

**BLUE RIDGE BEHAVIORAL  
HEALTHCARE**

**FINANCIAL REPORT**

**June 30, 2023**

# BLUE RIDGE BEHAVIORAL HEALTHCARE

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**BLUE RIDGE BEHAVIORAL HEALTHCARE**

**BOARD OF DIRECTORS**

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Mr. Marty Francis, Secretary

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Mr. Patrick Kenney, Esq.

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**BLUE RIDGE BEHAVIORAL HEALTHCARE**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2023**

The following Management's Discussion and Analysis (MD&A) of **Blue Ridge Behavioral Healthcare** (BRBH) provides the reader with an introduction and overview of the financial activities for the fiscal year ended June 30, 2023.

Following this MD&A are the basic financial statements of BRBH, together with the notes, which are essential to a full understanding of the data contained in the financial statements. Following the basic financial statements and accompanying notes, there is certain required supplementary and compliance information.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

BRBH presents three basic financial statements: A Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

**Statement of Net Position**

BRBH's financial position is determined by the assets (cash and other property) and liabilities owed as of June 30, 2023. The Statement of Net Position reports the difference between total assets and total liabilities. Over time, increases or decreases in net assets help determine whether the agency's financial position is improving or declining.

***Summary of Statement of Net Position***

|                                | <b>2023</b>       | <b>2022</b>       |
|--------------------------------|-------------------|-------------------|
| Current assets                 | \$ 18,994,421     | \$ 17,641,254     |
| Noncurrent assets              | <u>21,983,283</u> | <u>25,321,184</u> |
| Total assets                   | \$ 40,977,704     | \$ 42,962,438     |
| Deferred outflows of resources | 2,831,625         | 1,625,025         |
| Current liabilities            | \$ 9,981,436      | \$ 9,690,360      |
| Noncurrent liabilities         | <u>6,637,239</u>  | <u>7,594,438</u>  |
| Total liabilities              | 16,618,675        | 17,284,798        |
| Deferred inflows of resources  | 3,639,611         | 4,992,056         |
| Total net position             | \$ 23,551,043     | \$ 22,310,609     |

Current assets have increased \$1,353,167. The overall increase is due to receipt of additional one-time state and federal funds and increase in the Local Government Investment Pool (LGIP) account balance. Noncurrent assets have decreased \$3,337,901 due to a decrease in net pension asset and a decrease in net capital assets. Current liabilities show a slight increase from FY 2022 to FY 2023. The changes in deferred inflows and deferred outflows represent the fluctuations in pension activity and OPEB activity.

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

The results of operations during FY 2023 are reported in the Statement of Revenues, Expenses and Changes in Fund Net Position. The Statement presents income generated (Operating Revenue) and resources expended (Operating Expense). The difference represents the agency's Net Position at June 30, 2023.

#### ***Summary of Revenues, Expenses, and Changes in Fund Net Position***

|                                               | <b>2023</b>   | <b>2022</b>   |
|-----------------------------------------------|---------------|---------------|
| Operating revenues                            | \$ 12,856,954 | \$ 12,360,029 |
| Operating expenses                            | 34,602,438    | 30,026,810    |
| Operating loss                                | (21,745,484)  | (17,666,781)  |
| Appropriations - state, local, federal funds  | 22,244,507    | 19,579,798    |
| Other non operating income and expenses - net | 741,411       | 383,750       |
| Other changes in unrestricted net position    | 0             | 0             |
| Change in net position                        | \$ 1,240,434  | \$ 2,296,767  |

Operating revenues show a slight increase from FY 2022 to FY 2023. The increase in operating expenses is connected to salaries and benefits expense associated with company-wide pay increases. The increase in appropriations is due to an increase of local tax allocation funding, and the receipt of state and federal funds. The increase in non-operating income and expenses is associated with funds invested in the LGIP.

### **Statement of Cash Flows**

The Statement of Cash Flows reflects the flow of cash and cash equivalents into and out of BRBH during FY 2023. This Statement helps evaluate BRBH's ability to come up with cash in the short and long term. Management is responsible for keeping BRBH solvent and using resources efficiently.

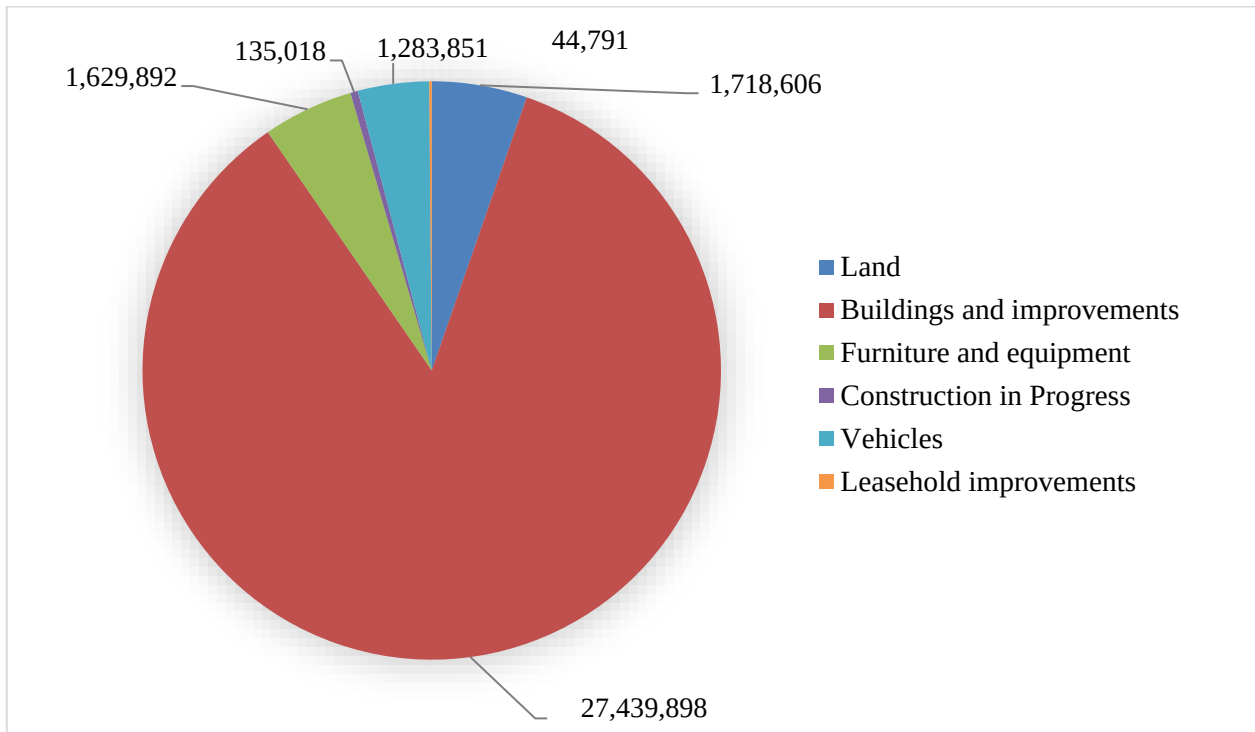
#### ***Summary of Statement of Cash Flows***

|                                                           | <b>2023</b>     | <b>2022</b>     |
|-----------------------------------------------------------|-----------------|-----------------|
| Net cash used in operating activities                     | \$ (20,434,024) | \$ (16,588,958) |
| Net cash provided by non-capital financing activities     | 22,503,762      | 22,661,581      |
| Net cash used in capital and related financing activities | (1,528,045)     | (1,431,734)     |
| Net cash provided by (used in) investing activities       | 274,116         | (109,572)       |
| Net increase in cash and cash equivalents                 | 815,809         | 4,531,317       |
| Cash and cash equivalents:                                |                 |                 |
| Beginning at July1                                        | 16,676,410      | 12,145,093      |
| Ending at June 30                                         | \$ 17,492,219   | \$ 16,676,410   |

BRBH shows a net increase in cash and cash equivalents of \$815,809 in FY 2023 compared to \$4,531,317 in FY 2022. In FY 2023, the increase in net cash provided by investing activities is the result of an increase in interest earned. The increase in cash used in capital and related financing activities is associated with recognition of subscription assets (GASB 96).

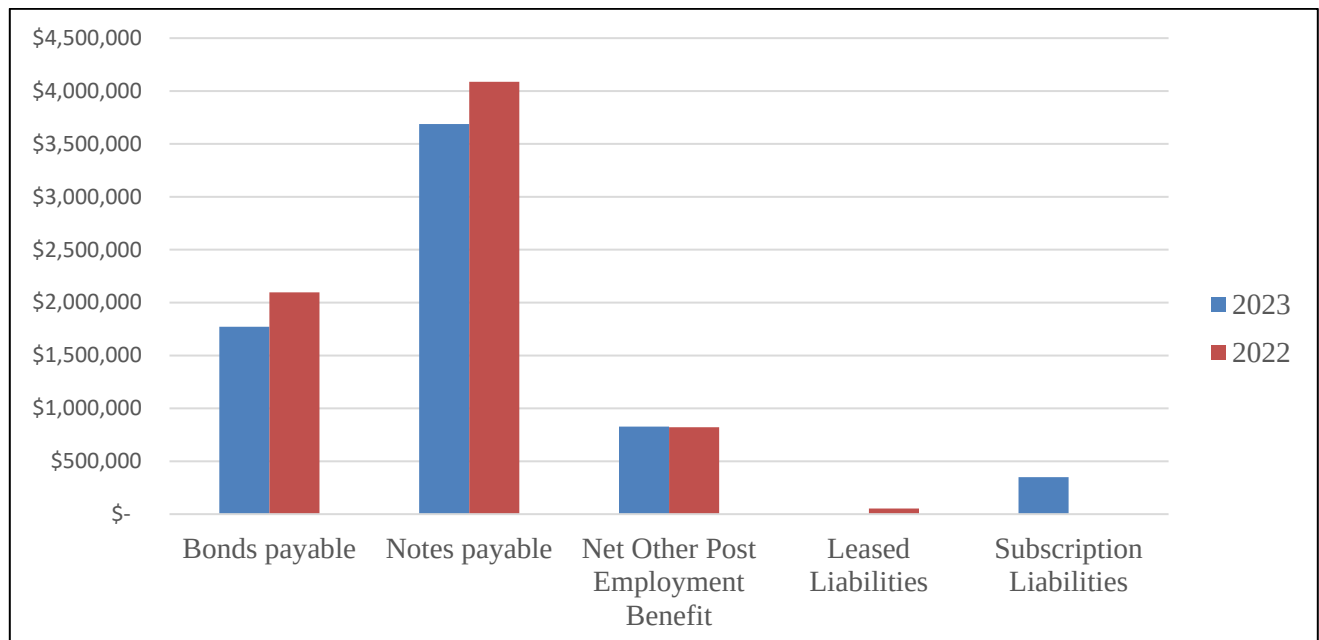
### **Capital Assets**

On June 30, 2023, BRBH had \$12,700,270 in net Capital Assets. Total capital asset value is \$32,252,056 with buildings and improvements making up the majority of capital assets (85%). Leased assets and subscription assets are also capital in nature. The net Leased Assets and net Subscription Assets for year ending June 30, 2023 were \$25,070 and \$526,084.



### **Noncurrent Liabilities**

Noncurrent obligations as of June 30, 2023 equaled \$6,637,239. The decrease in notes payable reflects the loan principal amount retired in FY 2023. Compensated absences have been classified as a current liability in FY 2023.

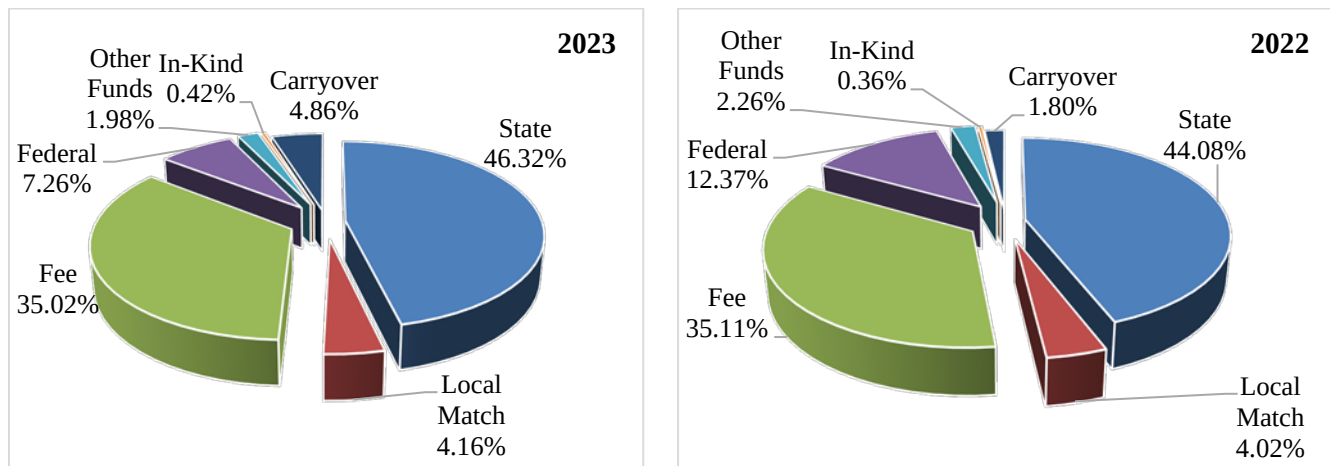


## Summary of the End of the Fiscal Year Financial Report

In addition, BRBH presents a Summary of the End of the FY 2023 Financial Report (cash basis) submitted to the Department of Behavioral Health and Developmental Services. This report gives details of core service capacities, costs, and consumer objectives so readers are aware of the revenues flowing into BRBH and the services provided with those dollars.

### Revenues

The following charts show the major sources of operating revenues for the years ended June 30, 2023 and 2022.



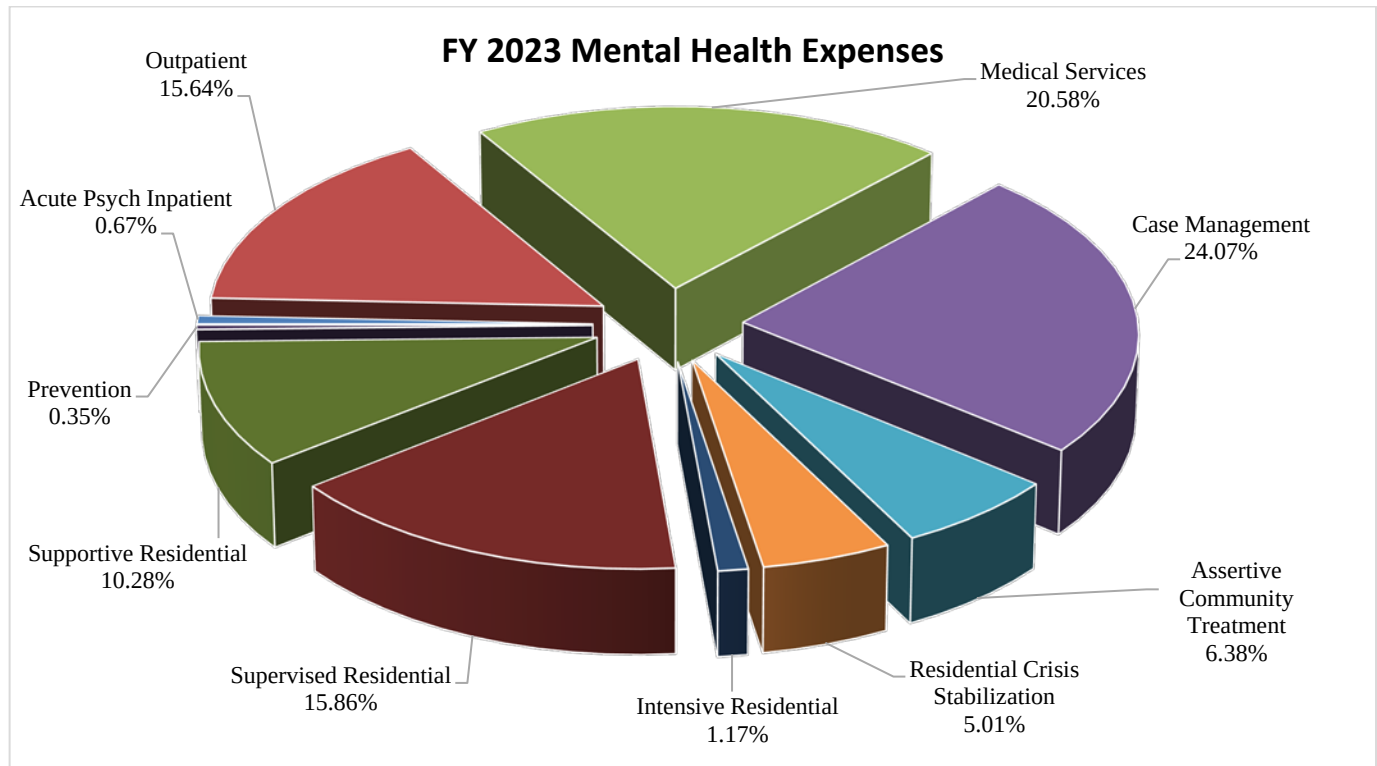
A summary of revenue sources for the years ended June 30, 2023 and 2022, including the percentage of change of 2023 in relation to 2022, is as follows:

|             | 2023          | % of Total | 2022          | \$ Incr/<br>(Decr) | % Incr/ -<br>Decr |
|-------------|---------------|------------|---------------|--------------------|-------------------|
| State       | \$ 17,447,166 | 46.32%     | \$ 15,832,354 | \$ 1,614,812       | 10.20%            |
| Local Match | 1,565,065     | 4.16%      | 1,443,295     | 121,770            | 8.44%             |
| Fee         | 13,187,811    | 35.02%     | 12,613,602    | 574,209            | 4.55%             |
| Federal     | 2,733,789     | 7.26%      | 4,443,109     | (1,709,320)        | -38.47%           |
| Other Funds | 743,870       | 1.98%      | 813,418       | (69,548)           | -8.55%            |
| In-Kind     | 156,330       | 0.42%      | 128,811       | 27,519             | 21.36%            |
| Carryover   | 1,828,645     | 4.86%      | 646,301       | 1,182,344          | 182.94%           |
| Total       | \$ 37,662,676 | 100.00%    | \$ 35,920,890 | \$ 1,741,786       | 4.85%             |

Contributing to the increase in State funds is the continued expansion of supportive housing services, and additional Mental Health (MH) STEP VA funding for case management, care coordination, and psychiatric rehabilitation services. Funding was also received in FY 2023 to begin implementation of the new Marcus Alert program. Federal revenue decreased due to one-time Substance Use Disorder (SUD) Federal Block Grant (FBG) Alcohol & Drug Treatment, SUD FBG Women, and SUD FBG Prevention funds received in FY 2022. In-Kind funds are higher because of more philanthropic cash contributions received during the year. Carryover shows an increase between FY 2023 and FY 2022 and consists of restricted retained funds spent.

## Core Services

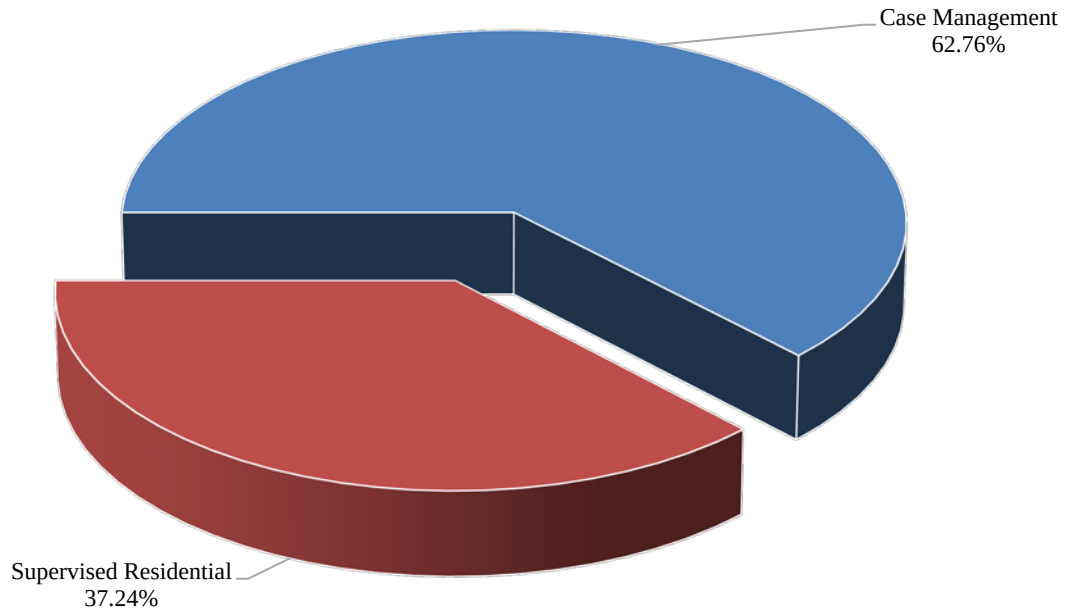
The following charts show the core services and percentage of operating expenses by disability for the year ending June 30, 2023. Tables, below the charts, provide a summary of expenses by core service category and include the amount and percentage of change in relation to prior year amounts.



| Mental Health Expenses               | 2023                 | % of Total     | 2022                 | \$ Incr/ (Decr)  | % Incr/- Decr |
|--------------------------------------|----------------------|----------------|----------------------|------------------|---------------|
| <b>Core Service</b>                  |                      |                |                      |                  |               |
| 250 Acute Psych Inpatient            | \$ 126,304           | 0.67%          | \$ 13,768            | 112,536          | 817.37%       |
| 310 Outpatient                       | 2,942,268            | 15.64%         | 2,250,028            | 692,240          | 30.77%        |
| 312 Medical Services                 | 3,870,914            | 20.58%         | 3,616,835            | 254,079          | 6.56%         |
| 320 Case Management                  | 4,528,534            | 24.07%         | 3,905,814            | 622,720          | 15.94%        |
| 350 Assertive Community Treatment    | 1,200,422            | 6.38%          | 1,242,155            | (41,733)         | -3.36%        |
| 510 Residential Crisis Stabilization | 942,072              | 5.01%          | 732,906              | 209,166          | 28.54%        |
| 521 Intensive Residential            | 219,602              | 1.17%          | 116,897              | 102,705          | 87.86%        |
| 551 Supervised Residential           | 2,983,209            | 15.86%         | 2,389,240            | 593,969          | 24.86%        |
| 581 Supportive Residential           | 1,934,627            | 10.28%         | 1,816,178            | 118,449          | 6.52%         |
| 610 Prevention                       | 65,296               | 0.35%          | 49,602               | 15,694           | 31.64%        |
| <b>Total</b>                         | <b>\$ 18,813,248</b> | <b>100.00%</b> | <b>\$ 16,133,423</b> | <b>2,679,825</b> | <b>16.61%</b> |

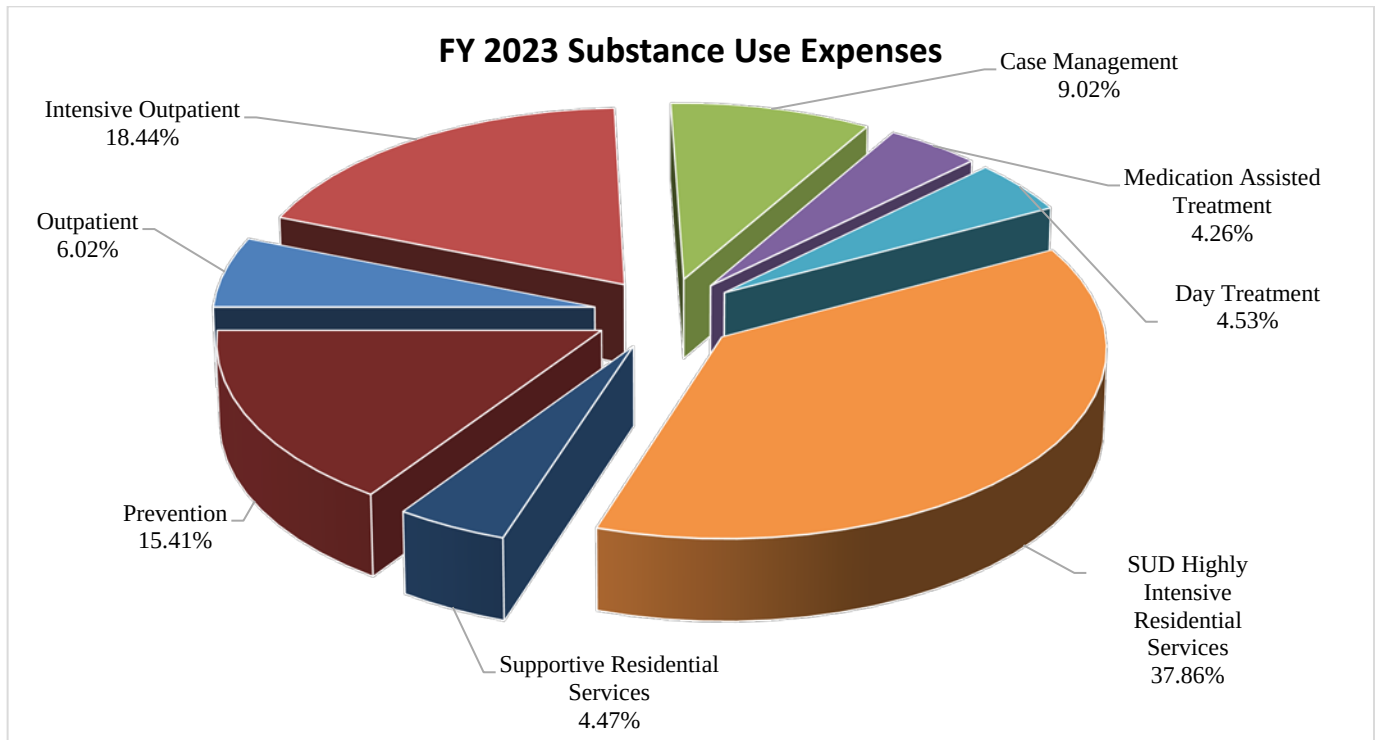
Costs associated with Acute Psychiatric Inpatient - Local Inpatient Purchase of Service were higher in FY 2023. The addition of the Coordinated Specialty Care program in Child, Youth, & Family Services contributed to the increase in Outpatient costs. Case Management services costs increased due to the efforts of filling vacant positions, and ensuring pay rates were competitive with market rates. FY 2023 Residential Crisis Stabilization service costs increased due to additional beds being opened to services in the Crisis Stabilization Unit. Intensive Residential and Supervised Residential service costs increased due to the specific plan designations of Discharge Assistance Planning clients in FY 2023. Prevention services expenses increased in FY 2023 due to MH Problem Gambling and Support funds received in Prevention & Wellness.

### FY 2023 Developmental Expenses



| Developmental Expenses     | 2023         | % of Total | 2022         | \$ Incr/ (Decr) | % Incr/- Decr |
|----------------------------|--------------|------------|--------------|-----------------|---------------|
| <b>Core Service</b>        |              |            |              |                 |               |
| 320 Case Management        | \$ 2,910,947 | 62.76%     | \$ 2,433,255 | \$ 477,692      | 19.63%        |
| 551 Supervised Residential | 1,727,059    | 37.24%     | 1,460,123    | 266,936         | 18.28%        |
| Total                      | \$ 4,638,006 | 100.00%    | \$ 3,893,378 | \$ 744,628      | 19.13%        |

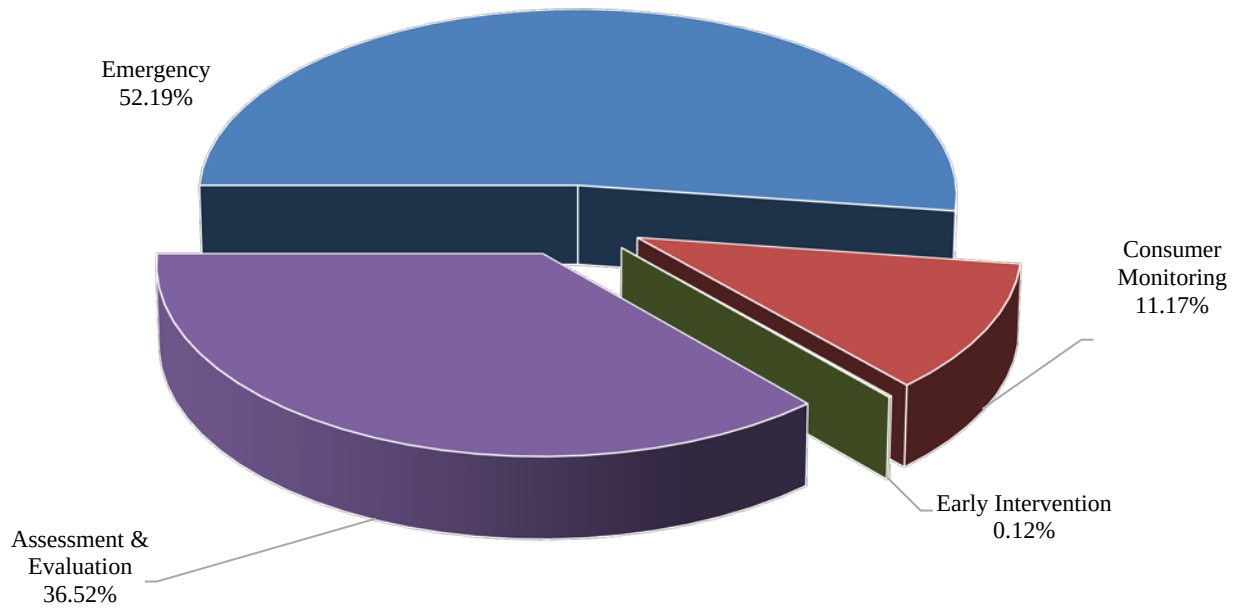
Case Management services costs increased due to the efforts of filling vacant positions, and ensuring pay rates were competitive with market rates. Host Home rates increased at the beginning of FY23 causing expenses to increase in the Supervised Residential core service.



| Substance Use Expenses                        | 2023         | % of Total | 2022         | \$ Incr/ (Decr) | % Incr/- Decr |
|-----------------------------------------------|--------------|------------|--------------|-----------------|---------------|
| <b>Core Service</b>                           |              |            |              |                 |               |
| 310 Outpatient                                | \$ 480,718   | 6.02%      | \$ 467,995   | \$ 12,723       | 2.72%         |
| 313 Intensive Outpatient                      | 1,471,963    | 18.44%     | 1,898,037    | (426,074)       | -22.45%       |
| 320 Case Management                           | 720,209      | 9.02%      | 325,171      | 395,038         | 121.49%       |
| 335 Medication Assisted Treatment             | 339,991      | 4.26%      | 287,392      | 52,599          | 18.30%        |
| 410 Day Treatment                             | 361,410      | 4.53%      | 420,677      | (59,267)        | -14.09%       |
| 501 SUD Highly Intensive Residential Services | 3,021,768    | 37.86%     | 2,754,164    | 267,604         | 9.72%         |
| 581 Supportive Residential Services           | 356,545      | 4.47%      | 353,289      | 3,256           | 0.91%         |
| 610 Prevention                                | 1,229,819    | 15.41%     | 1,202,920    | 26,899          | 2.24%         |
| Total                                         | \$ 7,982,423 | 100.00%    | \$ 7,709,645 | \$ 272,778      | 3.54%         |

Therapist vacancies in Adult & Family Services reduced costs associated with both Intensive Outpatient and Day Treatment services. Case Management services costs increased due to the efforts of filling vacant positions, and ensuring pay rates were competitive with market rates. Costs increased in the provision of Medication Assisted Treatment (MAT) services.

### FY 2023 Outside of a Program Area Expenses



| Outside of a Program Area Expenses | 2023                | % of Total     | 2022                | \$ Incr/ (Decr) | % Incr/- Decr |
|------------------------------------|---------------------|----------------|---------------------|-----------------|---------------|
| <b>Core Service</b>                |                     |                |                     |                 |               |
| 100 Emergency                      | \$ 2,006,461        | 52.19%         | \$ 1,798,736        | 207,725         | 11.55%        |
| 390 Consumer Monitoring            | 429,440             | 11.17%         | 262,082             | 167,358         | 63.86%        |
| 620 Early Intervention             | 4,594               | 0.12%          | 44,920              | (40,326)        | -89.77%       |
| 720 Assessment & Evaluation        | 1,403,796           | 36.52%         | 1,385,238           | 18,558          | 1.34%         |
| <b>Total</b>                       | <b>\$ 3,844,291</b> | <b>100.00%</b> | <b>\$ 3,490,976</b> | <b>353,315</b>  | <b>10.12%</b> |

Hiring of vacant positions contributed to the increase in costs for the Emergency Services core service. Consumer monitoring services for those individuals who have not been admitted to a program area but have had cases opened increased in FY23. Continued decrease in Roanoke Valley Juvenile Detention Center (RVJDC) Early Intervention services is associated with staffing.

| Unduplicated Clients Served     | 2023      | 2022      |
|---------------------------------|-----------|-----------|
| Total Mental Health             | 3,920     | 4,359     |
| Total Developmental             | 750       | 801       |
| Total Substance Use             | 1,162     | 1,017     |
| Total Outside of a Program Area | 4,222     | 4,696     |
| <br>Unduplicated Served         | <br>6,409 | <br>6,948 |

### Request for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Pam Binns, Chief Financial Officer, Blue Ridge Behavioral Healthcare, 301 Elm Avenue, S.W., Roanoke, Virginia 24016.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Blue Ridge Behavioral Healthcare  
Roanoke, Virginia

### ***Opinion***

We have audited the accompanying financial statements of Blue Ridge Behavioral Healthcare ("BRBH"), a political subdivision, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise BRBH'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 respective financial position of Blue Ridge Behavioral Healthcare as of June 30, 2023, 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; 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 Blue Ridge Behavioral Healthcare and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Ridge Behavioral Healthcare'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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Blue Ridge Behavioral Healthcare'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 Blue Ridge Behavioral Healthcare'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.

## **Report on Summarized Comparative Information**

We have previously audited BRBH's 2022 financial statements, on which, in our report dated October 7, 2022, we expressed an unmodified opinion. The 2022 financial information is provided for comparative purposes only.

## **Other Matters**

### ***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.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Blue Ridge Behavioral Healthcare's basic financial statements. The introductory section, and schedule of insurance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 and the schedule of expenditures of federal awards 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 and schedule of insurance, but does not include the basic financial statements and our auditor's report thereon. Our opinions 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 audit 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, on our consideration of Blue Ridge Behavioral Healthcare'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 Blue Ridge Behavioral Healthcare'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 Blue Ridge Behavioral Healthcare's internal control over financial reporting and compliance.



Hicok, Brown & Company  
Certified Public Accountants

September 29, 2023

## **Basic Financial Statements**

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# BLUE RIDGE BEHAVIORAL HEALTHCARE

## STATEMENT OF NET POSITION

June 30, 2023

|                                                             | 2023          | (For Comparative<br>Purposes Only)<br>2022, as restated |
|-------------------------------------------------------------|---------------|---------------------------------------------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS<br/>OF RESOURCES</b>        |               |                                                         |
| <b>CURRENT ASSETS</b>                                       |               |                                                         |
| Cash and cash equivalents                                   | \$ 17,489,429 | \$ 16,657,557                                           |
| Accounts receivable, net                                    | 647,061       | 780,455                                                 |
| Grants receivable                                           | 635,494       | -                                                       |
| Prepaid expenses and other                                  | 219,647       | 184,389                                                 |
| Cash and cash equivalents, restricted                       | 2,790         | 18,853                                                  |
| Total current assets                                        | 18,994,421    | 17,641,254                                              |
| <b>NONCURRENT ASSETS</b>                                    |               |                                                         |
| Net pension asset                                           | 8,731,859     | 10,654,793                                              |
| Leased assets, net                                          | 25,070        | 430,985                                                 |
| Subscription assets, net                                    | 526,084       | 713,092                                                 |
| Capital assets, net                                         | 12,700,270    | 13,522,314                                              |
| Total noncurrent assets                                     | 21,983,283    | 25,321,184                                              |
| Total assets                                                | 40,977,704    | 42,962,438                                              |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                       |               |                                                         |
| Deferred outflows related to pensions                       | 2,636,836     | 1,392,664                                               |
| Deferred outflows related to other postemployment benefits  | 194,789       | 232,361                                                 |
| Total deferred outflows of resources                        | 2,831,625     | 1,625,025                                               |
| <b>LIABILITIES AND DEFERRED INFLOWS<br/>OF RESOURCES</b>    |               |                                                         |
| <b>CURRENT LIABILITIES</b>                                  |               |                                                         |
| Accounts payable                                            | 698,814       | 407,461                                                 |
| Accrued expenses and other                                  | 1,331,976     | 981,424                                                 |
| Amounts held for clients, payable<br>from restricted assets | 2,790         | 18,853                                                  |
| Unearned revenue                                            | 5,713,495     | 5,610,654                                               |
| Current portion of noncurrent liabilities                   | 2,024,192     | 2,105,928                                               |
| Current portion of leased liabilities                       | 25,446        | 382,917                                                 |
| Current portion of subscription liabilities                 | 184,723       | 183,123                                                 |
| Total current liabilities                                   | 9,981,436     | 9,690,360                                               |
| <b>NONCURRENT LIABILITIES</b>                               |               |                                                         |
| Net other postemployment benefit liability                  | 828,418       | 821,976                                                 |
| Due in more than one year                                   | 5,458,760     | 6,185,035                                               |
| Leased liabilities                                          | -             | 52,643                                                  |
| Subscription liabilities                                    | 350,061       | 534,784                                                 |
| Total liabilities                                           | 16,618,675    | 17,284,798                                              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                        |               |                                                         |
| Deferred inflows related to pensions                        | 3,430,664     | 4,647,930                                               |
| Deferred inflows related to other postemployment benefits   | 208,947       | 344,126                                                 |
| Total deferred inflows of resources                         | 3,639,611     | 4,992,056                                               |
| <b>NET POSITION</b>                                         |               |                                                         |
| Net investment in capital assets                            | 6,505,183     | 6,504,040                                               |
| Restricted – net pension asset                              | 8,731,859     | 10,654,793                                              |
| Unrestricted                                                | 8,314,001     | 5,151,776                                               |
| Total net position                                          | \$ 23,551,043 | \$ 22,310,609                                           |

The Notes to Financial Statements are an integral part of this statement.

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION Year Ended June 30, 2023

|                                                    | <b>2023</b>   | <b>(For Comparative<br/>Purposes Only)<br/>2022, as restated</b> |
|----------------------------------------------------|---------------|------------------------------------------------------------------|
| <b>OPERATING REVENUES</b>                          |               |                                                                  |
| Net client service revenue                         | \$ 12,856,954 | \$ 12,360,029                                                    |
| <b>OPERATING EXPENSES</b>                          |               |                                                                  |
| Salaries and benefits                              | 22,716,382    | 20,121,251                                                       |
| Staff development and recruitment                  | 208,144       | 153,672                                                          |
| Facility                                           | 909,883       | 593,932                                                          |
| Supplies                                           | 579,104       | 503,596                                                          |
| Client services                                    | 96,225        | 101,312                                                          |
| Travel                                             | 208,068       | 130,702                                                          |
| Programs                                           | 4,919,527     | 4,103,332                                                        |
| Contractual and professional services              | 2,857,315     | 2,513,051                                                        |
| Insurance                                          | 106,592       | 99,624                                                           |
| Depreciation and amortization                      | 1,795,525     | 1,594,495                                                        |
| Other                                              | 205,673       | 111,843                                                          |
| Total operating expenses                           | 34,602,438    | 30,026,810                                                       |
| Operating income (loss)                            | (21,745,484)  | (17,666,781)                                                     |
| <b>NONOPERATING REVENUES (EXPENSES)</b>            |               |                                                                  |
| Commonwealth of Virginia grants                    | 16,455,033    | 14,276,871                                                       |
| Federal grants                                     | 4,224,409     | 3,859,632                                                        |
| Contributions from participating local governments | 1,565,065     | 1,443,295                                                        |
| Interest income                                    | 263,895       | 28,983                                                           |
| Realized and unrealized gain/(loss)                | 10,221        | (138,555)                                                        |
| Interest expense                                   | (324,613)     | (340,417)                                                        |
| Rental income                                      | 18,037        | 17,720                                                           |
| Other income                                       | 773,871       | 816,019                                                          |
| Net nonoperating revenues                          | 22,985,918    | 19,963,548                                                       |
| Change in net position                             | 1,240,434     | 2,296,767                                                        |
| <b>NET POSITION, at July 1, as restated</b>        | 22,310,609    | 20,013,842                                                       |
| <b>NET POSITION, at June 30</b>                    | 23,551,043    | 22,310,609                                                       |

The Notes to Financial Statements are an integral part of this statement.

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## STATEMENT OF CASH FLOWS Year Ended June 30, 2023

|                                                               | <u>2023</u>                 | <u>(For Comparative<br/>Purposes Only)<br/>2022, as restated</u> |
|---------------------------------------------------------------|-----------------------------|------------------------------------------------------------------|
| <b>OPERATING ACTIVITIES</b>                                   |                             |                                                                  |
| Receipts from clients, private insurers, Medicaid, and others | \$ 12,990,382               | \$ 12,722,808                                                    |
| Payments to suppliers                                         | (10,821,192)                | (9,291,921)                                                      |
| Payments to and for employees                                 | <u>(22,603,214)</u>         | <u>(20,019,845)</u>                                              |
| Net cash used in operating activities                         | <u>(20,434,024)</u>         | <u>(16,588,958)</u>                                              |
| <b>NON-CAPITAL FINANCING ACTIVITIES</b>                       |                             |                                                                  |
| Contributions from local, state, and federal governments      | 21,711,854                  | 21,827,842                                                       |
| Other receipts                                                | <u>791,908</u>              | <u>833,739</u>                                                   |
| Net cash provided by non-capital financing activities         | <u>22,503,762</u>           | <u>22,661,581</u>                                                |
| <b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>               |                             |                                                                  |
| Acquisition and construction of capital assets                | (380,559)                   | (258,954)                                                        |
| Principal paid on debt                                        | (822,873)                   | (832,363)                                                        |
| Interest paid on debt                                         | <u>(324,613)</u>            | <u>(340,417)</u>                                                 |
| Net cash used in capital and related financing activities     | <u>(1,528,045)</u>          | <u>(1,431,734)</u>                                               |
| <b>INVESTING ACTIVITIES</b>                                   |                             |                                                                  |
| Interest received                                             | 263,895                     | 28,983                                                           |
| Other changes in investments                                  | <u>10,221</u>               | <u>(138,555)</u>                                                 |
| Net cash provided by (used in) investing activities           | <u>274,116</u>              | <u>(109,572)</u>                                                 |
| Net increase (decrease) in cash and cash equivalents          | 815,809                     | 4,531,317                                                        |
| <b>CASH AND CASH EQUIVALENTS</b>                              |                             |                                                                  |
| Beginning at July 1                                           | <u>16,676,410</u>           | <u>12,145,093</u>                                                |
| Ending at June 30                                             | <u><u>\$ 17,492,219</u></u> | <u><u>\$ 16,676,410</u></u>                                      |

(Continued)

The Notes to Financial Statements are an integral part of this statement.

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## STATEMENT OF CASH FLOWS Year Ended June 30, 2023

|                                                                                      | <u>2023</u>            | <u>(For Comparative<br/>Purposes Only)<br/>2022, as restated</u> |
|--------------------------------------------------------------------------------------|------------------------|------------------------------------------------------------------|
| <b>RECONCILIATION TO STATEMENT OF NET POSITION</b>                                   |                        |                                                                  |
| Cash and cash equivalents                                                            | \$ 17,489,429          | \$ 16,657,557                                                    |
| Cash and cash equivalents, restricted                                                | <u>2,790</u>           | <u>18,853</u>                                                    |
|                                                                                      | <u>\$ 17,492,219</u>   | <u>\$ 16,676,410</u>                                             |
| <b>RECONCILIATION OF OPERATING LOSS TO<br/>NET CASH USED IN OPERATING ACTIVITIES</b> |                        |                                                                  |
| Operating loss                                                                       | \$ (21,745,484)        | \$ (17,666,781)                                                  |
| Adjustments to reconcile operating loss<br>to net cash used in operating activities: |                        |                                                                  |
| Depreciation and amortization                                                        | 1,795,525              | 1,594,495                                                        |
| (Gain) loss on sale of assets                                                        | -                      | 9,106                                                            |
| (Increase) decrease in:                                                              |                        |                                                                  |
| Accounts receivable                                                                  | 134,995                | 371,544                                                          |
| Prepaid expenses and other                                                           | (35,258)               | 56,170                                                           |
| Deferred outflows related to pensions                                                | (1,244,172)            | (107,043)                                                        |
| Deferred outflows related to other postemployment benefits                           | 37,572                 | 37,804                                                           |
| Net pension asset                                                                    | 1,922,934              | (5,016,997)                                                      |
| Increase (decrease) in:                                                              |                        |                                                                  |
| Accounts payable                                                                     | 291,353                | 109,343                                                          |
| Accrued expense and other                                                            | 350,552                | 128,727                                                          |
| Compensated absences                                                                 | 14,862                 | 80,767                                                           |
| Amounts held for clients, payable from restricted assets                             | (16,063)               | (405)                                                            |
| Deferred inflows related to pensions                                                 | (1,217,266)            | 4,301,971                                                        |
| Deferred inflows related to other postemployment benefits                            | (135,179)              | 287,762                                                          |
| Net other postemployment benefit liability                                           | 6,442                  | (374,079)                                                        |
| Leased liabilities                                                                   | (410,114)              | (401,342)                                                        |
| Subscription liabilities                                                             | <u>(184,723)</u>       | <u>-</u>                                                         |
| Net cash used in operating activities                                                | <u>\$ (20,434,024)</u> | <u>\$ (16,588,958)</u>                                           |

The Notes to Financial Statements are an integral part of this statement.

# **BLUE RIDGE BEHAVIORAL HEALTHCARE**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

### **NOTE 1 - DESCRIPTION OF AGENCY**

#### **Financial Reporting Entity**

Blue Ridge Behavioral Healthcare (BRBH) is a jointly governed entity that acts as an agent for the counties of Roanoke, Botetourt, and Craig and the cities of Roanoke and Salem in the establishment and operation of treatment programs for community mental health disorders, developmental disabilities, and substance abuse disorders as provided for in Chapter 5 of Title 37.2 of the *Code of Virginia* (1950), as amended, relating to the Virginia Department of Behavioral Health and Developmental Services. In addition, BRBH provides treatment of community mental health disorders, developmental disabilities, and substance abuse disorders with a system of services that relates to, and is integrated with, existing and planned programs. Substantially all of BRBH's funding is from service fees, the Commonwealth of Virginia, the Federal Government, and the aforementioned localities.

#### **Blended Component Unit**

The following component unit, although a legally separate entity, is in substance part of BRBH's operations, and shares the same Board of Directors as BRBH. Therefore, BRBH can impose its will over this organization and is financially accountable for them. Financial information from this unit is combined with the financial statements of BRBH. BRBH and this entity are collectively referred to as the "Agency."

Blue Ridge Behavioral Healthcare, Inc. (BRBH, Inc.) holds title to real and other property on behalf of BRBH. Substantially all real property owned by BRBH, Inc. is leased to BRBH. BRBH, Inc. also assists BRBH in obtaining tax exempt funding for facility construction.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

BRBH is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board (GASB). BRBH's financial statements consist of a single enterprise fund 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.

BRBH distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with BRBH's principal ongoing operations. The principal operating revenues of BRBH 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 BRBH. All other revenues and expenses are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is BRBH's policy to use restricted resources first.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, BRBH considers all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

# **BLUE RIDGE BEHAVIORAL HEALTHCARE**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Cash and Cash Equivalents, Restricted**

Personal funds held in trust for clients must be used for the benefit of these clients and do not represent an operating asset of BRBH.

#### **Accounts Receivable**

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

BRBH evaluates its accounts receivables based on historical write-off percentages for all receivables except private pay, which is based on historical collections. A charge to income to absorb possible credit losses is made based on these percentages.

#### **Financial Assistance**

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

#### **Capital Assets**

Capital assets acquired are recorded at cost. Depreciation is provided over the estimated useful life using the straight-line method. Expenditures for repairs and maintenance are expensed as incurred. Additions over \$5,000 are capitalized. Donated capital assets are recorded at estimated fair market value at the time of the gift. Estimated lives are as follows:

|                            |             |
|----------------------------|-------------|
| Buildings and improvements | 10-40 years |
| Furniture and equipment    | 5-7 years   |
| Vehicles                   | 5 years     |
| Software                   | 3 years     |
| Leasehold improvements     | 5-20 years  |

# **BLUE RIDGE BEHAVIORAL HEALTHCARE**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Compensated Absences**

Employees are entitled to certain compensated absences based upon length of employment. Paid time off and certain other compensated absences do vest with the employee at rates based on years of service. A provision for these vested compensated absences has been recorded. Because of the timing of the use of the benefit is not estimable, all of the liability has been classified as current.

#### **Net Position**

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation. At June 30, 2023, restricted net position consists of BRBH's net pension asset. The balance of the asset is restricted for expected future pension payments.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

#### **Leases**

BRBH leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

#### *Lessee*

BRBH recognizes right-to-use lease assets (lease assets) in the financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term. The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Key Estimates and Judgements*

Lease accounting includes estimates and judgements for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- BRBH uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, BRBH uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability.

BRBH monitors changes in circumstances that would require a remeasurement or modification of its leases. BRBH will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

#### **Subscriptions**

BRBH utilizes various subscription-based information technology arrangements (SBITAs) requiring recognition. A SBITA is a contract that conveys control of the right to use another entity's information technology software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time.

BRBH recognizes right-to-use subscription (subscription assets) in the financial statements. At the commencement of the contract, the subscription liability is measured at the present value of payments expected to be made during the subscription term. The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability, plus any payments made to the vendor at or before the commencement of the subscription term and certain direct costs. The lease asset is amortized over the subscription term.

#### *Key Estimates and Judgements*

Subscription accounting includes estimates and judgements for determining the (1) rate used to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- BRBH uses the interest rate stated in subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, BRBH uses its estimated incremental borrowing rate as the discount rate for leases.
- The subscription term includes the noncancellable period of the subscription and options to extend the subscription period.
- Fixed and certain variable payments as well as incentives and certain other payments are included in the measurement of the subscription liability.

BRBH monitors changes in circumstances that would require a remeasurement or modification of its subscriptions. BRBH will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

# **BLUE RIDGE BEHAVIORAL HEALTHCARE**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Unearned Revenue**

Unearned revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met. Unearned revenue is comprised of restricted funds and earmarked funds attached to specific clients. Revenue is recorded when expenses are incurred in accordance with the grantor's requirements. If expenses are not incurred, the funds may revert back to the grantor.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future period and so will not be recognized as an outflow of resources (expense) until then. BRBH has five items that qualify for reporting in this category. The first is contributions subsequent to the measurement date for pensions and OPEB which are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year. The second is the difference between expected and actual experience for economic/demographic factors in the measurement of the total OPEB liability. The third is the difference between projected and actual earnings on pension plan and OPEB investments. Both of these differences will be recognized in pension or OPEB expense over the closed five-year period. The fourth is changes in assumptions on pension plan and OPEB investments. The fifth is the changes in the proportional share of OPEB liabilities. Both of these differences will be recognized in pension and OPEB expense over the estimated remaining service life of employees subject to the plan.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. BRBH has three types of items. The first is the difference between expected and actual experience for economic/demographic factors in the measurement of the total pension of OPEB liability. This difference will be recognized in pension or OPEB expense over a closed five-year period. The second is 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. The third is changes in the proportional share of OPEB liabilities. This difference will be recognized over the estimated remaining service life of employees subject to the plan.

#### **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 BRBH's Plans and the additions to/deductions from BRBH'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.

#### **Income Taxes**

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

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

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

#### New Accounting Pronouncements

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 99, *Omnibus 2022*, enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature. The requirements of this statements related to leases, PPPs and SBITAs are effective for fiscal years beginning after June 15, 2022, and the requirements related to financial guarantees and the classification and reporting of derivative instruments are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62*, enhances accounting and financial reporting requirements for accounting changes and error corrections. The requirements of the Statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. The requirements of the Statement are effective for reporting periods beginning after December 15, 2023.

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

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 3 - CASH AND INVESTMENTS

Cash and cash equivalents consist of the following:

|                                  | 2023                 |
|----------------------------------|----------------------|
| Cash on hand                     | \$ 1,870             |
| Demand deposits                  | 7,673,996            |
| Local government investment pool | 9,813,563            |
|                                  | <u>\$ 17,489,429</u> |

#### 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 from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

#### Investments

Statutes authorize BRBH 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). BRBH has no formal investment policy.

#### Credit risk

At June 30, 2023, BRBH’s investments were all in the State Treasurer’s Local Government Investment Pool, which has been assigned a credit rating of AAAM by Standard & Poor’s (S&P).

At June 30, 2023, BRBH had no significant exposure to interest rate, foreign currency, or concentration of credit risks.

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

|                                                               | 2023               |
|---------------------------------------------------------------|--------------------|
| Virginia Department of Medical Assistance Services (Medicaid) | \$ 1,304,794       |
| Direct client                                                 | 1,190,760          |
| Third-party insurers and other                                | 779,265            |
|                                                               | <u>3,274,819</u>   |
| Allowance for uncollectible accounts                          | <u>(2,627,758)</u> |
|                                                               | <u>\$ 647,061</u>  |

### NOTE 5 – CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2023 were as follows:

|                                                                | Balance<br>July 1, 2022 | Increases           | Decreases       | Balance<br>June 30, 2023 |
|----------------------------------------------------------------|-------------------------|---------------------|-----------------|--------------------------|
| Capital assets, nondepreciable                                 |                         |                     |                 |                          |
| Land                                                           | \$ 1,718,606            | \$ -                | \$ -            | \$ 1,718,606             |
| Capital assets, nondepreciable                                 | <u>1,718,606</u>        | <u>-</u>            | <u>-</u>        | <u>1,718,606</u>         |
| Capital assets, depreciable                                    |                         |                     |                 |                          |
| Buildings and improvements                                     | 27,419,318              | 20,580              | -               | 27,439,898               |
| Furniture and equipment                                        | 1,662,175               | 16,000              | (48,283)        | 1,629,892                |
| Vehicles                                                       | 1,074,891               | 208,960             | -               | 1,283,851                |
| Leasehold improvements                                         | 44,791                  | -                   | -               | 44,791                   |
| Construction in Progress                                       | -                       | 135,018             | -               | 135,018                  |
| Capital assets, depreciable                                    | <u>30,201,175</u>       | <u>380,558</u>      | <u>(48,283)</u> | <u>30,533,450</u>        |
| Less: accumulated depreciation and amortization                | <u>(18,397,467)</u>     | <u>(1,202,602)</u>  | <u>48,283</u>   | <u>(19,551,786)</u>      |
| Capital assets, depreciable, net                               | <u>11,803,708</u>       | <u>(822,044)</u>    | <u>-</u>        | <u>10,981,664</u>        |
| Capital assets, net                                            | <u>\$ 13,522,314</u>    | <u>\$ (822,044)</u> | <u>\$ -</u>     | <u>\$ 12,700,270</u>     |
| Leased assets                                                  |                         |                     |                 |                          |
| Intangible right-to-use leases                                 | \$ 836,902              | \$ -                | \$ (757,674)    | \$ 79,228                |
| Less: accumulated amortization                                 | <u>(405,917)</u>        | <u>(405,915)</u>    | <u>757,674</u>  | <u>(54,158)</u>          |
| Leased assets, net                                             | <u>\$ 430,985</u>       | <u>\$ (405,915)</u> | <u>\$ -</u>     | <u>\$ 25,070</u>         |
| Subscription assets                                            |                         |                     |                 |                          |
| Intangible subscription-based information technology agreement | \$ 900,097              | \$ -                | \$ -            | \$ 900,097               |
| Less: accumulated amortization                                 | <u>(187,005)</u>        | <u>(187,008)</u>    | <u>-</u>        | <u>(374,013)</u>         |
| Subscription assets, net                                       | <u>\$ 713,092</u>       | <u>\$ (187,008)</u> | <u>\$ -</u>     | <u>\$ 526,084</u>        |

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 5 – CAPITAL ASSETS (Continued)

The copiers lease amortization is included in depreciation and amortization expense on the Statement of Revenues, Expenses and Changes in Net Position related to BRBH's intangible assets, which is included in the above table as Intangible Right to Use Leases. With the implementation of Governmental Accounting Standards Board Statement No. 87 *Leases*, a lease meeting the criteria of the Statement requires the lessee to recognize a lease liability and an intangible right to use asset. At June 30, 2023, the cost and net book value of Intangible Right to Use Leases-Equipment is \$79,228 and \$25,070, respectively.

The Oracle-Cerner subscription asset's amortization is included in depreciation and amortization expense on the Statement of Revenues, Expenses and Changes in Net Position related to BRBH's intangible assets, which is included in the above table as Intangible subscription-based information technology agreements. With the implementation of Governmental Accounting Standards Board Statement No. 96 *Subscription-Based Information Technology Arrangements (SBITAs)*, an IT agreement meeting the criteria of the Statement requires the lessee to recognize a SBITA liability and an intangible SBITA asset. At June 30, 2023, the cost and net book value of Intangible Right to Use Leases-Equipment is \$900,097 and \$526,084, respectively.

### NOTE 6 – NET CLIENT SERVICE REVENUE

Net client revenues arose from the following sources:

|                                            | 2023                 |
|--------------------------------------------|----------------------|
| Medicaid                                   | \$ 11,958,320        |
| Third-party, direct client fees, and other | 898,634              |
|                                            | <u>\$ 12,856,954</u> |

### NOTE 7 – RISK MANAGEMENT

Effective July 1, 2019, BRBH began a professionally administered self-insurance funded program to provide healthcare coverage for employees of BRBH. Monthly premiums are based upon estimates from BRBH's benefits consultant that should cover stop loss insurance premiums, administrative expenses, and claims. A stop loss contract covers claims in excess of \$100,000 per covered individual per contract year. Included in accrued liabilities were estimated incurred, but not reported (IBNR) claims payables of \$794,694 for the year ended June 30, 2023.

BRBH is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. BRBH has insurance through commercial carriers for comprehensive property and casualty coverage, general and professional liability, and automobile coverage. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years. Management believes such coverage is sufficient to preclude any significant uninsured losses.

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 8 - LONG-TERM DEBT

A detail of long-term debt at June 30, 2023 is as follows:

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>2023</u>                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| <b>Bonds payable:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                            |
| \$5,500,000 series 2007 IDA tax exempt bonds issued by the Town of Clifton Forge, Virginia, due in monthly installments of \$34,291, including interest at 4.27%, maturing in 2029, and collateralized by real property                                                                                                                                                                                                                                                                                                                          | \$ 2,098,519               |
| <b>Notes payable from direct borrowings:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                            |
| \$3,455,250 mortgage note due in monthly installments of \$19,620, including interest at 4.50%, through February 2024 and then using monthly average yield on U.S. Treasury Securities plus a margin of 2.25% re-calculated every five years thereafter; maturing in 2034                                                                                                                                                                                                                                                                        | 3,140,574                  |
| \$2,420,588 mortgage note due in monthly installments of \$24,244, including interest at 3.77%, maturing in 2025, collateralized by real property, personal property, and accounts receivable. The Agency is required to maintain compliance with certain financial covenants, and was in compliance throughout fiscal years 2022 and 2021. The Agency entered into a supplemental loan agreement October 1, 2019 for an additional \$550,000 mortgage note due in monthly installments of \$3,244, including interest at 3.64% maturing in 2029 | <u>946,918</u>             |
| Total Debt                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 6,186,011                  |
| Less: Current Maturities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <u>(727,251)</u>           |
| Total Long-Term Debt                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <u><u>\$ 5,458,760</u></u> |

Bank notes payable are collateralized by real property.

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 8 - LONG-TERM DEBT (Continued)

Annual debt service requirements are as follows:

| Fiscal Year | Bonds Payable      |                  | Notes Payable from<br>Direct Borrowings |                  | Total Debt         |                    |
|-------------|--------------------|------------------|-----------------------------------------|------------------|--------------------|--------------------|
|             | Principal          | Interest         | Principal                               | Interest         | Principal          | Interest           |
| 2024        | \$ 327,128         | \$ 84,364        | \$ 400,123                              | \$ 176,648       | \$ 727,251         | \$ 261,012         |
| 2025        | 341,800            | 69,692           | 324,271                                 | 140,648          | 666,071            | 210,340            |
| 2026        | 356,894            | 54,598           | 147,605                                 | 90,344           | 504,499            | 144,942            |
| 2027        | 372,656            | 38,836           | 151,629                                 | 86,398           | 524,285            | 125,234            |
| 2028        | 389,061            | 22,431           | 155,550                                 | 76,626           | 544,611            | 99,057             |
| 2029-2033   | 310,980            | 5,556            | 1,066,790                               | 309,914          | 1,377,770          | 315,470            |
| 2034-2038   | -                  | -                | 1,841,524                               | 47,909           | 1,841,524          | 47,909             |
|             | <u>\$2,098,519</u> | <u>\$275,477</u> | <u>\$4,087,492</u>                      | <u>\$928,487</u> | <u>\$6,186,011</u> | <u>\$1,203,964</u> |

### NOTE 9 - DEFINED BENEFIT PENSION PLAN

#### Summary of Significant Accounting Policies

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision Retirement Plan and the additions to/deductions from the Political Subdivision Retirement Plan's fiduciary net 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.

#### Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria.

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

The specific information for each plan and the eligibility for covered groups within each plan are available at:

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

### **Employees Covered by Benefit Terms**

As of the June 30, 2021, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

|                                                                      | <b>Number</b> |
|----------------------------------------------------------------------|---------------|
| Inactive members or their beneficiaries currently receiving benefits | 117           |
| Inactive members:                                                    |               |
| Vested                                                               | 109           |
| Non-Vested                                                           | 327           |
| LTD                                                                  | 0             |
| Active elsewhere in VRS                                              | 108           |
| Total Inactive Members                                               | 661           |
| Active Members                                                       | 307           |
| Total Covered Employees                                              | 968           |

### **Contributions**

The contribution requirement for active employees is governed by Section 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.

BRBH's contractually required employer contribution rate for the fiscal year ended June 30, 2023, was 1.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 Blue Ridge Behavioral Healthcare were \$258,525 and \$310,265 for the years ended June 30, 2023 and June 30, 2022, respectively.

### **Net Pension Liability**

The net pension liability (NPL) 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

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

employer's fiduciary net position. For BRBH, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

#### Actuarial Assumptions

The total pension liability for general employees in BRBH's Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

|                                       |                                                                     |
|---------------------------------------|---------------------------------------------------------------------|
| Inflation                             | 2.5%                                                                |
| Salary increases, including inflation | 3.5 % – 5.35%                                                       |
| Investment rate of return             | 6.75 %, net of pension plan investment expense, including inflation |

Mortality rates:

**All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service-related**

#### Pre-Retirement:

P- Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

#### Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

#### Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

#### Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

#### Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty:

|                                                                         |                                                                                                                                                        |
|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| Retirement Rates                                                        | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age             |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service                                                        |
| Disability Rates                                                        | No change                                                                                                                                              |
| Salary Scale                                                            | No change                                                                                                                                              |
| Line of Duty Disability                                                 | No change                                                                                                                                              |
| Discount Rate                                                           | No change                                                                                                                                              |

### 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)               | Long-Term Target Asset Allocation   | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|--------------------------------------|-------------------------------------|----------------------------------------------|----------------------------------------------------|
| Public Equity                        | 34.00%                              | 5.71%                                        | 1.94%                                              |
| Fixed Income                         | 15.00%                              | 2.04%                                        | 0.31%                                              |
| Credit Strategies                    | 14.00%                              | 4.78%                                        | 0.67%                                              |
| Real Assets                          | 14.00%                              | 4.47%                                        | 0.63%                                              |
| Private Equity                       | 14.00%                              | 9.73%                                        | 1.36%                                              |
| MAPS - Multi-Asset Public Strategies | 6.00%                               | 3.73%                                        | 0.22%                                              |
| PIP - Private Investment Partnership | 3.00%                               | 6.55%                                        | 0.20%                                              |
| <b>Total</b>                         | <b>100.00%</b>                      |                                              | <b>5.33%</b>                                       |
|                                      | Inflation                           |                                              | 2.50%                                              |
|                                      | Expected Arithmetic nominal return* |                                              | 7.83%                                              |

\* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

median return of 6.72%, including expected inflation of 2.50%.

\* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

#### Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. 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

|                                                       | Increase (Decrease)            |                                   |                                    |
|-------------------------------------------------------|--------------------------------|-----------------------------------|------------------------------------|
|                                                       | Total Pension<br>Liability (a) | Plan Fiduciary<br>Net Pension (b) | Net Pension<br>Liability (a) - (b) |
| Balances at June 30, 2021                             | \$ 23,866,204                  | \$ 34,520,997                     | \$ (10,654,793)                    |
| Changes for the year:                                 |                                |                                   |                                    |
| Service Cost                                          | 1,083,833                      | -                                 | 1,083,833                          |
| Interest                                              | 1,654,756                      | -                                 | 1,654,756                          |
| Benefit Changes                                       | -                              | -                                 | -                                  |
| Difference between expected<br>and actual experiences | (55,550)                       | -                                 | (55,550)                           |
| Contributions - employer                              | -                              | 175,344                           | (175,344)                          |
| Contributions - employee                              | -                              | 651,303                           | (651,303)                          |
| Net investment income                                 | -                              | (46,029)                          | 46,029                             |
| Benefit payments, including refunds                   | (870,255)                      | (870,255)                         | -                                  |
| Administrative expenses                               | -                              | (21,322)                          | 21,322                             |
| Other changes                                         | -                              | 809                               | (809)                              |
| Net changes                                           | 1,812,784                      | (110,150)                         | 1,922,934                          |
| Balances at June 30, 2022                             | \$ 25,678,988                  | \$ 34,410,847                     | \$ (8,731,859)                     |

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension asset (liability) of BRBH using the discount rate of 6.75%, as well as what BRBH's net pension liability would be if it were 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%<br>Decrease<br>(5.75%) | Current<br>Discount<br>Rate (6.75%) | 1%<br>Increase<br>(7.75%) |
|-----------------------------------------|---------------------------|-------------------------------------|---------------------------|
| Plan's Net Pension Asset<br>(Liability) | \$4,797,514               | \$8,731,859                         | \$11,851,116              |

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

For the year ended June 30, 2023, BRBH recognized a decrease in pension expense of \$429,865. At June 30, 2023 BRBH reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|----------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                               | \$ -                              | \$ 48,198                        |
| Changes of assumptions                                                           | 105,668                           | -                                |
| Net difference between projected and actual earnings on pension plan investments | 2,421,070                         | 3,382,466                        |
| Employer contributions subsequent to the measurement date                        | 110,098                           | -                                |
| Total                                                                            | <u>\$ 2,636,836</u>               | <u>\$ 3,430,664</u>              |

\$110,098 reported as deferred outflows of resources related to pensions resulting from BRBH's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

#### Schedule of Amortization of Deferred Outflows (Inflows) of Resources

|                     |             |
|---------------------|-------------|
| Year Ended June 30: |             |
| 2024                | \$(322,473) |
| 2025                | (403,579)   |
| 2026                | (652,682)   |
| 2027                | 474,808     |
| 2028                | -           |
| Thereafter          | -           |

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

#### Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

#### Payables to the Pension Plan

At June 30, 2023, no amount was payable to VRS for the June 2023 legally required contributions to the pension plan. The June amount was drafted by VRS on June 30, 2023.

### NOTE 10 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS

#### General Information about the Group Life Insurance Program

#### Summary of Significant Accounting Policies

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, costsharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to § 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB Liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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 Group Life Insurance Program OPEB.

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 10 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is available at: <https://www.varetire.org/members/benefits/lifeinsurance/basic-group-life-insurance.asp>

#### Contributions

The contribution requirements for the Group Life Insurance Program are governed by § 51.1-506 and § 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$91,270 and \$80,717 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

#### GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2023, BRBH reported a liability of \$828,418 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022, and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .06880% as compared to .07060% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized an increase in GLI OPEB expense of \$21,585. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 10 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS

(Continued)

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

|                                                                                     | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|-------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                  | \$ 65,600                            | \$ 33,234                           |
| Net difference between projected and actual earning on GLI OPEB program investments | -                                    | 51,764                              |
| Change in assumptions                                                               | 30,899                               | 80,691                              |
| Changes in proportionate share                                                      | 7,020                                | 43,258                              |
| Employer contributions subsequent to the measurement date                           | 91,270                               | -                                   |
| Total                                                                               | \$ 194,789                           | \$ 208,947                          |

\$91,270 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

|                     |            |
|---------------------|------------|
| Year Ended June 30: |            |
| 2024                | \$(20,131) |
| 2025                | (23,226)   |
| 2026                | (50,674)   |
| 2027                | (1,039)    |
| 2028                | (10,358)   |
| Thereafter          | -          |

### Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

|                                         |               |
|-----------------------------------------|---------------|
| Inflation                               | 2.50 %        |
| Salary increases, including inflation – |               |
| General state employees                 | 3.50 – 5.35 % |
| Teachers                                | 3.50 – 5.95 % |
| SPORS employees                         | 3.50 – 4.75 % |
| VaLORS employees                        | 3.50 – 4.75 % |
| JRS employees                           | 4.50 %        |
| Locality – General employees            | 3.50 – 5.35 % |
| Locality – Hazardous Duty employees     | 3.50 – 4.75 % |

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 10 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

Investment rate of return                      6.75 %, net of investment expenses,  
including inflation

#### Mortality rates – Non-Largest Ten Locality Employers - General Employees

##### Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 4 years

##### Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

##### Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

##### Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally

##### Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

|                                                                         |                                                                                                                                                                  |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020            |
| Retirement Rates                                                        | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service                                                                  |
| Disability Rates                                                        | No change                                                                                                                                                        |
| Salary Scale                                                            | No change                                                                                                                                                        |
| Line of Duty Disability                                                 | No change                                                                                                                                                        |
| Discount Rate                                                           | No change                                                                                                                                                        |

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 10 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

#### Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the 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, 2021, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

|                                                                                | <b>Group Life<br/>Insurance OPEB<br/>Program</b> |
|--------------------------------------------------------------------------------|--------------------------------------------------|
| Total GLI OPEB Liability                                                       | \$ 3,672,085                                     |
| Plan Fiduciary Net Position                                                    | 2,467,989                                        |
| Employers' Net GLI OPEB Liability (Asset)                                      | 1,204,096                                        |
| Plan Fiduciary Net Position as a Percentage<br>of the Total GLI OPEB Liability | 67.21%                                           |

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

#### Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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:

| <b>Asset Class (Strategy)</b>    | <b>Long-Term Target<br/>Asset Allocation</b> | <b>Arithmetic Long-<br/>Term Expected<br/>Rate of Return</b> | <b>Weighted Average<br/>Long-Term<br/>Expected Rate of<br/>Return</b> |
|----------------------------------|----------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------------|
| Public Equity                    | 34.00%                                       | 5.71%                                                        | 1.94%                                                                 |
| Fixed Income                     | 15.00%                                       | 2.04%                                                        | 0.31%                                                                 |
| Credit Strategies                | 14.00%                                       | 4.78%                                                        | 0.67%                                                                 |
| Real Assets                      | 14.00%                                       | 4.47%                                                        | 0.63%                                                                 |
| Private Equity                   | 14.00%                                       | 9.73%                                                        | 1.36%                                                                 |
| MAPS - Multi-Asset Public Strat  | 6.00%                                        | 3.73%                                                        | 0.22%                                                                 |
| PIP - Private Investment Partner | 3.00%                                        | 6.55%                                                        | 0.20%                                                                 |
| <b>Total</b>                     | <b>100.00%</b>                               |                                                              | <b>5.33%</b>                                                          |
|                                  | Inflation                                    |                                                              | 2.50%                                                                 |
|                                  | Expected Arithmetic nominal return*          |                                                              | 7.83%                                                                 |

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 10 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS

(Continued)

\* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 6.72%, including expected inflation of 2.50%.

\*\*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

#### Discount Rate

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's 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 GLI OPEB Liability.

#### Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were 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%<br>Decrease<br>(5.75%) | Current<br>Discount<br>Rate (6.75%) | 1%<br>Increase<br>(7.75%) |
|------------------------------|---------------------------|-------------------------------------|---------------------------|
| Plan's Net Pension Liability | \$1,205,446               | \$828,418                           | \$523,729                 |

#### Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 10 – GROUP LIFE INSURANCE – OTHER POST EMPLOYMENT BENEFITS (Continued)

#### Payables to the VRS Group Life Insurance OPEB Plan

At June 30, 2023, no amount was payable to VRS for the June 2023 legally required contributions to the pension plan. The June amount was drafted by VRS on June 30, 2023.

### NOTE 11 – CONTRIBUTIONS FROM PARTICIPATING LOCAL GOVERNMENTS

Contributions from participating local governments were as follows:

|                     | 2023                |
|---------------------|---------------------|
| City of Roanoke     | \$ 1,031,178        |
| County of Roanoke   | 300,000             |
| City of Salem       | 170,559             |
| County of Botetourt | 55,000              |
| County of Craig     | 8,328               |
|                     | <u>\$ 1,565,065</u> |

### NOTE 12 - COMMITMENTS AND CONTINGENCIES

#### Leases

As of June 30, 2023, BRBH had the following lease agreements:

| Description            | Date     | Payment<br>Terms | Payment<br>Amount | Interest<br>Rate | Total<br>Lease<br>Liability | Balance<br>June 30,<br>2023 |
|------------------------|----------|------------------|-------------------|------------------|-----------------------------|-----------------------------|
| Copiers                | 6/1/2019 | 5 yrs            | \$ 2,368          | 3.03%            | \$ 79,228                   | \$ 25,446                   |
| Total Lease Agreements |          |                  |                   |                  |                             | <u>\$ 25,446</u>            |

BRBH entered into a lease agreement with its component unit, BRBH, Inc., for copier equipment for use by BRBH throughout various departments beginning June 1, 2019 for a term of five years at a fixed interest rate of 3.03% based on the U.S. Treasury Note rate. This lease is not renewable and BRBH will not acquire the equipment at the end of the five years.

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

As of June 30, 2023, BRBH had the following subscription-based information technology agreements (SBITA):

| Description                      | Date     | Payment Terms | Payment Amount | Interest Rate | Total Lease Liability | Balance June 30, 2023 |
|----------------------------------|----------|---------------|----------------|---------------|-----------------------|-----------------------|
| Billings/Health Records Software | 4/1/2021 | 5 yrs         | \$ 15,720      | 0.87%         | \$ 900,097            | \$ 534,784            |
| Total SBITAs                     |          |               |                |               |                       | <u>\$ 534,784</u>     |

BRBH entered into a subscription based information technology (SBITA) agreement with Oracle Cerner for billings and electronic records management usage by BRBH throughout various departments beginning April 1, 2021 for a term of five years at a fixed interest rate of 0.87% based on the U.S. Treasury Note rate. This agreement is not renewable and BRBH will not acquire the software at the end of the five years.

Annual requirements to amortize long-term obligations and related interest are as follows:

| Year Ending<br>June 30 | Leases           |               | SBITAs            |                 |
|------------------------|------------------|---------------|-------------------|-----------------|
|                        | Principal        | Interest      | Principal         | Interest        |
| 2024                   | \$ 25,446        | \$ 602        | \$ 184,723        | \$ 3,917        |
| 2025                   | -                | -             | 186,336           | 2,304           |
| 2026                   | -                | -             | 163,725           | 677             |
|                        | <u>\$ 25,446</u> | <u>\$ 602</u> | <u>\$ 534,784</u> | <u>\$ 6,898</u> |

### Contingencies

BRBH operates programs that are typically funded by grants received from federal, state, or local sources. Expenditures financed by grants are subject to audit by the grantor. If expenditures are disallowed due to noncompliance with grant program regulation, BRBH may be required to reimburse the grantor. BRBH believes that the likelihood of disallowance of expenditures and subsequent reimbursement is remote and would not have a material effect on the overall financial position of BRBH.

BRBH may be involved in potential litigation arising in the ordinary course of business. It is management's belief that any liability resulting from such litigation would not be material in relation to BRBH's financial position.

### NOTE 13 – PRIOR PERIOD ADJUSTMENTS AND RESTATED 2022 BALANCES

BRBH restated net position for the 2022 comparative balances on the current year financial statements. These items included a reduction in net position of \$168,601 related to intangible right-to-use lease assets and an increase in net position of \$46,507 related to a decrease in unearned revenue for the year ended June 30, 2022.

In addition, 2022 balances were restated for the implementation of GASB 96, *Subscription Based Information Technology Agreements*. This amounted to a \$4,816 decrease in net position for the year ended June 30, 2022.

**BLUE RIDGE BEHAVIORAL HEALTHCARE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated as of September 29, 2023, which is the date the financial statements were available to be issued.

## **Required Supplementary Information**

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**BLUE RIDGE BEHAVIORAL HEALTHCARE**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
June 30, 2023**

|                                                                        | <b>Plan Year</b>      |                        |                       |                       |                       |                       |                       |                       |                       |
|------------------------------------------------------------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                                                        | <b>2022</b>           | <b>2021</b>            | <b>2020</b>           | <b>2019</b>           | <b>2018</b>           | <b>2017</b>           | <b>2016</b>           | <b>2015</b>           | <b>2014</b>           |
| <b>Total Pension Liability</b>                                         |                       |                        |                       |                       |                       |                       |                       |                       |                       |
| Service cost                                                           | \$ 1,083,833          | \$ 1,211,290           | \$ 1,231,705          | \$ 1,244,383          | \$ 1,287,858          | \$ 1,428,976          | \$ 1,439,275          | \$ 1,530,149          | \$ 1,640,497          |
| Interest on total pension liability                                    | 1,654,756             | 1,417,861              | 1,306,452             | 1,223,086             | 1,143,657             | 1,045,667             | 968,572               | 855,515               | 711,914               |
| Changes of assumptions                                                 | -                     | 727,242                | -                     | 657,372               | -                     | (356,914)             | -                     | -                     | -                     |
| Difference between expected and actual experience                      | (55,550)              | (120,079)              | (153,289)             | (541,750)             | (678,760)             | (205,084)             | (756,018)             | (278,849)             | -                     |
| Benefit payments, including refunds of employee contributions          | (870,255)             | (750,914)              | (717,807)             | (684,024)             | (552,078)             | (473,491)             | (627,467)             | (355,946)             | (245,985)             |
| Net change in total pension liability                                  | 1,812,784             | 2,485,400              | 1,667,061             | 1,899,067             | 1,200,677             | 1,439,154             | 1,024,362             | 1,750,869             | 2,106,426             |
| <b>Total pension liability – beginning</b>                             | <b>23,866,204</b>     | <b>21,380,804</b>      | <b>19,713,743</b>     | <b>17,814,676</b>     | <b>16,613,999</b>     | <b>15,174,845</b>     | <b>14,150,483</b>     | <b>12,399,614</b>     | <b>10,293,188</b>     |
| <b>Total pension liability – ending</b>                                | <b>25,678,988</b>     | <b>23,866,204</b>      | <b>21,380,804</b>     | <b>19,713,743</b>     | <b>17,814,676</b>     | <b>16,613,999</b>     | <b>15,174,845</b>     | <b>14,150,483</b>     | <b>12,399,614</b>     |
| <b>Plan Fiduciary Net Position</b>                                     |                       |                        |                       |                       |                       |                       |                       |                       |                       |
| Contributions – employer                                               | 175,344               | 169,115                | 254,646               | 270,862               | 510,858               | 513,275               | 766,463               | 760,009               | 1,269,214             |
| Contributions – employee                                               | 651,303               | 638,957                | 650,288               | 635,023               | 638,362               | 617,152               | 609,144               | 606,423               | 636,444               |
| Net investment income                                                  | (46,029)              | 7,462,545              | 508,420               | 1,661,692             | 1,666,716             | 2,403,418             | 344,021               | 784,069               | 2,130,698             |
| Benefit payments, including refunds of employee contributions          | (870,255)             | (750,914)              | (717,807)             | (684,024)             | (552,078)             | (473,491)             | (627,467)             | (355,946)             | (245,985)             |
| Administrative expenses                                                | (21,322)              | (18,015)               | (16,761)              | (15,729)              | (13,625)              | (12,998)              | (10,796)              | (9,558)               | (9,955)               |
| Other                                                                  | 809                   | 709                    | (609)                 | (1,051)               | (1,519)               | (2,172)               | (140)                 | (169)                 | 112                   |
| Net change in plan fiduciary net position                              | (110,150)             | 7,502,397              | 678,177               | 1,866,773             | 2,248,714             | 3,045,184             | 1,081,225             | 1,784,828             | 3,780,528             |
| <b>Plan fiduciary net position – beginning</b>                         | <b>34,520,997</b>     | <b>27,018,600</b>      | <b>26,340,423</b>     | <b>24,473,650</b>     | <b>22,224,936</b>     | <b>19,179,752</b>     | <b>18,098,527</b>     | <b>16,313,699</b>     | <b>12,533,171</b>     |
| <b>Plan fiduciary net position – ending</b>                            | <b>34,410,847</b>     | <b>34,520,997</b>      | <b>27,018,600</b>     | <b>26,340,423</b>     | <b>24,473,650</b>     | <b>22,224,936</b>     | <b>19,179,752</b>     | <b>18,098,527</b>     | <b>16,313,699</b>     |
| <b>Net pension liability (asset) – ending</b>                          | <b>\$ (8,731,859)</b> | <b>\$ (10,654,793)</b> | <b>\$ (5,637,796)</b> | <b>\$ (6,626,680)</b> | <b>\$ (6,658,974)</b> | <b>\$ (5,610,937)</b> | <b>\$ (4,004,907)</b> | <b>\$ (3,948,044)</b> | <b>\$ (3,914,085)</b> |
| Plan fiduciary net position as a percentage of total pension liability | 134%                  | 145%                   | 126%                  | 134%                  | 137%                  | 134%                  | 126%                  | 128%                  | 132%                  |
| Covered employee payroll                                               | \$ 14,774,533         | \$ 14,412,786          | \$ 15,782,633         | \$ 15,086,083         | \$ 14,308,644         | \$ 13,580,966         | \$ 13,222,966         | \$ 12,352,497         | \$ 12,593,334         |
| Net pension liability as a percentage of covered employee payroll      | -59.10%               | -73.93%                | -35.72%               | -43.93%               | -46.54%               | -41.31%               | -30.29%               | -31.96%               | -31.08%               |

The plan years above are reported in the Agency's financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the Agency's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

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

**BLUE RIDGE BEHAVIORAL HEALTHCARE**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS**

**June 30, 2023**

| <b>Entity Fiscal<br/>Year Ended<br/>June 30,</b> | <b>Actuarially<br/>Determined<br/>Contribution</b> | <b>Contributions in<br/>Relation to<br/>Actuarially<br/>Determined<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Covered<br/>Employee<br/>Payroll</b> | <b>Contributions as a<br/>Percentage of<br/>Covered Payroll</b> |
|--------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------|-----------------------------------------------------------------|
| 2023                                             | \$ 108,868                                         | \$ 108,868                                                                              | \$ -                                            | \$ 16,897,072                           | 0.64 %                                                          |
| 2022                                             | 176,803                                            | 176,803                                                                                 | -                                               | 14,774,533                              | 1.20                                                            |
| 2021                                             | 247,810                                            | 247,810                                                                                 | -                                               | 14,412,786                              | 1.72                                                            |
| 2020                                             | 670,005                                            | 670,005                                                                                 | -                                               | 15,782,633                              | 4.25                                                            |
| 2019                                             | 546,751                                            | 546,751                                                                                 | -                                               | 15,086,083                              | 3.62                                                            |
| 2018                                             | 511,014                                            | 511,014                                                                                 | -                                               | 14,308,644                              | 3.57                                                            |
| 2017                                             | 512,868                                            | 512,868                                                                                 | -                                               | 13,580,966                              | 3.78                                                            |
| 2016                                             | 767,988                                            | 767,988                                                                                 | -                                               | 13,222,966                              | 5.81                                                            |

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

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

**BLUE RIDGE BEHAVIORAL HEALTHCARE**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY - VRS GLI  
June 30, 2023**

| <b>Entity Fiscal<br/>Year Ended<br/>June 30,</b>                             | <b>Employer's<br/>Proportion of<br/>the Net OPEB<br/>Liability<br/>(Asset)</b> | <b>Employer's<br/>Proportionate Share of<br/>the Net OPEB Liability<br/>(Asset)</b> | <b>Employer's<br/>Covered<br/>Payroll</b> | <b>Employer's<br/>Proportionate Share<br/>of the Net OPEB<br/>Liability (Asset) as a<br/>Percentage of its<br/>Covered Payroll</b> | <b>Plan Fiduciary<br/>Net Position as a<br/>Percentage of the<br/>Total OPEB<br/>Liability</b> |
|------------------------------------------------------------------------------|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| <b>Virginia Retirement System - Group Life Insurance - General Employees</b> |                                                                                |                                                                                     |                                           |                                                                                                                                    |                                                                                                |
| 2023                                                                         | 0.07 %                                                                         | \$ 828,418                                                                          | \$ 17,037,425                             | 4.86 %                                                                                                                             | 67.21 %                                                                                        |
| 2022                                                                         | 0.07                                                                           | 821,976                                                                             | 14,966,199                                | 5.49                                                                                                                               | 67.45                                                                                          |
| 2021                                                                         | 7.16                                                                           | 1,196,055                                                                           | 14,412,786                                | 8.30                                                                                                                               | 52.64                                                                                          |
| 2020                                                                         | 7.19                                                                           | 1,171,307                                                                           | 15,782,633                                | 7.42                                                                                                                               | 52.00                                                                                          |
| 2019                                                                         | 7.35                                                                           | 1,117,000                                                                           | 15,086,083                                | 7.40                                                                                                                               | 51.22                                                                                          |
| 2018                                                                         | 7.17                                                                           | 1,079,000                                                                           | 14,308,644                                | 7.54                                                                                                                               | 48.86                                                                                          |

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

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

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

**BLUE RIDGE BEHAVIORAL HEALTHCARE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - VRS GLI**

**June 30, 2023**

| <b>Entity Fiscal<br/>Year Ended<br/>June 30,</b>                             | <b>Contractually<br/>Determined<br/>Contribution</b> | <b>Contributions in<br/>Relation to<br/>Contractually<br/>Determined<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Employer's<br/>Covered<br/>Payroll</b> | <b>Contributions as a<br/>Percentage of Covered<br/>Payroll</b> |
|------------------------------------------------------------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------|-----------------------------------------------------------------|
| <b>Virginia Retirement System - Group Life Insurance - General Employees</b> |                                                      |                                                                                           |                                                 |                                           |                                                                 |
| 2023                                                                         | \$ 91,270                                            | \$ 91,270                                                                                 | \$ -                                            | \$ 17,037,425                             | 0.54 %                                                          |
| 2022                                                                         | 80,717                                               | 80,717                                                                                    | -                                               | 14,966,199                                | 0.54                                                            |
| 2021                                                                         | 78,694                                               | 78,694                                                                                    | -                                               | 16,064,520                                | 0.49                                                            |
| 2020                                                                         | 77,293                                               | 77,293                                                                                    | -                                               | 15,782,633                                | 0.49                                                            |
| 2019                                                                         | 96,108                                               | 96,108                                                                                    | -                                               | 15,086,083                                | 0.64                                                            |
| 2018                                                                         | 95,224                                               | 95,224                                                                                    | -                                               | 14,308,644                                | 0.67                                                            |

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. 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.

## **BLUE RIDGE BEHAVIORAL HEALTHCARE**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2023**

#### **Note 1. Changes of Benefit Terms**

##### Pension

There have been no actuarially material changes to the Virginia Retirement System (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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

##### **Largest 10 – Non-Hazardous Duty:**

- Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Adjusted reirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
- Update withdrawal rates to better fit experience at each age and service year
- No changes to dsability rates
- No changes to salary rates
- No changes to line of duty disability rates
- No changes to discount rate
- Applicable to: Pension, GLI OPEB, and HIC OPEB

##### **All Others (Non 10 Largest) – Non-Hazardous Duty:**

- Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Adjusted reirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
- Update withdrawal rates to better fit experience at each age and service year
- No changes to dsability rates
- No changes to salary rates
- No changes to line of duty disability rates
- No changes to discount rate
- Applicable to: Pension, GLI OPEB, and HIC OPEB

## **Other Supplementary Information**

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**BLUE RIDGE BEHAVIORAL HEALTHCARE**  
**COMBINING STATEMENT OF NET POSITION**  
**June 30, 2023**

|                                                             | Blue Ridge<br>Behavioral<br>Healthcare | Blue Ridge<br>Behavioral<br>Healthcare, Inc. | Inter-Company<br>Eliminations | Total         |
|-------------------------------------------------------------|----------------------------------------|----------------------------------------------|-------------------------------|---------------|
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>            |                                        |                                              |                               |               |
| <b>CURRENT ASSETS</b>                                       |                                        |                                              |                               |               |
| Cash and cash equivalents                                   | \$ 16,376,762                          | \$ 1,112,667                                 | \$ -                          | \$ 17,489,429 |
| Accounts receivable, net                                    | 647,028                                | 33                                           | -                             | 647,061       |
| Grants receivable                                           | 635,494                                | -                                            | -                             | 635,494       |
| Prepaid expenses and other                                  | 203,560                                | 16,087                                       | -                             | 219,647       |
| Due from related party                                      | 525,081                                | -                                            | (525,081)                     | -             |
| Cash and cash equivalents, restricted                       | 2,790                                  | -                                            | -                             | 2,790         |
| Total current assets                                        | 18,390,715                             | 1,128,787                                    | (525,081)                     | 18,994,421    |
| <b>NONCURRENT ASSETS</b>                                    |                                        |                                              |                               |               |
| Net pension asset                                           | 8,731,859                              | -                                            | -                             | 8,731,859     |
| Leased assets, net                                          | -                                      | 25,070                                       | -                             | 25,070        |
| Subscription assets, net                                    | 526,084                                | -                                            | -                             | 526,084       |
| Capital assets, net                                         | 404,444                                | 12,295,826                                   | -                             | 12,700,270    |
| Total noncurrent assets                                     | 9,662,387                              | 12,320,896                                   | -                             | 21,983,283    |
| Total assets                                                | 28,053,102                             | 13,449,683                                   | (525,081)                     | 40,977,704    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                       |                                        |                                              |                               |               |
| Deferred outflows related to pensions                       | 2,636,836                              | -                                            | -                             | 2,636,836     |
| Deferred outflows related to other postemployment benefits  | 194,789                                | -                                            | -                             | 194,789       |
| Total deferred outflows of resources                        | 2,831,625                              | -                                            | -                             | 2,831,625     |
| <b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>        |                                        |                                              |                               |               |
| <b>CURRENT LIABILITIES</b>                                  |                                        |                                              |                               |               |
| Accounts payable                                            | 598,698                                | 100,116                                      | -                             | 698,814       |
| Accrued expenses and other                                  | 1,331,976                              | -                                            | -                             | 1,331,976     |
| Due to related party                                        | -                                      | 525,081                                      | (525,081)                     | -             |
| Amounts held for clients, payable<br>from restricted assets | 2,790                                  | -                                            | -                             | 2,790         |
| Unearned revenue                                            | 5,713,495                              | -                                            | -                             | 5,713,495     |
| Current portion of noncurrent liabilities                   | 1,296,941                              | 727,251                                      | -                             | 2,024,192     |
| Current portion of leased liabilities                       | -                                      | 25,446                                       | -                             | 25,446        |
| Current portion of subscription liabilities                 | 184,723                                | -                                            | -                             | 184,723       |
| Total current liabilities                                   | 9,128,623                              | 1,377,894                                    | (525,081)                     | 9,981,436     |
| <b>NONCURRENT LIABILITIES</b>                               |                                        |                                              |                               |               |
| Net other postemployment benefit liability                  | 828,418                                | -                                            | -                             | 828,418       |
| Due in more than one year                                   | -                                      | 5,458,760                                    | -                             | 5,458,760     |
| Leased liabilities                                          | -                                      | -                                            | -                             | -             |
| Subscription liabilities                                    | 350,061                                | -                                            | -                             | 350,061       |
| Total liabilities                                           | 10,307,102                             | 6,836,654                                    | (525,081)                     | 16,618,675    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                        |                                        |                                              |                               |               |
| Deferred inflows related to pensions                        | 3,430,664                              | -                                            | -                             | 3,430,664     |
| Deferred inflows related to other postemployment benefits   | 208,947                                | -                                            | -                             | 208,947       |
| Total deferred inflows of resources                         | 3,639,611                              | -                                            | -                             | 3,639,611     |
| <b>NET POSITION</b>                                         |                                        |                                              |                               |               |
| Net investment in capital assets                            | 395,744                                | 6,109,439                                    | -                             | 6,505,183     |
| Restricted – net pension asset                              | 8,731,859                              | -                                            | -                             | 8,731,859     |
| Unrestricted                                                | 7,810,411                              | 503,590                                      | -                             | 8,314,001     |
| Total net position                                          | \$ 16,938,014                          | \$ 6,613,029                                 | \$ -                          | \$ 23,551,043 |

**BLUE RIDGE BEHAVIORAL HEALTHCARE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**Year Ended June 30, 2023**

|                                                    | Blue Ridge<br>Behavioral<br>Healthcare | Blue Ridge<br>Behavioral<br>Healthcare, Inc. | Inter-Company<br>Eliminations | Total         |
|----------------------------------------------------|----------------------------------------|----------------------------------------------|-------------------------------|---------------|
| <b>OPERATING REVENUES</b>                          |                                        |                                              |                               |               |
| Net client service revenue                         | \$ 12,856,954                          | \$ -                                         | \$ -                          | \$ 12,856,954 |
| <b>OPERATING EXPENSES</b>                          |                                        |                                              |                               |               |
| Salaries and benefits                              | 22,716,382                             | -                                            | -                             | 22,716,382    |
| Staff development and recruitment                  | 208,144                                | -                                            | -                             | 208,144       |
| Facility                                           | 2,277,390                              | 1,138,830                                    | (2,506,337)                   | 909,883       |
| Supplies                                           | 579,104                                | -                                            | -                             | 579,104       |
| Client services                                    | 96,225                                 | -                                            | -                             | 96,225        |
| Travel                                             | 208,068                                | -                                            | -                             | 208,068       |
| Programs                                           | 4,919,527                              | -                                            | -                             | 4,919,527     |
| Contractual and professional services              | 2,857,315                              | -                                            | -                             | 2,857,315     |
| Insurance                                          | 106,592                                | -                                            | -                             | 106,592       |
| Depreciation and amortization                      | 641,731                                | 1,153,794                                    | -                             | 1,795,525     |
| Other                                              | 227,424                                | 29                                           | (21,780)                      | 205,673       |
| Total operating expenses                           | 34,837,902                             | 2,292,653                                    | (2,528,117)                   | 34,602,438    |
| Operating income (loss)                            | (21,980,948)                           | (2,292,653)                                  | 2,528,117                     | (21,745,484)  |
| <b>NONOPERATING REVENUES (EXPENSES)</b>            |                                        |                                              |                               |               |
| Commonwealth of Virginia grants                    | 16,455,033                             | -                                            | -                             | 16,455,033    |
| Federal grants                                     | 4,224,409                              | -                                            | -                             | 4,224,409     |
| Contributions from participating local governments | 1,565,065                              | -                                            | -                             | 1,565,065     |
| Interest income                                    | 263,420                                | 475                                          | -                             | 263,895       |
| Realized and unrealized gain/(loss)                | 10,221                                 | -                                            | -                             | 10,221        |
| Interest expense                                   | (32,730)                               | (291,883)                                    | -                             | (324,613)     |
| Rental income                                      | -                                      | 2,524,374                                    | (2,506,337)                   | 18,037        |
| Other income                                       | 773,872                                | 21,779                                       | (21,780)                      | 773,871       |
| Net nonoperating revenues                          | 23,259,290                             | 2,254,745                                    | (2,528,117)                   | 22,985,918    |
| Change in net position                             | 1,278,342                              | (37,908)                                     | -                             | 1,240,434     |
| <b>NET POSITION, at July 1, as restated</b>        | 15,659,672                             | 6,650,937                                    | -                             | 22,310,609    |
| <b>NET POSITION, at June 30</b>                    | \$ 16,938,014                          | \$ 6,613,029                                 | \$ -                          | \$ 23,551,043 |

**BLUE RIDGE BEHAVIORAL HEALTHCARE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2023**

|                                                                  | <b>Blue Ridge<br/>Behavioral<br/>Healthcare</b> | <b>Blue Ridge<br/>Behavioral<br/>Healthcare, Inc.</b> | <b>Inter-Company<br/>Eliminations</b> | <b>Total</b>  |
|------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------|---------------------------------------|---------------|
| <b>OPERATING ACTIVITIES</b>                                      |                                                 |                                                       |                                       |               |
| Receipts from clients, private insurers,<br>Medicaid, and others | \$ 12,990,382                                   | \$ -                                                  | \$ -                                  | \$ 12,990,382 |
| Payments to suppliers                                            | (12,196,069)                                    | (1,153,240)                                           | 2,528,117                             | (10,821,192)  |
| Payments to and for employees                                    | (22,603,214)                                    | -                                                     | -                                     | (22,603,214)  |
| Net cash used in operating activities                            | (21,808,901)                                    | (1,153,240)                                           | 2,528,117                             | (20,434,024)  |
| <b>NON-CAPITAL FINANCING ACTIVITIES</b>                          |                                                 |                                                       |                                       |               |
| Contributions from local, state, and federal governments         | 21,711,854                                      | -                                                     | -                                     | 21,711,854    |
| Other receipts                                                   | 773,872                                         | 2,546,153                                             | (2,528,117)                           | 791,908       |
| Net cash provided by non-capital financing activities            | 22,485,726                                      | 2,546,153                                             | (2,528,117)                           | 22,503,762    |
| <b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>                  |                                                 |                                                       |                                       |               |
| Acquisition and construction of capital assets                   | (224,960)                                       | (155,599)                                             | -                                     | (380,559)     |
| Principal paid on debt                                           | -                                               | (822,873)                                             | -                                     | (822,873)     |
| Interest paid on debt                                            | (32,730)                                        | (291,883)                                             | -                                     | (324,613)     |
| Net cash used in capital and related financing activities        | (257,690)                                       | (1,270,355)                                           | -                                     | (1,528,045)   |
| <b>INVESTING ACTIVITIES</b>                                      |                                                 |                                                       |                                       |               |
| Interest received                                                | 263,420                                         | 475                                                   | -                                     | 263,895       |
| Other changes in investments                                     | 10,221                                          | -                                                     | -                                     | 10,221        |
| Net cash provided by (used in) investing activities              | 273,641                                         | 475                                                   | -                                     | 274,116       |
| Net increase (decrease) in cash and cash equivalents             | 692,776                                         | 123,033                                               | -                                     | 815,809       |
| <b>CASH AND CASH EQUIVALENTS</b>                                 |                                                 |                                                       |                                       |               |
| Beginning at July 1                                              | 15,686,776                                      | 989,634                                               | -                                     | 16,676,410    |
| Ending at June 30                                                | \$ 16,379,552                                   | \$ 1,112,667                                          | \$ -                                  | \$ 17,492,219 |

(Continued)

**BLUE RIDGE BEHAVIORAL HEALTHCARE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2023**

|                                                                                      | <b>Blue Ridge<br/>Behavioral<br/>Healthcare</b> | <b>Blue Ridge<br/>Behavioral<br/>Healthcare, Inc.</b> | <b>Inter-Company<br/>Eliminations</b> | <b>Total</b>           |
|--------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------|---------------------------------------|------------------------|
| <b>RECONCILIATION TO STATEMENT OF NET POSITION</b>                                   |                                                 |                                                       |                                       |                        |
| Cash and cash equivalents                                                            | \$ 16,376,762                                   | \$ 1,112,667                                          | \$ -                                  | \$ 17,489,429          |
| Cash and cash equivalents, restricted                                                | 2,790                                           | -                                                     | -                                     | 2,790                  |
|                                                                                      | <u>\$ 16,379,552</u>                            | <u>\$ 1,112,667</u>                                   | <u>\$ -</u>                           | <u>\$ 17,492,219</u>   |
| <b>RECONCILIATION OF OPERATING LOSS TO<br/>NET CASH USED IN OPERATING ACTIVITIES</b> |                                                 |                                                       |                                       |                        |
| Operating loss                                                                       | \$ (21,980,948)                                 | \$ (2,292,653)                                        | \$ 2,528,117                          | \$ (21,745,484)        |
| Adjustments to reconcile operating loss<br>to net cash used in operating activities: |                                                 |                                                       |                                       |                        |
| Depreciation and amortization                                                        | 641,731                                         | 1,153,794                                             | -                                     | 1,795,525              |
| (Gain) loss on sale of assets                                                        | -                                               | -                                                     | -                                     | -                      |
| (Increase) decrease in:                                                              |                                                 |                                                       |                                       |                        |
| Accounts receivable                                                                  | 135,028                                         | (33)                                                  | -                                     | 134,995                |
| Prepaid expenses and other                                                           | (73,364)                                        | 38,106                                                | -                                     | (35,258)               |
| Deferred outflows related to pensions                                                | (1,244,172)                                     | -                                                     | -                                     | (1,244,172)            |
| Deferred outflows related to other postemployment benefits                           | 37,572                                          | -                                                     | -                                     | 37,572                 |
| Due from related party                                                               | (14,241)                                        | -                                                     | 14,241                                | -                      |
| Net pension asset                                                                    | 1,922,934                                       | -                                                     | -                                     | 1,922,934              |
| Increase (decrease) in:                                                              |                                                 |                                                       |                                       |                        |
| Accounts payable                                                                     | 330,851                                         | (39,498)                                              | -                                     | 291,353                |
| Accrued expense and other                                                            | 350,552                                         | -                                                     | -                                     | 350,552                |
| Compensated absences                                                                 | 14,862                                          | -                                                     | -                                     | 14,862                 |
| Amounts held for clients, payable from restricted assets                             | (16,063)                                        | -                                                     | -                                     | (16,063)               |
| Due to related party                                                                 | -                                               | 14,241                                                | (14,241)                              | -                      |
| Deferred inflows related to pensions                                                 | (1,217,266)                                     | -                                                     | -                                     | (1,217,266)            |
| Deferred inflows related to other postemployment benefits                            | (135,179)                                       | -                                                     | -                                     | (135,179)              |
| Net other postemployment benefit liability                                           | 6,442                                           | -                                                     | -                                     | 6,442                  |
| Leased liabilities                                                                   | (382,917)                                       | (27,197)                                              | -                                     | (410,114)              |
| Subscription liabilities                                                             | (184,723)                                       | -                                                     | -                                     | (184,723)              |
| Net cash used in operating activities                                                | <u>\$ (21,808,901)</u>                          | <u>\$ (1,153,240)</u>                                 | <u>\$ 2,528,117</u>                   | <u>\$ (20,434,024)</u> |

**BLUE RIDGE BEHAVIORAL HEALTHCARE**  
**SCHEDULE OF INSURANCE**  
**JUNE 30, 2023**

| <b>Insurance Coverage</b>                 | <b>Insurance Company /<br/>Agent / Policy</b> | <b>Policy<br/>Period</b> | <b>Limits of Liability</b>                                                                                                      | <b>Deductible</b>                                        | <b>Annual<br/>Premium</b> |
|-------------------------------------------|-----------------------------------------------|--------------------------|---------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------|
| Automobile Liability &<br>Physical Damage | Co: VACORP<br>Pol. #: VA-BL-108C              | 7/1/22-23                | Bodily Injury and Property<br>Damage<br>Medical Payments<br>Comprehensive Collision                                             | \$2,000,000<br>\$5,000<br>ACV                            | N/A<br>N/A<br>\$1,000     |
| Equipment Breakdown                       | Co: VACORP<br>Pol. #: VA-BL-108C              | 7/1/22-23                |                                                                                                                                 | \$100,000,000<br>\$1,000<br>Per Occurrence               | <b>3,682</b>              |
| Crime                                     | Co: VACORP<br>Pol. #: VA-BL-108C              | 7/1/22-23                | Employee Dishonesty<br>Broad Form Monies and<br>Securities - Inside/Outside<br>Money Orders, Counterfeit,<br>Depositors Forgery | \$500,000<br>\$250<br>Per Occurrence                     | <b>1,075</b>              |
| Cyber Risk                                | Co: VACORP<br>Pol. #: VA-BL-108C              | 7/1/22-23                |                                                                                                                                 | \$5,000,000                                              | <b>16,000</b>             |
| Inland Marine                             | Co: VACORP<br>Pol. #: VA-BL-108C              | 7/1/22-23                | Bridges<br>Pool Aggregate                                                                                                       | \$10,000,000<br>\$20,000,000                             | <b>2,103</b>              |
| Environmental<br>Liability                | Co: VACORP<br>Pol. #: VA-BL-108C              | 7/1/22-23                | Each Incident<br>Pool Aggregate                                                                                                 | \$1,000,000<br>\$2,000,000<br>\$25,000<br>Per Occurrence | <b>Included</b>           |
| Excess Liability                          | Co: VACORP<br>Pol. #: VA-BL-108C              | 7/1/22-23                | Automobile<br>General                                                                                                           | \$3,000,000<br>\$3,000,000                               | <b>\$3,242</b>            |
| General Liability                         | Co: VACORP<br>Pol. #: VA-BL-108C              | 7/1/22-23                | Each Incident                                                                                                                   | \$2,000,000                                              | <b>14,928</b>             |
| Medical Malpractice                       | Co: VARISK<br>Pol. #: G99G77                  | 7/1/22-23                | Each Incident                                                                                                                   | \$1,000,000<br>\$1,000                                   | <b>48,105</b>             |
| Public Officials<br>General Liability     | Co: VARISK<br>Pol. #: G99G77                  | 7/1/22-23                | Each Incident<br>Pool Aggregate                                                                                                 | \$1,000,000<br>Unlimited<br>\$1,000                      | <b>22,278</b>             |
| Property                                  | Co: VACORP<br>Pol. #: VA-BL-108C              | 7/1/22-23                | Scheduled Real & Personal<br>Property<br>Flood & Earthquake                                                                     | \$32,721,906<br>\$25,000<br>\$100,000,000<br>\$25,000    | <b>20,258</b>             |
| Volunteer Coverage                        | Co: CIMA<br>Pol. #: SP5900303                 | 7/1/22-23                | Medical Accident                                                                                                                | \$25,000                                                 | <b>254</b>                |
| Workers'<br>Compensation                  | Co: VACORP<br>Pol. #: VA-BL-108C              | 7/1/22-23                | Workers' Compensation:<br>Statutory — Virginia<br>Employers Liability                                                           | \$1,000,000<br>\$0                                       | <b>37,148</b>             |
|                                           |                                               |                          |                                                                                                                                 |                                                          | <b><u>\$ 191,997</u></b>  |

## **Compliance Section**

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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  
Blue Ridge Behavioral Healthcare  
Roanoke, 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 Blue Ridge Behavioral Healthcare (the "Agency"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated September 29, 2023.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, we identified a deficiency in internal control that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

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

### **Blue Ridge Behavioral Healthcare's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Blue Ridge Behavioral Healthcare's response to the finding identified in our audit and described in the accompanying schedule of findings and questions costs. The Blue Ridge Behavioral Healthcare's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hicok, Brown & Company  
Certified Public Accountants

September 29, 2023

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

To the Board of Directors  
Blue Ridge Behavioral Healthcare  
Roanoke, Virginia

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Blue Ridge Behavioral Healthcare's (the "Agency") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2023. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Blue Ridge Behavioral Healthcare complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Blue Ridge Behavioral Healthcare and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Agency's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Hicok, Brown & Company". The script is cursive and fluid, with the company name written in a single line.

Hicok, Brown & Company  
Certified Public Accountants

September 29, 2023

# Blue Ridge Behavioral Healthcare

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

| Federal Granting Agency/<br>Recipient State Agency/<br>Grant Program/Grant Number | Assistance<br>Listing<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Expenditures               |
|-----------------------------------------------------------------------------------|---------------------------------|-------------------------------------------------|----------------------------|
| <u>Department of Health and Human Services:</u>                                   |                                 |                                                 |                            |
| Direct Payments:                                                                  |                                 |                                                 |                            |
| Drug-Free Communities Support Program (DFCSP)                                     | 93.276                          | N/A                                             | \$ 140,356                 |
| Pass through Payments:                                                            |                                 |                                                 |                            |
| Virginia Department of Behavioral Health and Developmental Services:              |                                 |                                                 |                            |
|                                                                                   |                                 | 5016100                                         |                            |
| Substance Abuse Prevention and Treatment Block Grant (SAPT)                       | *93.959                         | 5019100                                         | 2,325,123                  |
| Mental Health Block Grant                                                         | *93.958                         | 5012100                                         | 814,460                    |
| Projects for Assistance in Transition to Homeless (PATH)                          | 93.150                          | 5093400                                         | 78,037                     |
| Opioid Prevention, Treatment & Recovery, and State Opioid Response (SOR)          | 93.788                          | N/A                                             | 602,192                    |
| Total Department of Health and Human Services                                     |                                 |                                                 | <u>3,960,168</u>           |
| <u>Department of Treasury:</u>                                                    |                                 |                                                 |                            |
| Pass through Payments:                                                            |                                 |                                                 |                            |
| Virginia Department of Behavioral Health and Developmental Services:              |                                 |                                                 |                            |
| Coronavirus State and Local Fiscal Recovery Funds                                 | 21.027                          | N/A                                             | <u>259,894</u>             |
| Total Department of Treasury                                                      |                                 |                                                 | <u>259,894</u>             |
| <b>Total Expenditures of Federal Awards</b>                                       |                                 |                                                 | <u><u>\$ 4,220,062</u></u> |

\* Denotes major program

## **Blue Ridge Behavioral Healthcare**

### **Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2023**

#### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Blue Ridge Behavioral Healthcare (the "Agency") under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements of federal awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Agency.

#### **Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

#### **Note 3 - Indirect Cost Rate**

The Agency has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 - At June 30, 2023, the Agency had no outstanding loan balances requiring continuing disclosure.

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2023

### Section I - Summary of Auditor Results

#### Financial Statements

|                                                                                                       |                   |
|-------------------------------------------------------------------------------------------------------|-------------------|
| Type of auditor's opinion issued:                                                                     | <b>Unmodified</b> |
| Internal control over financial reporting:                                                            |                   |
| Material weakness(es) identified?                                                                     | <b>No</b>         |
| Significant deficiencies in internal control were disclosed by the audit of the financial statements: | <b>Yes</b>        |
| Noncompliance material to financial statements noted?                                                 | <b>No</b>         |

#### Federal Awards

|                                                                                              |                   |
|----------------------------------------------------------------------------------------------|-------------------|
| Internal control over major programs:                                                        |                   |
| Material weakness(es) identified?                                                            | <b>No</b>         |
| Significant deficiencies identified?                                                         | <b>No</b>         |
| Type of auditor's opinion issued on compliance for major programs:                           | <b>Unmodified</b> |
| Any findings disclosed that are required to be reported in accordance with 2 CFR§200.516(a)? | <b>No</b>         |
| <b>Major programs identified:</b>                                                            | <b>AL #</b>       |
| Block Grants for the Prevention and Treatment of Substance Abuse                             | 93.959            |
| Block Grants for Mental Health                                                               | 93.958            |
| Dollar threshold used to distinguish between Type A and Type B Programs:                     | <b>\$ 750,000</b> |
| Auditee qualified as low risk under 2 CFR§200.520?                                           | <b>Yes</b>        |

# BLUE RIDGE BEHAVIORAL HEALTHCARE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

### Section II - Financial Statement Findings

Finding 2023-001 Significant Deficiency

*Criteria:* A key concept of internal control over financial reporting under Uniform Guidance is to develop and implement adequate controls, processes and reviews to accumulate accurate data to produce a Schedule of Expenditures of Federal Awards (SEFA) in accordance with 2 CFR 200.510(b).

*Condition:* The original SEFA, as presented for audit, did not report all expenditures for the Mental Health Block Grant and Substance Abuse Block Grant to comply with Uniform Guidance standards. The omitted funds were carry-over funds expended in the current fiscal year. The Agency revised the SEFA to address the errors identified by the auditor.

*Cause:* Controls in place were inadequate to identify all expenditures required to be reported on the SEFA to be presented in accordance with Uniform Guidance.

*Effect:* There is a reasonable possibility that a misstatement of the Schedule of Expenditures of Federal Awards will not be prevented or detected and corrected in a timely basis by the Agency's internal controls over reporting for the SEFA.

*Recommendation:* The Agency should review the process for preparing and reviewing the SEFA and revise as necessary to ensure an accurate report is produced.

*View of Responsible Officials and Planned Corrective Action:* The SEFA is mapped each year to the Trial Balance report. In FY 2023, the Federal Retained Earnings, which is referred to as carry-over funds in the finding, were properly recorded in the Trial Balance report; however, they were not mapped to the spreadsheet to prepare the SEFA. Once this was brought to our attention, a revised SEFA was submitted. Going forward, the Financial Analyst will track the SEFA amounts in a new SEFA Tracking Workbook and reconcile to the Trail Balance on a monthly basis instead of only at year-end. Also, we will have the Director of Budget & Finance, as well as the Chief Financial Officer review the SEFA as part of the yearly audit to ensure the retained earnings are showing on the SEFA and ties back to the Trial Balance.

### Section III - Federal Awards Findings and Questioned Costs

None Reported

### Prior Year Findings

None Reported