>\$ 1,277,816</u>	<u>\$ -</u>	<u>\$ 45,926,180</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>				
Cash and cash equivalents	\$ 44,204,464	\$ 1,277,816	\$ -	\$ 45,482,280
Cash and cash equivalents, restricted for clients	443,900	-	-	443,900
	<u>\$ 44,648,364</u>	<u>\$ 1,277,816</u>	<u>\$ -</u>	<u>\$ 45,926,180</u>

# New River Valley Community Services

## Combining Statement of Cash Flows

Year Ended June 30, 2025

	New River Valley Community Services	Mountain Empire Services	Inter- Company Eliminations	Total
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>				
Operating loss	\$ (38,743,740)	\$ (341,497)	\$ 712,049	\$ (38,373,188)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization	3,299,392	213,552	-	3,512,944
Pension expense less pension contributions, net	(730,049)	-	-	(730,049)
(Increase) decrease in:				
Accounts receivable, net	761,521	(4,915)	-	756,606
Other receivables	(9,644)	-	-	(9,644)
Prepaid expenses and other	(4,576)	(1,046)	-	(5,622)
Increase (decrease) in:				
Accounts payable	(520,894)	(7,446)	-	(528,340)
Accrued payroll and related liabilities	494,131	-	-	494,131
Other current liabilities	50	(475)	-	(425)
Compensated absences	926,325	-	-	926,325
Amounts held for clients, payable from restricted assets	(122,274)	-	-	(122,274)
Net cash used in operating activities	<u><u>\$ (34,649,758)</u></u>	<u><u>\$ (141,827)</u></u>	<u><u>\$ 712,049</u></u>	<u><u>\$ (34,079,536)</u></u>
<b>SCHEDULE OF NON-CASH ACTIVITIES</b>				
Capital assets obtained through lease liabilities, subscription-based information technology agreements, and financed purchases	<u><u>\$ 2,208,922</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,208,922</u></u>



# Compliance Section



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

To the Board of Directors  
New River Valley Community Services  
Blacksburg, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of New River Valley Community Services (the “Agency”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements, and have issued our report thereon dated December 3, 2025.

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

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



## Report on Compliance and Other Matters

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency’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 Agency’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
December 3, 2025

# New River Valley Community Services

## Summary of Compliance Matters

Year Ended June 30, 2025

As more fully described in the 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*, we performed tests of the Agency's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

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### State Compliance Matters

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#### *Code of Virginia*

Cash and Investment Laws

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act