



Financial Report

June 30, 2025

Horizon Behavioral Health

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Introductory Section

Horizon Behavioral Health

Directory of Principal Officials

June 30, 2025

Board of Directors

Betty Brickhouse, Chair

Chris Faraldi, Vice-Chair

Mary Lou Spiggle, Treasurer

Jim Sikkema, Secretary

Sonya Baker

Robert Shiflett

Tom Lawton

Justin Stauder

Rob Merryman

Principal Management Team

Melissa LucyChief Executive Officer

Matthew Hartsook.....Chief Financial Officer

Theresa McCaskill Director of Talent Management

Sherri Walker-ThackerSr. Portfolio Director of Outpatient Services

Ryan Weaks.....Director of Communications, Community Engagement

Alva Harold.....Sr. Portfolio Director of Emergency Services

Juliana Frosch..... Medical Director



**2025
Board of Directors
representing
The City of Lynchburg, Counties of Amherst, Appomattox, Bedford and Campbell**





Financial Section

Independent Auditor's Report

To the Board of Directors
Horizon Behavioral Health
Lynchburg, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Horizon Behavioral Health (the "Board"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Board'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 Board, 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 Board 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 Board 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 Board'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 *Governmental 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 Board'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 Board'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 Board'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 Board's 2024 financial statements, and our report dated November 22, 2024 expressed an unmodified opinion on those financial statements. The 2024 financial information is provided for comparative purposes only. 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 November 25, 2025 on our consideration of the Board'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 Board'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 Board's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 25, 2025

Horizon Behavioral Health

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2025

The following Management's Discussion and Analysis (MD&A) of Horizon Behavioral Health's (Horizon) financial performance provides an overview of the Horizon financial activities for the fiscal year ended June 30, 2025.

Following this MD&A are Horizon's basic financial statements with the notes thereto which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes, there is certain required supplementary information regarding the required pension schedules. Please read this information in conjunction with the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

Horizon presents three basic financial statements for the purpose of analyzing the agency's financial position as of June 30, 2025. These are: (1) Statement of Net Position; (2) Statement of Revenues, Expenses, and Changes in Fund Net Position; and (3) Statement of Cash Flows.

Horizon's financial position is measured in terms of resources (assets) owned and obligations (liabilities) owed as of June 30, 2025. This information is reported on the Statement of Net Position which reflects Horizon's assets in relation to its debts to its suppliers, employees, and other creditors. The excess of assets over liabilities is indicated by the value of net position.

Information regarding the results of Horizon's operations during fiscal year 2025 is reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement shows how much overall net position increased during the year as a result of operations.

The Statement of Cash Flows discloses the flow of cash resources into and out of Horizon during fiscal year 2025 (from operations, contributions, and other sources) and how those funds were applied (for example: payment of expenses, repayment of debt, purchase of new property, etc.).

Horizon Behavioral Health

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2025

Financial Summary

Financial Position: A summary of Horizon's Statement of Net Position as of June 30, 2025 and June 30, 2024 is presented below:

Summary Statement of Net Position		
	2025	2024
Current assets	\$ 39,492,505	\$ 34,572,026
Capital assets	\$ 22,045,764	\$ 14,958,341
Other non-current assets	17,953,703	18,677,726
Total assets	\$ 79,491,972	\$ 68,208,093
Pension-related deferred outflows	1,789,379	159,393
Postemployment benefits deferred outflows	323,402	308,370
Total deferred outflows of resources	\$ 2,112,781	\$ 467,763
Current liabilities	12,288,161	12,611,491
Long term liabilities	7,606,725	8,522,276
Total liabilities	\$ 19,894,886	\$ 21,133,767
Pension-related deferred inflows	2,329,293	2,783,561
Postemployment benefits deferred inflows	376,335	491,520
Lease revenue deferred inflows	50,084	16,470
Total deferred inflows of resources	\$ 2,755,712	\$ 3,291,551
Net position		
Net investment in capital assets	12,546,286	6,710,592
Restricted - net pension asset	17,859,125	18,606,219
Unrestricted	28,548,744	18,933,727
Total net position	\$ 58,954,155	\$ 44,250,538

Horizon's total net position of \$58,954,155 as of June 30, 2025 increased by \$14,703,617 from the June 30, 2024 balance of \$44,250,538. During the same period Horizon's total liability balance decreased by \$1,238,881, from \$21,133,767 on June 30, 2024 to \$19,894,886 as of June 30, 2025. Most of the liability decrease was in long term liabilities. Growth in equity as long-term debt declines reflects Horizon management's decision to minimize the agency's reliance on debt to finance operations. Accordingly, our debt-to-equity ratio (total liabilities / total net position) was 0.3 as of June 30, 2025. This metric was 0.5 as of June 30, 2024. A debt-to-equity ratio at or below one (1) is an indicator of low financial risk.

Horizon's ability to cover current obligations is reflected by the current ratio (current assets / current liabilities). Horizon's current ratio was 3.2 as of June 30, 2025, meaning Horizon has sufficient current assets to cover short-term obligations (i.e., those coming due within one year) 3.2 times. This ratio was 2.7 as of June 30, 2024. The ability to cover current obligations 1.0 times is considered adequate.

Change in Net Position: A summary of Horizon's Statement of Revenues, Expenses, and Changes in Fund Net Position for fiscal years 2025 and 2024 is presented below:

Horizon Behavioral Health

Management’s Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2025

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

	2025	2024
Operating revenues	\$ 32,855,891	\$ 32,396,398
Operating expenses	44,893,099	40,975,606
Operating loss	(12,037,208)	(8,579,208)
Non-operating revenues - net	26,740,825	17,298,453
Change in net position	\$ 14,703,617	\$ 8,719,245

Operating revenues are the amount of revenue received from providing client services. Most of those revenues, approximately 93% in fiscal year 2025, were received from Medicaid (please see Note 11). During fiscal year 2025, operating revenue increased by 1.4%.

Operating expenses are the sum of direct and indirect costs of operating Horizon. These include salaries and benefits, occupancy, payments to contracting entities, depreciation, etc. Please see the full Statement of Revenues, Expenses, and Changes in Fund Net Position for a complete breakdown of these expenditures for fiscal years 2025 and 2024. During fiscal year 2025, operating expenses increased by 9.6% due primarily to higher salary and benefit costs driven by increased staffing, inflation, and higher year-over-year pension and other post-employment benefits expenses.

Net non-operating revenue is comprised of income received as appropriations or grants, miscellaneous income and is net of interest expense. Appropriations from federal and state sources amounted to 93% of net non-operating revenue for fiscal year 2025. Appropriations from local governments constituted 7% for fiscal year 2025. The remaining non-operating revenue consists of other income, interest income and expense. Net non-operating revenue for fiscal year 2025 was 54.6% higher than fiscal year 2024 due primarily to an increase in federal, state, and local grants to fund expanded programming, staff retention costs, and capital expenditures for the improvement of the property acquired for Horizon’s Crisis Receiving Center.

Net position increased by \$14,703,617 in fiscal year 2025 and by \$8,719,245 in fiscal year 2024.

Cash flows: A summary of Horizon’s Statement of Cash Flows for 2025 and 2024 is presented below.

Condensed Statement of Cash Flows

	2025	2024
Cash flows to operating activities	\$ (11,306,670)	\$ (11,946,016)
Cash flows from non-capital related financing activities	23,726,520	19,924,432
Cash flows to capital related financing activities	(7,496,452)	(2,739,961)
Cash flows from investing activities	96,745	72,860
Net cash increase	5,020,143	5,311,315
Cash and cash equivalents, beginning of year	29,089,107	23,777,792
Cash and cash equivalents, end of year	\$ 34,109,250	\$ 29,089,107

Cash flows to operating activities reconcile the operating loss recorded on the Statement of Revenues, Expenses, and Changes in Fund Net Position to cash used in operating activities. In this process, the operating loss is adjusted by the amount of any non-cash transactions (depreciation, pension expense, and other postemployment benefit expense) as well as changes in assets and liabilities. (Please see the full Statement of Cash Flows for a full listing of these transactions).

Cash flows from non-capital transactions are comprised of income received as appropriations or grants (please see Statement of Revenues, Expenses, and Changes in Fund Net Position discussion above). Cash flows to capital activities are comprised of the acquisition of capital assets as well as principal payments on mortgages and loans payable (please see Notes 5, 6 and 7). Cash flows from investing activities are comprised of interest income.

There was a net increase in cash and cash equivalents of \$5,020,143 during fiscal year 2025 and a net increase of \$5,311,315 in fiscal year 2024. The 2025 net increase is directionally consistent with 2024.

Horizon Behavioral Health

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2025

Capital Assets and Debt Administration

Capital Assets

On June 30, 2025, Horizon had \$22,045,764 in Net Capital Assets. This is comprised of \$33,246,264 in capital assets less \$11,200,500 in accumulated depreciation and amortization (please see Note 5). Of the total capital assets, buildings and improvements constitute 48%, building leases constitute 3%, furniture and equipment constitute 5%, subscription right-to-use assets constitute 4%, vehicles constitute 5%, and land and construction in progress constitute 35%.

Long Term Debt

Long term liabilities excluding postemployment benefits as of June 30, 2025 were \$9,352,487 (please see Note 7). This is a net decrease of \$525,269 compared to June 30, 2024. Horizon's line of credit had a \$0 balance at both June 30, 2025 and June 30, 2024.

Financial Highlights

Based on operating results achieved, Horizon's net position increased by \$14,703,617 during the fiscal year ended June 30, 2025.

Horizon had total expenses of \$45,207,749 in fiscal year 2025 compared with \$41,311,768 the previous year, an increase of \$3,895,981 or 9.4%. These figures included interest expense on mortgages and capital leases of \$314,650 and \$336,162 in 2025 and 2024, respectively. The increase during fiscal year 2025 was due primarily to increased salary and benefit costs from increased staffing, personnel cost inflation, and higher year-over-year pension and other post-employment benefits expenses.

Horizon had net client service revenues of \$32,855,891 in fiscal year 2025 compared with \$32,396,398 for the previous year. This represents an increase of \$459,493 or 1.4% due to the impact of increased staffing in programs that provide billable services.

Horizon had net revenues from local, state, and federal appropriations/grants of \$26,563,430 in fiscal year 2025 compared with \$17,071,416 in fiscal year 2024. The increase of \$9,492,014, or 55.6%, is due to additional funding for expanded programming, personnel retention costs, and recognition of revenue associated with costs incurred for the renovation of property acquired for Horizon's Crisis Receiving Center.

During the fiscal year ended June 30, 2025, Horizon had total revenues of \$59,911,366 including all sources as compared with \$50,031,013 the previous year, an increase of \$9,880,353 or 19.7% in total revenue. The increase is driven by increases in net client service revenues and local, state, and federal appropriations/grants as explained above.

During the year ended June 30, 2025, total expenses were \$14,703,617 lower than the aggregate of operating and non-operating revenues. The previous year, expenses were \$8,719,245 lower than operating and non-operating revenues.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Matt Hartsook, Chief Financial Officer, Horizon Behavioral Health, 2215 Langhorne Road, Lynchburg, Virginia 24501.



Basic Financial Statements

Horizon Behavioral Health

Statement of Net Position

June 30, 2025

	2025	(For Comparative Purposes Only) 2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 34,014,672	\$ 29,017,600
Accounts receivable, net (Note 3)	2,246,361	2,189,665
Lease receivable	50,084	16,470
Due from other governments (Note 4)	2,726,553	3,078,596
Prepaid expenses and other	454,835	269,695
Total current assets	39,492,505	34,572,026
NONCURRENT ASSETS		
Cash and cash equivalents, restricted for permanent support housing (Note 2)	94,578	71,507
Net pension asset (Note 9)	17,859,125	18,606,219
Capital assets, net (Note 5)	22,045,764	14,958,341
Total noncurrent assets	39,999,467	33,636,067
Total assets	79,491,972	68,208,093
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 9)	1,789,379	159,393
Deferred outflows related to other postemployment benefits (Note 10)	323,402	308,370
Total deferred outflows of resources	2,112,781	467,763
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts payable	2,420,139	453,311
Accrued payroll and related liabilities	654,050	607,632
Due to other governments	435,452	80,032
Unearned revenue (Note 8)	5,956,228	8,957,938
Current portion of long-term liabilities (Note 7)	2,822,292	2,512,578
Total current liabilities	12,288,161	12,611,491
LONG-TERM LIABILITIES		
Net other postemployment benefit liability (Note 10)	1,076,530	1,157,098
Due in more than one year (Note 7)	6,530,195	7,365,178
Total long-term liabilities	7,606,725	8,522,276
Total liabilities	19,894,886	21,133,767
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 9)	2,329,293	2,783,561
Deferred inflows related to other postemployment benefits (Note 10)	376,335	491,520
Deferred inflows related to leases	50,084	16,470
Total deferred inflows of resources	2,755,712	3,291,551

Horizon Behavioral Health

Statement of Net Position

June 30, 2025

	2025	(For Comparative Purposes Only) 2024
COMMITMENTS AND CONTINGENCIES (Note 13)	<u>-</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	12,546,286	6,710,592
Restricted – net pension asset	17,859,125	18,606,219
Unrestricted	28,548,744	18,933,727
Total net position	<u>\$ 58,954,155</u>	<u>\$ 44,250,538</u>

Horizon Behavioral Health

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

	2025	(For Comparative Purposes Only) 2024
OPERATING REVENUES		
Net client service revenue (Note 11)	\$ 32,855,891	\$ 32,396,398
OPERATING EXPENSES		
Salaries and benefits	35,658,397	32,173,988
Staff development and recruitment	359,000	392,717
Facility	1,969,837	1,854,505
Supplies	1,754,128	1,368,787
Travel	179,476	161,905
Contractual and professional services	2,741,436	2,860,252
Leases	25,295	62,727
Insurance	352,119	283,015
Depreciation and amortization	1,576,608	1,511,562
Other	276,803	306,148
Total operating expenses	44,893,099	40,975,606
Operating loss	(12,037,208)	(8,579,208)
NONOPERATING REVENUES (EXPENSES)		
Commonwealth of Virginia grants	16,770,141	10,133,510
Federal grants	8,036,359	5,743,376
Contributions from participating local governments (Note 12)	1,756,930	1,194,530
Interest income	96,745	72,860
Interest expense	(314,650)	(336,162)
Other income	164,800	224,932
Gain on insurance claim	70,592	45,217
Gain on sale of capital assets	159,908	220,190
Net nonoperating revenues	26,740,825	17,298,453
Change in net position	14,703,617	8,719,245
NET POSITION AT JULY 1	44,250,538	35,531,293
NET POSITION AT JUNE 30	\$ 58,954,155	\$ 44,250,538

Horizon Behavioral Health

Statement of Cash Flows

Year Ended June 30, 2025

	2025	(For Comparative Purposes Only) 2024
OPERATING ACTIVITIES		
Receipts from clients, private insurers, Medicaid, and others	\$ 33,506,658	\$ 30,809,074
Payments to suppliers	(7,944,729)	(7,184,403)
Payments to and for employees	(36,868,599)	(35,570,687)
Net cash used in operating activities	<u>(11,306,670)</u>	<u>(11,946,016)</u>
NON-CAPITAL FINANCING ACTIVITIES		
Contributions from local, state, and federal governments	23,561,720	19,701,550
Other receipts	164,800	222,882
Net cash provided by non-capital financing activities	<u>23,726,520</u>	<u>19,924,432</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(6,643,808)	(2,097,411)
Proceeds from the sale of capital assets	343,160	525,534
Proceeds from the issuance of debt	-	135,588
Principal paid on long-term liabilities	(881,154)	(967,510)
Interest paid on long-term liabilities	(314,650)	(336,162)
Net cash used in capital and related financing activities	<u>(7,496,452)</u>	<u>(2,739,961)</u>
INVESTING ACTIVITIES		
Interest received	96,745	72,860
Net cash provided by investing activities	<u>96,745</u>	<u>72,860</u>
Net increase in cash and cash equivalents	5,020,143	5,311,315
CASH AND CASH EQUIVALENTS		
Beginning at July 1	29,089,107	23,777,792
Ending at June 30	<u>\$ 34,109,250</u>	<u>\$ 29,089,107</u>
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 34,014,672	\$ 29,017,600
Cash and cash equivalents, restricted for permanent support housing	94,578	71,507
	<u>\$ 34,109,250</u>	<u>\$ 29,089,107</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (12,037,208)	\$ (8,579,208)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,576,608	1,511,562
Pension expense net of employer contributions	(1,337,160)	(2,993,236)
Other postemployment benefit expense net of employer contributions	(210,785)	(236,876)
Decrease (increase) in:		
Accounts receivable, net	(56,696)	(431,120)
Due from other governments	352,043	(1,198,951)
Prepaid expenses and other	(185,140)	109,559

Horizon Behavioral Health

Statement of Cash Flows

Year Ended June 30, 2025

	2025	(For Comparative Purposes Only) 2024
Increase (decrease) in:		
Accounts payable	(101,495)	(3,906)
Accrued payroll and related liabilities	46,418	(151,329)
Compensated absences	291,325	(15,258)
Due to other governments	355,420	42,747
Net cash used in operating activities	<u>\$ (11,306,670)</u>	<u>\$ (11,946,016)</u>
SCHEDULE OF NON-CASH ACTIVITIES		
Capital assets obtained through lease liabilities and accounts payable	<u>\$ 2,132,883</u>	<u>\$ 254,735</u>

Horizon Behavioral Health

Notes to Financial Statements

June 30, 2025

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

Horizon Behavioral Health (HBH) is a jointly governed entity that operates as an agent for the Counties of Amherst, Appomattox, Bedford, and Campbell, and the City of Lynchburg in the establishment and operation of community mental health disorders, developmental disabilities, and substance abuse programs 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, HBH provides treatment of community mental health disorders, developmental disabilities, and substance use disorders with a system of services that relate to, and are 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

Horizon Opportunities, Inc. (HOI) was established to hold title to certain real property on behalf of HBH. All real property owned by HOI is leased to HBH.

Although legally a separate entity, HOI is, in substance, part of HBH's operations, and shares some of the same Board of Directors as HBH. Financial information from this unit is combined with the financial statements of HBH as a blended component unit. HBH and this entity are collectively referred to herein as the "Board."

Measurement Focus and Basis of Accounting

The Board is a governmental health care entity and follows the accounting and reporting practices of the Governmental Accounting Standards Board. The Board'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 Board distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Board's principal ongoing operations. The principal operating revenues of the Board 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 Board. 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 Board'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 factors change. Key factors that affect this calculation for the Board are delays in collections from third parties, the need

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June 30, 2025

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.

Valuation of Receivables

Receivables are reported net of the estimated allowance for uncollectible accounts. Management estimates this allowance using historical collection data and the aging of accounts receivable.

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 Board 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 Board 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 Board does not pursue the collection of amounts determined to qualify for financial assistance, such amounts are not reported as revenue.

Capital Assets

Capital assets include property and equipment with an initial, individual cost of more than \$5,000 (\$2,500 for information systems equipment) 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.

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

Buildings and improvements	20 to 33 1/3 years
Furniture and equipment	3 to 10 years
Vehicles	5 years

Leased assets are amortized over the shorter of the lease term or useful life of the underlying asset.

Subscription assets are amortized over the shorter of the subscription term or useful life of the underlying capital IT asset.

Restricted Assets

The Board segregates funds held for permanent supportive housing.

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Notes to Financial Statements

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Unearned Revenue

Unearned revenue consists of amounts which have been received, 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 such expenses are not incurred, the funds may revert back to the grantor.

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 represent a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement that presents financial position reports a separate section for deferred inflows of resources. These items represent 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 Board has the following items that qualify for reporting as deferred inflows or outflows:

- Contributions subsequent to the measurement date for pensions and other postemployment benefits (OPEB) are always a deferred outflow; this will be applied to the net pension or OPEB liability (asset) in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the remaining service life of employees subject to the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportionate share between measurement dates on the OPEB liability. This difference will be recognized in OPEB expense over the remaining service life of the employees subject to the plan, and is reflected as a deferred inflow or outflow as appropriate.
- Changes in assumptions on OPEB investments. This difference will be recognized in OPEB 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 Board is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received 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.

Income Taxes

HOI is exempt from federal and state income tax under Section 501(c)(3) of the *Internal Revenue Code*. HBH is exempt from such taxes as a governmental entity. Accordingly, the accompanying financial statements do not reflect a provision for income taxes.

Horizon Behavioral Health

Notes to Financial Statements

June 30, 2025

Compensated Absences

Employees are entitled to certain compensated absences based upon length of employment. Effective January 1, 2015 a new sick leave policy was established in that unused sick leave balances may not be carried over into the next calendar year. Legacy employees are allowed to keep and carry over their previous sick leave balances earned prior to January 1, 2014. However, upon separation, legacy employees with five or more consecutive years of service shall be paid up to the lesser of \$2,500 or 25% of the sick leave balance. Other sick leave does not vest with the employee and is recorded as an expense when paid. Vacation and certain other compensated absences do vest with the employee. A provision for these vested compensated absences has been recorded in the financial statements. Because the timing of the use of the benefit is not estimable, all of the liability has been classified as current.

Restricted Net Position

At June 30, 2025, restricted net position consists of the Board's net pension asset. The balance of the asset is restricted for expected future pension payments.

Rental Income

HOI owns various properties which are leased to HBH. Rental income is recognized as earned. Intercompany activity is eliminated from the financial statements.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Board's Plans and the additions to/deductions from the Board's 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.

Subscription-Based Information Technology Arrangements

The Board has SBITAs for various software platforms for periods expiring between July 2025 and July 2026. The Board 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 7.

Leases

Key estimates and judgments include how the Board 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 Board uses an estimated incremental borrowing rate as the discount rate for lease.
- 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 Board 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.

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Notes to Financial Statements

June 30, 2025

Right-of-Use Lease Asset and Related Lease Liability

The Board is a lessee for noncancellable leases of buildings. The Board 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 Board 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.

The value of the right-to-use lease assets 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 7.

Change in Accounting Principle

During 2025, the Board 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 Board determined the cumulative effect on beginning net position was minimal and, therefore, no restatement of the prior year net position was necessary.

Note 2 – Deposits and Investments

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 Board 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 paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). Current Board policy is to automatically invest cash reserves on a daily basis through the use of repurchase agreements and in a money market mutual fund with the Board’s bank. All investments were held in a money market fund at June 30, 2025.

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Notes to Financial Statements

June 30, 2025

Concentration of Credit Risk

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

Interest Rate Risk

The Board's investment policy does not address interest rate risk, but at June 30, the Board had no investments other than a money market mutual fund.

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

Deposits and investments	
Cash on hand	\$ 600
Deposits	34,108,650
	<u>\$ 34,109,250</u>
Statement of net position	
Cash and cash equivalents	\$ 34,014,672
Cash and cash equivalents, restricted for permanent support housing	94,578
	<u>\$ 34,109,250</u>

Note 3 – Accounts Receivable

Accounts receivable consist of the following:

Virginia Department of Medical Assistance Services (Medicaid)	\$ 1,668,172
Direct client	2,699,826
Third-party insurers and other	400,525
	<u>4,768,523</u>
Allowance for uncollectible accounts	(2,522,162)
	<u>\$ 2,246,361</u>

Note 4 – Due From Other Governments

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

DMAS ICF – MR	\$ 512,028
Other programs	2,214,525
	<u>\$ 2,726,553</u>

Horizon Behavioral Health

Notes to Financial Statements

June 30, 2025

Note 5 – Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable				
Land	\$ 2,012,196	\$ -	\$ (10,000)	\$ 2,002,196
Construction in progress	1,304,257	8,450,165	(94,304)	9,660,118
Capital assets, nondepreciable	<u>3,316,453</u>	<u>8,450,165</u>	<u>(104,304)</u>	<u>11,662,314</u>
Capital assets, depreciable				
Building and improvements	16,223,861	223,065	(363,064)	16,083,862
Furniture and equipment	1,538,377	133,205	(22,028)	1,649,554
Vehicles	1,589,706	-	(59,503)	1,530,203
Capital assets, depreciable	<u>19,351,944</u>	<u>356,270</u>	<u>(444,595)</u>	<u>19,263,619</u>
Less accumulated depreciation	<u>(8,737,945)</u>	<u>(1,149,726)</u>	<u>341,935</u>	<u>(9,545,736)</u>
Capital assets, depreciable, net	<u>10,613,999</u>	<u>(793,456)</u>	<u>(102,660)</u>	<u>9,717,883</u>
Capital assets, net	<u>13,930,452</u>	<u>7,656,709</u>	<u>(206,964)</u>	<u>21,380,197</u>
Lease assets				
Buildings	812,693	64,560	-	877,253
Less accumulated amortization	<u>(365,754)</u>	<u>(133,066)</u>	<u>-</u>	<u>(498,820)</u>
Total lease assets being amortized, net	<u>446,939</u>	<u>(68,506)</u>	<u>-</u>	<u>378,433</u>
Subscription right-to-use assets	1,443,078	-	-	1,443,078
Less accumulated amortization	<u>(862,128)</u>	<u>(293,816)</u>	<u>-</u>	<u>(1,155,944)</u>
Total subscription assets, net	<u>580,950</u>	<u>(293,816)</u>	<u>-</u>	<u>287,134</u>
Total capital assets, net	<u>\$ 14,958,341</u>	<u>\$ 7,294,387</u>	<u>\$ (206,964)</u>	<u>\$ 22,045,764</u>

Note 6 – Line of Credit

The Board has a \$1,500,000 revolving bank line of credit which bears interest at a variable rate (7.50% at June 30, 2025). The line has no specified maturity date and is payable on demand. The line had no outstanding balance at June 30, 2025. The line of credit is secured by real property.

Note 7 – Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Notes payable from direct borrowings	\$ 7,124,030	\$ -	\$ (440,011)	\$ 6,684,019	\$ 463,618
Lease liabilities	486,237	64,560	(129,696)	421,101	136,974
Subscription liabilities	637,482	-	(311,447)	326,035	300,368
Compensated absences *	1,630,007	291,325	-	1,921,332	1,921,332
	<u>\$ 9,877,756</u>	<u>\$ 355,885</u>	<u>\$ (881,154)</u>	<u>\$ 9,352,487</u>	<u>\$ 2,822,292</u>

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

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Annual debt service requirements are as follows:

Fiscal Year	Principal	Interest
2026	\$ 463,618	\$ 246,029
2027	483,442	224,629
2028	501,226	208,556
2029	502,289	188,160
2030	509,089	168,857
2031-2035	2,744,460	537,411
2036-2040	1,302,784	117,459
2041-2042	177,111	4,975
	\$ 6,684,019	\$ 1,696,076

Details of notes payable from direct borrowings are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Due
Amherst Wellness Center Mortgage payable	3.50%	Jan. 2022	Jan. 2042	\$ 1,296,250	\$ 1,133,603
Powell-Pearson ICF mortgage payable	5.35	June 2018	June 2038	280,000	219,398
Bedford Wellness Center	4.75 ⁽²⁾	Aug. 2022	Aug. 2032	294,800	224,935
Timothy/Bethany Mortgage	3.85	Nov. 2020	Nov. 2040	1,282,500	1,069,566
Langhorne Mortgage	6.50	Nov. 2023	Nov. 2028	135,588	97,341
	3.65 ⁽¹⁾	July 2016	July 2036	6,100,000	3,939,176
					\$ 6,684,019

(1) The current rate of 3.65% at June 2025 is fixed for sixty months, and is then subject to adjustment thereon each five years. The next adjustment is scheduled for August 2026.

(2) The current rate of 4.75% at June 2025 is fixed for sixty months, and is then subject to adjustment thereon each five years. The next adjustment is scheduled for September 2027.

Notes payable from direct borrowings are secured by real estate or specific equipment.

Annual requirements for long-term lease and subscription liabilities are as follows:

	Leases		Subscriptions	
	Principal	Interest	Principal	Interest
2026	\$ 136,974	\$ 25,334	\$ 300,368	\$ 8,157
2027	150,225	15,707	25,667	92
2028	95,222	7,843	-	-
2029	38,680	1,235	-	-
	\$ 421,101	\$ 50,119	\$ 326,035	\$ 8,249

Short-Term Leases

The Board leases equipment, under terms which are less than a year. Rental expense related to these short-term leases for 2025 totaled \$24,658.

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HOI leases office space and other facilities to the Board. 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 8 – Unearned Revenues

Unearned revenues consist of the following:

Local grants	\$	26,516
Regional grants		577,421
State grants		5,073,980
Federal grants		278,311
	\$	<u>5,956,228</u>

Note 9 – Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of Horizon Behavioral Health, (the “Political Subdivision”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (“VRS” or 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/retirement-plans/defined-benefit/plan1/>
- <https://www.varetire.org/retirement-plans/defined-benefit/plan2/>
- <https://www.varetire.org/retirement-plans/hybrid/>

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>Members</u>
Inactive members or their beneficiaries currently receiving benefits	253
Inactive members	
Vested inactive members	264
Non-vested inactive members	605
Inactive members active elsewhere in VRS	220
Total inactive members	<u>1,089</u>
Active members	<u>460</u>
Total covered employees	<u><u>1,802</u></u>

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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 0.09% 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 \$24,245 and \$159,597 for the years ended June 30, 2025 and June 30, 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 \$163,933 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 \$145,078 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$15,147,836 for the year ended June 30, 2025.

Net Pension Liability (Asset)

The net pension liability (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 liability 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.

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.

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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 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

7.07%

* 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

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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 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 continue 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 Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2023	\$ 64,591,503	\$ 83,197,722	\$ (18,606,219)
Changes for the year			
Service cost	1,892,046	-	1,892,046
Interest	4,393,399	-	4,393,399
Differences between expected and actual experience	3,726,394	-	3,726,394
Contributions – employer	-	159,597	(159,597)
Contributions – employee	-	1,112,273	(1,112,273)
Net investment income	-	8,044,015	(8,044,015)
Benefit payments, including refunds of employee contributions	(2,792,300)	(2,792,300)	-
Administrative expenses	-	(52,761)	52,761
Other changes	-	1,621	(1,621)
Net changes	7,219,539	6,472,445	747,094
Balances at June 30, 2024	<u>\$ 71,811,042</u>	<u>\$ 89,670,167</u>	<u>\$ (17,859,125)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Political Subdivision using the discount rate of 6.75%, as well as what the Political Subdivision's net pension liability (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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability (asset)	<u>\$ (7,767,555)</u>	<u>\$ (17,859,125)</u>	<u>\$ (25,660,940)</u>

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Notes to Financial Statements

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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 \$1,312,711. At June 30, 2025, the Political Subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,765,134	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,329,293
Employer contributions subsequent to the measurement date	24,245	-
	<u>\$ 1,789,379</u>	<u>\$ 2,329,293</u>

The \$24,245 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:

Year Ending June 30,	Effect on Pension Expense
2026	\$ (249,402)
2027	639,365
2028	(457,881)
2029	(496,241)

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, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10 – Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Board also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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Notes to Financial Statements

June 30, 2025

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/benefits-and-programs/benefits/life-insurance/>.

The GLI plan is administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost-sharing plan.

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2023. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability, with the exception of GLI which was also combined with employee contributions. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2025 Contribution	\$123,478
June 30, 2024 Contribution	\$132,887

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2024 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2023 and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the net OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2025 proportionate share of liability	\$	1,076,530
June 30, 2024 proportion		0.09647%
June 30, 2023 proportion		0.09648%
June 30, 2025 benefit	\$	97,619

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

Horizon Behavioral Health

Notes to Financial Statements

June 30, 2025

At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 193,788	\$ 26,296
Change in assumptions	6,136	53,351
Net difference between projected and actual earnings on OPEB plan investments	-	90,740
Changes in proportion	-	205,948
Employer contributions subsequent to the measurement date	123,478	-
	\$ 323,402	\$ 376,335

The deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Year Ending June 30,	Effect on OPEB Expense
2026	\$ (139,854)
2027	(43,768)
2028	(39,126)
2029	5,641
2030	40,696

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2023, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.25%
• Ages 65 and older	6.50 – 4.25%
Investment rate of return, net of expenses, including inflation	GLI: 6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 9.

Horizon Behavioral Health

Notes to Financial Statements

June 30, 2025

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB liability	\$ 4,196,055
Plan fiduciary net position	3,080,133
Employers' net OPEB liability	1,115,922
Plan fiduciary net position as a percentage of total OPEB liability	73.41%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

Group Life Insurance

The long-term expected rate of return on VRS investments was determined using the method described in Note 9.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2024 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ 1,674,144	\$ 1,076,530	\$ 593,736

Horizon Behavioral Health

Notes to Financial Statements

June 30, 2025

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.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.

Note 11 – Net Client Service Revenue

Net client service revenue arose from the following sources, including adjustments and write-offs:

Medicaid	\$ 30,659,667
Direct client fees	720,019
Third-party and other	1,476,205
	<u>\$ 32,855,891</u>

Note 12 – Contributions from Participating Local Governments

Contributions from participating local governments were as follows:

County of Amherst	\$ 238,760
County of Appomattox	70,410
County of Bedford	189,910
County of Campbell	314,080
City of Lynchburg	943,770
	<u>\$ 1,756,930</u>

Note 13 – Commitments and Contingencies

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

The Board is also occasionally the subject of litigation in the course of conducting its business. The Board has recorded no provision for adverse outcomes of such matters as of June 30, 2025.

Note 14 – Risk Management

The Board 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 Board participates in the Virginia Association of Counties Group Self-Insurance Risk Pool for various liability coverages, which have up to \$5,000,000 in coverage limits. The Board participates in the Virginia Municipal League Risk Pool for workers compensation coverage.

There are no surety bonds for directors. The Board 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.

Horizon Behavioral Health

Notes to Financial Statements

June 30, 2025

Note 15 – New Accounting Standards

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

Horizon Behavioral Health
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2025

	Plan Year Ended June 30,			
	2024	2023	2022	2021
Total Pension Liability				
Service cost	\$ 1,892,046	\$ 1,762,737	\$ 1,874,834	\$ 1,987,178
Interest on total pension liability	4,393,399	4,358,553	4,172,351	3,745,616
Changes in assumptions	-	-	-	1,888,221
Difference between expected and actual experience	3,726,394	(3,093,125)	(618,269)	(756,708)
Benefit payments, including refunds of employee contributions	(2,792,300)	(2,490,172)	(2,626,349)	(2,207,954)
Net change in total pension liability	7,219,539	537,993	2,802,567	4,656,353
Total pension liability – beginning	64,591,503	64,053,510	61,250,943	56,594,590
Total pension liability – ending	71,811,042	64,591,503	64,053,510	61,250,943
Plan Fiduciary Net Position				
Contributions – employer	159,597	155,763	248,839	273,917
Contributions – employee	1,112,273	1,044,497	986,152	1,077,978
Net investment income (loss)	8,044,015	5,123,404	(72,371)	17,575,907
Benefit payments, including refunds of employee contributions	(2,792,300)	(2,490,172)	(2,626,349)	(2,207,954)
Administrative expenses	(52,761)	(50,951)	(50,474)	(43,358)
Other	1,621	2,059	1,866	1,661
Net change in plan fiduciary net position	6,472,445	3,784,600	(1,512,337)	16,678,151
Plan fiduciary net position – beginning	83,197,722	79,413,122	80,925,459	64,247,308
Plan fiduciary net position – ending	89,670,167	83,197,722	79,413,122	80,925,459
Net pension asset – ending	\$ (17,859,125)	\$ (18,606,219)	\$ (15,359,612)	\$ (19,674,516)
Plan fiduciary net position as a percentage of total pension liability	125%	129%	124%	132%
Covered payroll	\$ 24,764,633	\$ 22,723,269	\$ 21,641,978	\$ 23,703,782
Net pension liability as a percentage of covered payroll	-72%	-82%	-71%	-83%

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

Plan Year Ended June 30,					
2020	2019	2018	2017	2016	2015
\$ 2,077,098	\$ 2,212,712	\$ 2,316,788	\$ 2,478,052	\$ 2,505,241	\$ 2,504,039
3,573,567	3,363,012	3,209,593	3,118,283	2,944,753	2,717,081
-	1,850,559	-	(1,037,874)	-	-
(1,078,223)	(643,115)	(1,462,637)	(1,543,952)	(1,455,756)	(565,689)
(1,839,156)	(1,929,776)	(1,814,310)	(1,605,870)	(1,424,585)	(1,381,362)
2,733,286	4,853,392	2,249,434	1,408,639	2,569,653	3,274,069
53,861,304	49,007,912	46,758,478	45,349,839	42,780,186	39,506,117
56,594,590	53,861,304	49,007,912	46,758,478	45,349,839	42,780,186
403,686	430,167	728,595	752,156	1,177,237	1,166,912
1,139,965	1,160,625	1,277,533	1,278,865	1,336,204	1,286,158
1,213,813	4,004,643	4,116,573	6,034,147	867,280	2,054,083
(1,839,156)	(1,929,776)	(1,814,310)	(1,605,870)	(1,424,585)	(1,381,362)
(40,705)	(38,844)	(34,656)	(33,714)	(28,351)	(26,630)
(1,449)	(2,529)	(3,708)	(5,422)	(358)	(438)
876,154	3,624,286	4,270,027	6,420,162	1,927,427	3,098,723
63,371,154	59,746,868	55,476,841	49,056,679	47,129,252	44,030,529
64,247,308	63,371,154	59,746,868	55,476,841	49,056,679	47,129,252
\$ (7,652,718)	\$ (9,509,850)	\$ (10,738,956)	\$ (8,718,363)	\$ (3,706,840)	\$ (4,349,066)
114%	118%	122%	119%	108%	110%
\$ 24,949,100	\$ 25,251,856	\$ 27,722,455	\$ 27,374,716	\$ 27,409,338	\$ 26,463,462
-31%	-38%	-39%	-32%	-14%	-16%

Horizon Behavioral Health
Required Supplementary Information
Schedule of Pension Contributions
June 30, 2025

Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 24,245	\$ 24,245	\$ -	\$ 26,940,340	0.09 %
2024	159,597	159,597	-	24,764,633	0.64
2023	155,763	155,763	-	22,723,269	0.69
2022	248,942	248,942	-	21,641,978	1.15
2021	273,939	273,939	-	23,703,782	1.16
2020	402,238	402,238	-	24,949,100	1.61
2019	430,120	430,120	-	25,251,856	1.70
2018	728,846	728,846	-	27,722,455	2.63
2017	697,515	697,515	-	27,374,716	2.55
2016	1,175,676	1,175,676	-	27,409,338	4.29

The covered payroll amounts above are for the Board's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

Horizon Behavioral Health
Required Supplementary Information
Schedule of Employer's Share of Net OPEB Liability - VRS GLI
June 30, 2025

Entity Plan Year Ended June 30,	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance – General Employees					
2024	0.0965 %	\$ 1,076,530	\$ 24,764,633	4.35 %	73.41 %
2023	0.0965	1,157,098	22,723,269	5.09	69.30
2022	0.0995	1,197,956	21,641,978	5.54	67.21
2021	0.1148	1,336,538	23,703,782	5.64	67.45
2020	0.1216	2,029,138	24,949,100	8.13	52.64
2019	0.1295	2,106,985	25,251,856	8.34	52.00
2018	0.1466	2,226,000	27,722,455	8.03	51.22
2017	0.1493	2,247,000	27,374,716	8.21	48.86

The plan years above are reported in the entity's financial statements in the fiscal year following the plan - e.g, plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

This schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

Horizon Behavioral Health
Required Supplementary Information
Schedule of OPEB Contributions - VRS GLI
June 30, 2025

Entity Plan Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System – Group Life Insurance – General Employees					
2025	\$ 123,478	\$ 123,478	\$ -	\$ 26,940,340	0.46 %
2024	132,887	132,887	-	24,764,633	0.54
2023	120,820	120,820	-	22,723,269	0.53
2022	116,987	116,987	-	21,641,978	0.54
2021	84,361	84,361	-	23,703,782	0.36
2020	155,173	155,173	-	24,949,101	0.62
2019	152,018	152,018	-	25,251,856	0.60
2018	146,457	146,457	-	27,722,455	0.53

This schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

Horizon Behavioral Health
Notes to Required Supplementary Information
June 30, 2025

Note 1 – Changes of Benefit Terms

Pension

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2 – Changes of Assumptions

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 age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to discount rate.



Other Supplementary Information

Horizon Behavioral Health
Combining Statement of Net Position
June 30, 2025

	Horizon Behavioral Health	Horizon Opportunities Inc.	Inter- Company Eliminations	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 33,391,473	\$ 623,199	\$ -	\$ 34,014,672
Accounts receivable, net	2,246,361	-	-	2,246,361
Lease receivable	50,084	-	-	50,084
Due from other governments	2,726,553	-	-	2,726,553
Prepaid expenses and other	1,372,568	-	(917,733)	454,835
Total current assets	<u>39,787,039</u>	<u>623,199</u>	<u>(917,733)</u>	<u>39,492,505</u>
NONCURRENT ASSETS				
Cash and cash equivalents, restricted for permanent support housing	94,578	-	-	94,578
Net pension asset	17,859,125	-	-	17,859,125
Capital assets, net	4,175,456	17,870,308	-	22,045,764
Total noncurrent assets	<u>22,129,159</u>	<u>17,870,308</u>	<u>-</u>	<u>39,999,467</u>
Total assets	<u>61,916,198</u>	<u>18,493,507</u>	<u>(917,733)</u>	<u>79,491,972</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	1,789,379	-	-	1,789,379
Deferred outflows related to other postemployment benefits	323,402	-	-	323,402
Total deferred outflows of resources	<u>2,112,781</u>	<u>-</u>	<u>-</u>	<u>2,112,781</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES				
Accounts payable	2,405,674	14,465	-	2,420,139
Accrued payroll and related liabilities	654,050	-	-	654,050
Due to other governments	435,452	-	-	435,452
Unearned revenue	5,956,228	81,742	(81,742)	5,956,228
Current portion of long-term liabilities	2,358,674	827,722	(364,104)	2,822,292
Total current liabilities	<u>11,810,078</u>	<u>923,929</u>	<u>(445,846)</u>	<u>12,288,161</u>
LONG-TERM LIABILITIES				
Net other postemployment benefit liability	1,076,530	-	-	1,076,530
Due in more than one year	309,794	6,692,288	(471,887)	6,530,195
Total long-term liabilities	<u>1,386,324</u>	<u>6,692,288</u>	<u>(471,887)</u>	<u>7,606,725</u>
Total liabilities	<u>13,196,402</u>	<u>7,616,217</u>	<u>(917,733)</u>	<u>19,894,886</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	2,329,293	-	-	2,329,293
Deferred inflows related to other postemployment benefits	376,335	-	-	376,335
Deferred inflows related to leases	50,084	-	-	50,084
Total deferred inflows of resources	<u>2,755,712</u>	<u>-</u>	<u>-</u>	<u>2,755,712</u>

Horizon Behavioral Health
Combining Statement of Net Position
June 30, 2025

	<u>Horizon Behavioral Health</u>	<u>Horizon Opportunities Inc.</u>	<u>Inter- Company Eliminations</u>	<u>Total</u>
NET POSITION				
Net investment in capital assets	1,359,997	11,186,289	-	12,546,286
Restricted – net pension asset	17,859,125	-	-	17,859,125
Unrestricted (deficit)	28,857,743	(308,999)	-	28,548,744
Total net position	<u>\$ 48,076,865</u>	<u>\$ 10,877,290</u>	<u>\$ -</u>	<u>\$ 58,954,155</u>

Horizon Behavioral Health

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

	Horizon Behavioral Health	Horizon Opportunities Inc.	Inter- Company Eliminations	Total
OPERATING REVENUES				
Net client service revenue	\$ 32,855,891	\$ -	\$ -	\$ 32,855,891
OPERATING EXPENSES				
Salaries and benefits	35,658,397	-	-	35,658,397
Staff development and recruitment	359,000	-	-	359,000
Facility	1,969,837	-	-	1,969,837
Supplies	1,754,128	-	-	1,754,128
Travel	179,476	-	-	179,476
Contractual and professional services	2,707,924	33,512	-	2,741,436
Leases	1,006,198	-	(980,903)	25,295
Insurance	352,119	-	-	352,119
Depreciation and amortization	1,112,007	464,601	-	1,576,608
Other	179,024	97,779	-	276,803
Total operating expenses	45,278,110	595,892	(980,903)	44,893,099
Operating loss	(12,422,219)	(595,892)	980,903	(12,037,208)
NONOPERATING REVENUES (EXPENSES)				
Commonwealth of Virginia grants	12,003,405	4,766,736	-	16,770,141
Federal grants	4,607,501	3,428,858	-	8,036,359
Contributions from participating local governments	1,756,930	-	-	1,756,930
Interest income	125,589	-	(28,844)	96,745
Interest expense	(48,600)	(294,894)	28,844	(314,650)
Other income	175,563	970,140	(980,903)	164,800
Gain on insurance claim	70,592	-	-	70,592
Gain on sale of capital assets	159,908	-	-	159,908
Net nonoperating revenues	18,850,888	8,870,840	(980,903)	26,740,825
Change in net position	6,428,669	8,274,948	-	14,703,617
NET POSITION, at July 1	41,648,196	2,602,342	-	44,250,538
NET POSITION, at June 30	<u>\$ 48,076,865</u>	<u>\$ 10,877,290</u>	<u>\$ -</u>	<u>\$ 58,954,155</u>

Horizon Behavioral Health
Combining Statement of Cash Flows
Year Ended June 30, 2025

	Horizon Behavioral Health	Horizon Opportunities Inc.	Inter- Company Eliminations	Total
OPERATING ACTIVITIES				
Receipts from clients, private insurers, Medicaid, and others	\$ 33,506,658	\$ -	\$ -	\$ 33,506,658
Payments to suppliers	(8,800,681)	(124,951)	980,903	(7,944,729)
Payments to and for employees	(36,868,599)	-	-	(36,868,599)
Net cash used in operating activities	<u>(12,162,622)</u>	<u>(124,951)</u>	<u>980,903</u>	<u>(11,306,670)</u>
NON-CAPITAL FINANCING ACTIVITIES				
Contributions from local, state, and federal governments	15,366,126	8,195,594	-	23,561,720
Other receipts	175,563	970,140	(980,903)	164,800
Net cash provided by non-capital financing activities	<u>15,541,689</u>	<u>9,165,734</u>	<u>(980,903)</u>	<u>23,726,520</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	1,551,787	(8,195,595)	-	(6,643,808)
Receipts from other notes receivable	122,593	-	(122,593)	-
Proceeds from sale of capital assets	343,160	-	-	343,160
Principal paid on long-term liabilities	(441,142)	(562,605)	122,593	(881,154)
Interest paid on long-term liabilities	(48,600)	(294,894)	28,844	(314,650)
Net cash provided by (used in) capital and related financing activities	<u>1,527,798</u>	<u>(9,053,094)</u>	<u>28,844</u>	<u>(7,496,452)</u>
INVESTING ACTIVITIES				
Interest received	125,589	-	(28,844)	96,745
Net cash provided by investing activities	<u>125,589</u>	<u>-</u>	<u>(28,844)</u>	<u>96,745</u>
Net increase (decrease) in cash and cash equivalents	5,032,454	(12,311)	-	5,020,143
CASH AND CASH EQUIVALENTS				
Beginning at July 1	28,453,597	635,510	-	29,089,107
Ending at June 30	<u>\$ 33,486,051</u>	<u>\$ 623,199</u>	<u>\$ -</u>	<u>\$ 34,109,250</u>
RECONCILIATION TO STATEMENT OF NET POSITION				
Cash and cash equivalents	\$ 33,391,473	\$ 623,199	\$ -	\$ 34,014,672
Cash and cash equivalents, restricted for permanent support housing	94,578	-	-	94,578
	<u>\$ 33,486,051</u>	<u>\$ 623,199</u>	<u>\$ -</u>	<u>\$ 34,109,250</u>

Horizon Behavioral Health
Combining Statement of Cash Flows
Year Ended June 30, 2025

	<u>Horizon Behavioral Health</u>	<u>Horizon Opportunities Inc.</u>	<u>Inter- Company Eliminations</u>	<u>Total</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES				
Operating loss	\$ (12,422,219)	\$ (595,892)	\$ 980,903	\$ (12,037,208)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization	1,112,007	464,601	-	1,576,608
Pension expense net of employer contributions	(1,337,160)	-	-	(1,337,160)
Other postemployment benefit expense net of employer contributions	(210,785)	-	-	(210,785)
Decrease (increase) in:				
Accounts receivable, net	(56,696)	-	-	(56,696)
Due from other governments	352,043	-	-	352,043
Prepaid expenses and other	(185,140)	-	-	(185,140)
Increase (decrease) in:				
Accounts payable	(107,835)	6,340	-	(101,495)
Accrued payroll and related liabilities	46,418	-	-	46,418
Compensated absences	291,325	-	-	291,325
Due to other governments	355,420	-	-	355,420
Net cash used in operating activities	<u>\$ (12,162,622)</u>	<u>\$ (124,951)</u>	<u>\$ 980,903</u>	<u>\$ (11,306,670)</u>
SCHEDULE OF NON-CASH ACTIVITIES				
Capital assets obtained through lease liabilities and accounts payable	<u>\$ 2,132,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,132,883</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
Horizon Behavioral Health
Lynchburg, 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 Horizon Behavioral Health (the "Board"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 25, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 Board'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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 25, 2025

Horizon Behavioral Health

Summary of Compliance Matters

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 Board's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia

Cash and Investment Laws

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act