**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**August 31, 2025 and 2024**

C O N T E N T S

Blair & Company
CERTIFIED PUBLIC ACCOUNTANTS

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Council of the Southern Mountains, Inc.
Welch, WV

**Report on Audit ofthe Financial Statements**

***Opinion***

We have audited the accompanying financial statements of Council of the Southern Mountains, Inc. (the Council) (a nonprofit organization), which comprise the statements of financial position as of August 31, 2025 and 2024, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Council of the Southern Mountains, Inc. as of August 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

To the Board of Directors
Council of the Southern Mountains, Inc.

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, where such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements; obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control, and 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; and conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council'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.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards at pages 21 and 22, as required by Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2026 on our consideration of Council of the Southern Mountains, Inc.'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Blair & Company

Charleston, West Virginia
May 28, 2026

**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**STATEMENTS OF FINANCIAL POSITION**
**August 31, 2025 and 2024**

| | 8/31/2025 | 8/31/2024 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 268,852 | $ 276,000 |
| Certificates of deposit | 47,041 | 46,713 |
| Grants receivable | 74,381 | 40,818 |
| Accounts receivable, net | 76,817 | 193,858 |
| **Total Current Assets** | 467,091 | 557,389 |
| **RESTRICTED ASSETS** | | |
| Restricted cash | 31,202 | 8,433 |
| **PROPERTY AND EQUIPMENT, net** | | |
| Vehicles | 98,893 | 159,157 |
| Equipment | 11,913 | 64,616 |
| | 110,806 | 223,773 |
| Accumulated depreciation | (87,755) | (194,871) |
| | 23,051 | 28,902 |
| **OPERATING RIGHT-OF-USE ASSET** | 8,745 | 12,261 |
| | $ 530,089 | $ 606,985 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 58,287 | $ 106,140 |
| Representative Payment Program amounts payable | 31,202 | 8,433 |
| Accrued payroll and other expenses | 88,363 | 103,229 |
| Disallowances and cost adjustments, Waiver Program | - | 43,546 |
| Current maturities of operating lease liability | 3,653 | 3,516 |
| **Total Current Liabilities** | 181,505 | 264,864 |
| **OPERATING LEASE OBLIGATIONS,** less current maturities | 5,092 | 8,745 |
| **NET ASSETS** | | |
| Without donor restriction | 343,492 | 333,376 |
| | $ 530,089 | $ 606,985 |

The accompanying notes are an integral part of these financial statements

**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**
**For the years ended August 31, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| **OPERATING REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS** | | |
| Program support and revenues: | | |
| Governmental grants and contracts | $ 1,161,700 | $ 1,184,856 |
| Title XIX - fee-for-service revenue | 2,781,919 | 2,152,785 |
| In-kind contributions | 107,649 | 110,077 |
| Non-governmental grants and contracts | 97,225 | 77,457 |
| Program revenues | 13,470 | 16,832 |
| Donations and contributions | 8,686 | 5,350 |
| Other revenues | - | 1,581 |
| Total support and revenue without donor restrictions | 4,170,649 | 3,548,938 |
| **OPERATING EXPENSES** | | |
| Program activities: | | |
| Community Services Block Grant | 286,763 | 308,922 |
| Low-Income Home Energy Assistance | 355,366 | 378,729 |
| Family Day Care Food | 107,643 | 99,232 |
| Foster Grandparent | 421,401 | 434,592 |
| Title XIX Waiver | 2,799,959 | 2,574,735 |
| Retired Senior Volunteer Program | 147,613 | 156,101 |
| FEMA | 2,205 | 2,385 |
| Total program activities | 4,120,950 | 3,954,696 |
| Administrative, supporting, and minor program activities: | 40,010 | 46,485 |
| Total expenses | 4,160,960 | 4,001,181 |
| Increase (decrease) in net assets from operating activities | 9,689 | (452,243) |
| **OTHER CHANGES IN NET ASSETS** | | |
| Interest income, net of fees | 427 | 1,262 |
| Total other income | 427 | 1,262 |
| **Increase (decrease) in net assets without donor restrictions** | 10,116 | (450,981) |
| **NET ASSETS, BEGINNING OF YEAR** | 333,376 | 784,357 |
| **NET ASSETS, END OF YEAR** | $ 343,492 | $ 333,376 |

The accompanying notes are an integral part of these financial statements

**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**STATEMENTS OF CASH FLOWS**
**For the years ended August 31, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Increase (decrease) in net assets | $ 10,116 | $ (450,981) |
| Adjustments necessary to reconcile increase (decrease) in net assets from operating activities to net cash provided by (used in) operating activities: | | |
| Depreciation | 5,851 | 5,852 |
| (Increase) decrease in assets: | | |
| Accounts receivable | 117,041 | 172,858 |
| Grants receivable | (33,563) | 50,265 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (135,568) | (73,266) |
| Disallowances, Title XIX Waiver | 43,546 | 32,523 |
| Deferred revenues | - | (50,000) |
| Representative Payment Program amounts payable | 22,769 | (9,054) |
| Accrued payroll, taxes and vacation | (14,243) | (21,046) |
| **Net cash provided by (used in) operating activities** | 15,949 | (342,849) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investment in certificates of deposit | (328) | (1,139) |
| **Net cash provided by (used in) investing activities** | (328) | (1,139) |
| **Net increase (decrease) in cash and cash equivalents** | $ 15,621 | $ (343,988) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 284,433 | 628,421 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 300,054 | $ 284,433 |
| **CASH REPORTED ON THE STATEMENTS OF FINANCIAL POSITION:** | | |
| Cash and cash equivalents | $ 268,852 | $ 276,000 |
| Restricted cash | 31,202 | 8,433 |
| | $ 300,054 | $ 284,433 |

The accompanying notes are an integral part of these financial statements

**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**
**For the years ended August 31, 2025 and 2024**

## NOTE 1 NATURE OF ORGANIZATION

Council of the Southern Mountains, Inc. (the Council, the Organization, or CSM) is a private, nonprofit organization dedicated to helping individuals and families reach their highest levels of social and economic independence, while assisting the communities served to become involved in the activities of the Organization. CSM collaborates with local, state, and national agencies to provide a broad range of direct anti-poverty services for low-income families and their communities. The Council's headquarters is located in Welch, West Virginia. Council of the Southern Mountains, Inc. is funded primarily through grants and other agreements with the federal and state government.

The Council provides services to residents and communities of Southern West Virginia with an emphasis on McDowell County. Programs include the following:

**Community Services Block Grant (CSBG) -** The CSBG is a federal, anti-poverty block grant that funds the operation of a state-administered network of local agencies. The purpose of the Community Service Block Grant is to provide assistance to states and local communities, working through a network of community action agencies and other neighbor-based organizations, for the reduction of poverty.

**Low-Income Home Energy Assistance Program -** The LIHEAP program helps keep families safe and healthy through initiatives that assist families with energy costs. The program provides federally funded assistance in managing costs associated with home energy bills, energy crises, weatherization and energy-related home repairs. The Council primarily administers the program through the replacement of HVAC systems for qualifying families without an operational air conditioning system.

**Retired Seniors Volunteer Program (RSVP) -** The RSVP recruits and supports volunteers age fifty-five (55) and over for various community endeavors.

**Foster Grandparent Program -** The Foster Grandparent Program allows participants to serve as mentors, tutors, and caregivers for children and the youth with special and exceptional needs. Foster Grandparents serve in community organizations, such as schools and youth centers.

**Family Daycare Food Program -** The purpose of this program is to ensure that children from birth to age thirteen (13) eat a nutritious well-balanced diet while in the care of an in-home childcare provider. The program provides reimbursement to Certified Family Daycare providers for the meals that they serve to children in their care. The program serves all children regardless of income. The Family Daycare Food Program provides training for the providers on how to prepare meals that meet the USDA guidelines.

**Title XIX Waiver Program -** Title XIX of the Social Security Act of 1965 requires that each state provide program assistance in seeking increased levels of service for individuals with behavioral health needs. These individuals need skills training that could lead to full participation within their communities through development of their abilities. Individuals with developmental disabilities require specialized interventions for treatment, training, social interaction, meaningful employment, and pursuit of their own life goals.

## NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is presented to assist in understanding the Council's financial statements. The financial statements and notes are representations of management of the Council who are responsible for the integrity and objectivity of the financial statements. The accounting policies conform to the basis of accounting described below and have been consistently applied in the preparation of the financial statements.

**Basis of accounting -** Council of the Southern Mountains, Inc.'s financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

**Basis of presentation -** The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Not-for-Profit Entities topic of the Accounting Standards Codification (ASC). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net assets without donor restrictions -** This classification of net assets represents resources that are neither invested in perpetuity, nor purpose or time restricted by donor imposed stipulations. The Organization specifies certain net assets without donor restrictions as invested in capital assets.

**Net assets with donor restrictions -** This classification of net assets represents resources whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations. Net Assets may be restricted for various purposes, such as use in future periods or use for specific purposes. The Council had no net assets for which donor-imposed stipulations limiting their use had not been met at the years ending August 31, 2025 and 2024.

**Operating income -** All activities of CSM deemed by management to be ongoing, major, and central to its operation are reported as operating revenue and expenses. The statements of activities include the increase (decrease) in net assets from operating activities as a performance indicator. Other income and changes in net assets that are excluded from operating income, consistent with industry practice, include interest income and gain or losses on sale of assets, if any.

**Use of estimates -** The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Cash and cash equivalents -** CSM considers all highly liquid debt instruments available for current use and purchased with an initial maturity date of three (3) months or less to be cash equivalents.

## NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Restricted cash -** The Council participates in the Social Security Administration's Representative Payment Program and provides benefit payment management for beneficiaries who are incapable of managing their Social Security or Supplemental Security Income payments. The benefit payments received by the Council are not recorded as revenue and instead are recorded as restricted cash with an offsetting liability. When payments are made to or for the benefit of the beneficiaries no expense is recorded by the Agency and instead the liability and cash accounts are reduced.

**Certificates of deposit -** The Council holds certificates of deposit acquired from a different banking institution to obtain the protection of federal deposit insurance. The carrying value of these financial instruments approximates fair value due to their short maturity and low yield. Interest income from such certificates is recognized at the maturity date of the instrument.

**Grants receivable -** Grants receivable consist of amounts due from grantor agencies. No allowance was determined to be required at the years ended August 31, 2025 and 2024.

**Leases -** The Organization recognizes lease liabilities and corresponding right-of-use assets at the commencement date of the lease. Lease liabilities are measured at the present value of lease payments over the lease term. Right-of-use assets are measured at the amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Lease payments included in the measurement of the lease liability consist of fixed payments and variable lease payments that depend on an index or rate. The Organization uses its incremental borrowing rate at the lease commencement date to discount the lease payments.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. Leases with durations of twelve (12) months or less are considered to be short-term leases. Leases expense for short-term leases are expensed as incurred.

**Property and equipment -** It is the Council's policy to consider acquisitions over $2,500 with an estimated useful life of one year or more for capitalization. Property and equipment are stated at cost, less accumulated depreciation. Depreciation expense is recognized by the straight-line method over the estimated useful life of the asset, which ranges from 3-10 years for items of personal property. Expenditures for major additions and improvements are capitalized, and minor improvements, repairs, and maintenance are charged to expense as incurred.

Contributions of land, buildings, and equipment are presented as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Depreciation expense for the years ended August 31, 2025 and 2024 was $5,851 and $5,852, respectively.

## NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Net client revenues and receivables -** Client revenues from fee for service arrangements are reported at the specified amounts agreed upon with a third-party payer for services rendered. Client revenue is recognized at the time performance obligations are satisfied. Performance obligations are considered to consist of the specific services delivered to each client, and are generally satisfied at a point in time at the completion of the service. Payment is due on when billed.

CSM determines each transaction price based on standard rates, reduced by explicit price concessions (contractual adjustments) required by the third-party payer, WV Medicaid. Contractual adjustments are based on individual client contract prices established by the payer dependent upon the needs of the client. Explicit price concessions under third-party agreements represent the difference between CSM's standard rates and the contractual reimbursement amount established with the third-party payer.

Client revenue includes estimated revenue adjustments in the period the related services are rendered when those adjustments are reasonably estimable. Revenue adjustments arising from prior periods are recognized as bad debts and disallowances in the period in which the adjustment is known to the Council.

All accounts receivable are due from WV Medicaid. Accounts receivable are reported at estimated net realizable value taking into account the aforementioned explicit price concessions. Estimated implicit price concessions are not applicable to the revenue cycle as all payments are obtained from the third-party.

For receivables from its third-party payer, the Council recognizes its receivable in accordance with ASU 2025-05 - *Credit Losses,* and thus reports accounts receivable consistent with amounts collected subsequent to the date of the financial statements and prior to the date the financial statements were available to be issued.

**Grant revenue -** The Council analyzes grant agreements to determine whether such agreements constitute contributions or exchange transactions, and if determined to be contributions, whether such contributions are conditional or unconditional. CSM has determined that substantially all of its grant agreements represent unconditional contributions due to the nature of the agreements requiring barriers of the Council to be passed prior to requesting reimbursement of qualifying expenditures from the grantor. Unconditional contributions are recognized as CSM incurs qualifying expenditures in compliance with rules and regulations established by the grantor, which is typically a state agency or federal awarding agency. All grants are paid based on the submission of qualifying expenditures to the grantor.

CSM recognizes revenue to the extent of qualifying expenditures at the time such expenses are incurred and accounts receivable for the future reimbursement from the grantor. Grant revenue is recognized as revenues increasing net assets without donor restrictions when the conditions and restrictions are met in the same period, or when the grants were initially determined to be unconditional contributions.

## NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

**In-kind contributions -** Unconditional contributions of labor, supplies, and property and equipment are recognized at fair market value at date of gift. Donated services are recognized at fair value and only if the services either (a) create a non-financial asset; or (b) require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if they were not donated. As described at Note 8, the Council received and benefited from donated services valued at $107,649 and $110,077 during the years ended August 31, 2025 and 2024, respectively.

**Advertising** – Advertising costs are expensed as incurred and derived from in-kind contributions. Advertising expense for the Council for the years ended August 31, 2025 and 2024 totaled $83,832 and $73,416, respectively.

**Functional allocation of expense -** The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs of have allocated between the programs and supporting services benefited from the expenditure. Salaries and benefits are allocated on the basis of time and effort. Occupancy expenses are allocated based on the square footage occupied related to the respective function. General and administrative include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Council. A schedule of expenses allocated by both nature and function is presented in Note 14 to the financial statements.

**Indirect Cost Rate** – Administrative costs are allocated to the Council's programs at rates that are approved by the Corporation for National Community Service in accordance with Title 2 *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) based on prior year actual cost accumulated by its programs, and applicable to the fiscal year following approval. For the years ended August 31, 2025 and 2024, the Council's approved indirect cost rates of 15.15% and 15.08%, respectively, were applied to the direct salary and fringe benefit costs attributed to its programs.

**Income taxes -** The Council is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation under Section 509(a)(2). Grants and contributions received from individual donors qualify for the maximum charitable contribution deduction permitted by law. CSM has no excise or unrelated business income subject to tax in the years ended August 31, 2025 or 2024. The Council's federal information return, Form 990, Return of an Organization Exempt from Income Tax, is filed annually. All tax filings are current and up-to-date. As of August 31, 2025, tax years ended August 31, 2024, 2023 and 2022 remain open for examination.

**Subsequent Events Review** – Management of Council of the Southern Mountains, Inc. has evaluated subsequent events through May 28, 2026, the date the financial statements were available to be issued, and concluded no events were required to be disclosed.

**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**
**For the years ended August 31, 2025 and 2024**

## NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Recent Accounting Pronouncements** – In July 2025, the FASB issued ASU 2025-05, *Credit Losses.* ASU 2025-05 includes a practical expedient, allowing non-public entities to use the Current Expected Credit Losses (CECL) model to provide a simplified option for recognizing accounts receivable and contract assets. Non-public entities can elect an accounting policy to consider post-balance-sheet cash collections when estimating expected credit losses. The Council implement this practical expedient on August 31, 2025 using the prospective method.

## NOTE 3 CONCENTRATIONS OF CREDIT RISK

CSM maintains its cash balances with three (3) local financial institutions. Accounts at the institutions were insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Council has not experienced any losses in such accounts in the periods presented and believes it is not exposed to any significant credit risk on cash and cash equivalents. There were no amounts in excess of FDIC limits at the years ended August 31, 2025 and 2024.

## NOTE 4 GRANTS RECEIVABLE

Grants receivable consist of amounts expended and receivable from the following agencies at August 31, 2025 and 2024.

| | 2025 | 2024 |
|---|---|---|
| **Passed-through West Virginia Development Office** | | |
| Community Services Block Grant | $ 44,285 | $ 21,322 |
| Low-Income Energy Assistance Grant | - | 10,000 |
| **Passed-through West Virginia Department of Education** | | |
| Child and Adult Care Food Program | 8,322 | 9,496 |
| **Passed-through Corp for National and Community Service** | | |
| Foster Grandparent Program | 13,681 | - |
| Retired Senior Volunteer Program | 8,093 | - |
| | $ 74,381 | $ 40,818 |

## NOTE 5 INDIRECT COST ALLOCATION

The Council allocates administrative costs to programs based on its approved Indirect Cost Rate Proposal. Allocable costs include administrative salaries, related fringe benefits, and other allowable non-salary costs that are not directly attributable to program functions. The indirect cost rate is determined as percentage of direct salaries and fringe benefits, which is allocated among Council programs based upon the direct application of salaries and fringe benefits to those programs.

The Indirect Cost Rate Proposal is prepared annually based on information reported in the audited financial statements from two years prior. The indirect cost rates approved for fiscal years 2025 and 2024 were 15.15%, approved in August 2025, and 15.08% from September 2023 through July 2025.

CSM allocated indirect costs to its programs based on the approved indirect costs rates applied to the direct program salaries and fringe benefits incurred as follows for the years ending August 31,:

## NOTE 5 INDIRECT COST ALLOCATION (Continued)

| | 2025 | | 2024 | |
|---|---|---|---|---|
| **Program** | **Application** | **Allocation** | **Application** | **Allocation** |
| Community Services Block Grant | 6.4% | $ 23,359 | 7.2% | $ 26,479 |
| Weatherization Assistance | 1.7% | 6,384 | 0.8% | 3,016 |
| Family Day Care Food | 0.5% | 1,987 | 0.6% | 2,364 |
| Title XIX Wavier | 86.1% | 314,765 | 85.4% | 311,446 |
| Foster Grandparent | 3.1% | 11,355 | 3.2% | 11,650 |
| Retired Senior Volunteer Program | 2.2% | 7,912 | 2.7% | 9,894 |
| | | $ 365,762 | | $ 364,849 |

Actual costs accumulated in the indirect cost allocation pool were comprised of the following natural classifications for the years ended August 31,:

| **Administrative Salaries and Fringe Benefits** | **2025** | **2024** |
|---|---|---|
| Salaries | $ 288,119 | $ 263,260 |
| Fringe benefits | 63,076 | 55,313 |
| Total administrative salaries and fringe benefits | 351,195 | 318,573 |
| **Administrative Non-salary Costs** | | |
| Travel | 754 | 20 |
| Utilities | 127 | 8 |
| Rent | 8,312 | 7,100 |
| Supplies | 20,851 | 5,474 |
| Insurance | 938 | 645 |
| Professional services | 24,340 | 26,390 |
| Communication | 5,127 | 3,915 |
| Other expenses | 5,049 | 4,499 |
| Total administrative non-salary cost | 65,498 | 48,051 |
| Total allocable indirect cost | $ 416,693 | $ 366,624 |

The Council's effective indirect cost allocation rates for the years ended August 31, 2025 and 2024 were 14.18% and 15.08%, respectively, of direct program salaries and fringe benefits.

The Council's proposed future indirect cost rates for the fiscal years ending August 31, 2027 and 2026, are derived from its audited financial statements for the years ended August 31, 2025 and 2024, respectively, calculated as follows:

| **Administrative Salaries and Fringe Benefits** | **2025** | **2024** |
|---|---|---|
| Salaries | $ 288,119 | $ 263,260 |
| Fringe benefits | 63,076 | 55,313 |
| Total administrative salaries and fringe benefits | 351,195 | 318,573 |

## NOTE 5 INDIRECT COST ALLOCATION (Continued)

| **Administrative Non-salary Costs** | **2025** | **2024** |
|---|---|---|
| Travel | 754 | 20 |
| Utilities | 127 | 8 |
| Rent | 8,312 | 7,100 |
| Supplies | 20,851 | 5,474 |
| Insurance | 938 | 645 |
| Professional services | 24,340 | 26,390 |
| Communication | 5,127 | 3,915 |
| Other expenses | 4,549 | 4,499 |
| Total administrative non-salary cost | 64,998 | 48,051 |
| Total allocable indirect cost | $ 416,193 | $ 366,624 |
| **Direct Salaries and Fringe Benefits Base** | | |
| Community Services Block Grant | $ 171,316 | $ 161,475 |
| Weatherization Assistance | - | 19,472 |
| Family Day Care Food | 14,304 | 15,447 |
| Foster Grandparent | 82,405 | 76,770 |
| Title XIX Wavier | 2,253,544 | 2,089,460 |
| Retired Senior Volunteer Program | 57,127 | 57,149 |
| Total salary and benefits cost | $ 2,578,696 | $ 2,419,773 |
| Indirect Cost Rate for the years ended August 31, 2027 and 2026 | 16.14% | 15.15% |

## NOTE 6 LOW-INCOME ENERGY ASSISTANCE PROGRAM COST ALLOCATION

The Low-Income Home Energy Assistance Program grant allowed the allocation of ten percent (10%) of all contractor costs to be offset by an administrative costs cost allocation in the years ended August 31, 2025 and 2024. Contractor costs totaled $255,666 and $211,226, with an administrative cost allocation of $24,477 and $21,123 for the years ended August 31, 2025 and 2024, respectively. The effective cost allocation rates were 9.57% and 10.00%, respectively, for the years then ended.

## NOTE 7 TITLE XIX REIMBURSEMENT

Title XIX of the Social Security Administration Act of 1965 requires states to provide leadership in medical and social services for disabled persons. Title XIX also includes a "waiver" allowing the state to authorize certified organizations to provide these services to beneficiaries. The State of West Virginia has authorized the Council to administer these services under the Title XIX waiver. The Council receives fees for these services that are established annually by the West Virginia Bureau for Medicaid Services. Net revenues related to this program were $2,781,919 and $2,152,785 for the years ended August 31, 2025 and 2024. Adjustments arising from a change in transaction price, lack of collectability, or time limitations on presentation of billings were $705,463 and $291,383 in the years ending August 31, 2025 and 2024, respectively (see Note 13).

## NOTE 8 IN-KIND CONTRIBUTIONS AND NONMONETARY TRANSACTIONS

The Council received contributions of goods over which it has control (i.e. variance power) and services for its Foster Grandparent and Retired Senior Volunteer Programs. Council of the Southern Mountains, Inc. partners with individuals and organizations who provide the support for the programs administered by the Council. These donated goods and services are recognized in the Council's statement of activities and changes in net assets as in-kind contributions and program expenses when contributions are utilized by the Council.

The value of public service announcements is provided by the donor for professional services at the time of the contribution and the value is based on standard rates for comparable services. Donations of goods, occupancy costs, and non-professional services are valued at the replacement cost for the goods, and/or a market value at the time of contribution as certified by the donor for other services and occupancy.

Donated services received during the year do not include the value of services received from contributing entities' officers, employees, and other individuals who expended less than substantially all of their efforts in a relevant period in furtherance of CSM's mission. The Council did not monetize any contributed non-financial assets, nor did any contributions have donor imposed restrictions in the years ending August 31, 2025 and 2024.

In-kind contributions and benefits are summarized as follows for the years ending August 31,:

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Foster Grandparent | RSVP | Foster Grandparent | RSVP |
| Meals | $ 15,160 | $ 1,896 | $ 21,464 | $ 2,091 |
| Program space | 1,150 | 2,950 | 1,900 | 2,765 |
| Program supplies | - | - | - | 2,221 |
| Transportation | 1,866 | - | 3,836 | - |
| Utilities | - | 739 | - | 867 |
| Public service announcements | 41,916 | 41,916 | 31,500 | 41,916 |
| Other contributions | 202 | 47 | 264 | 1,253 |
| | $ 60,294 | $ 47,548 | $ 58,964 | $ 51,113 |

## NOTE 9 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Council structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The majority of the Council's program activity is either grant reimbursed or fee for service. Prior to reimbursement, the Organization utilizes its Operating account, consisting of unrestricted and unprogrammed funds, to finance program activities until the activity is reimbursed from the grantor or vendor. The following financial assets are available to meet the Council's cash needs for general expenditures within one (1) year of the Council's fiscal year ending August 31:

## NOTE 9 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

| Financial Assets | 2025 | 2024 |
|---|---|---|
| Cash and cash equivalents | $ 268,852 | $ 276,000 |
| Certificates of deposit | 47,041 | 46,713 |
| Grants receivable | 74,381 | 40,818 |
| Accounts receivable, net | 76,817 | 193,858 |
| | $ 467,091 | $ 557,389 |

## NOTE 10 COMMITMENTS

The Organization leased office space located at 1027 Frederick Street, Bluefield WV from October 2022 through September 2023 at a monthly rate of $2,000 per month. Lease terms are month-to-month following the initial lease term. Annual expenses related to this lease were $24,000 in the years ended August 31, 2025 and 2024.

The Organization entered into a lease for office space located at 148 McDowell Street, Welch WV on July 1, 2011 until June 30, 2012 at a monthly rate of $600; annually $7,200. The lease has renewed automatically on its anniversary date for an additional term of one (1) year until the location was involved in a flood on February 15, 2025. Annual expenses related to this lease were $3,600 and $7,200 in the years ended August 31, 2025 and 2024, respectively.

The Organization entered into a lease for parking space adjacent to the office space at 148 McDowell Street, Welch WV on July 1, 2011 until June 30, 2012 at a monthly rate of $60; annually $720. The lease has renewed automatically on its anniversary date for an additional term of one (1) year.

The Organization entered into a lease for office space located at the Payne Building on Bank Street, Welch WV on March 31, 2025 as a month to month lease at a monthly rate of $450; annually $5,400. The lease will expire 30 days after either party gives written notice to terminate the lease.

The Organization entered into a lease for a Xerox copier located at 148 McDowell Street, Welch WV on December 2017 until January 2023 at a monthly rate of $109; annually $1,310. The lease operated as a month to month lease at the same monthly rate until the asset was destroyed in the flood on February 15, 2025, but later replaced by the lessor and moved to the Bank Street office.

The Organization entered into a lease for a Xerox copier located at 704 Bland Street, Bluefield WV (now 1027 Frederick St.) on July 2020 until June 2024 at a monthly rate of $103; annually $1,241. The lease now operates as a month to month lease at the same monthly rate.

The Organization entered into a lease for a phone system located at 148 McDowell Street, Welch WV on January 2023 until December 2027 at a monthly rate of $320; annually $3,840. The lease will expire at the conclusion of the lease period unless the lessee requests an extension of the lease period. The lease is classified as an operating lease under ASC Topic 842 (Note 12).

The Organization entered into a lease for storage space located at City Hall in Keystone, WV on May 15, 2025 as a month to month lease at a monthly rate of $50; annually $600. The lease will expire 30 days after either party gives written notice to terminate the lease.

## NOTE 10 COMMITMENTS (Continued)

Total lease expenses were $33,644 and $38,311 for the years ending August 31, 2025 and 2024, respectively. Future noncancelable minimum lease obligations were $8,960 and $12,261 at fiscal years ended August 31, 2025 and 2024, respectively (Note 12).

## NOTE 11 DEFINED CONTRIBUTION RETIREMENT BENEFITS

For the periods ended August 31, 2025 and 2024, CSM offered employees the opportunity to participate in a defined contribution benefit plan as defined under Section 401(k) of the U.S. Internal Revenue Code. Employees are eligible to participate in the plan after one (1) calendar year of employment. The Organization made contributions to the plan at a rate of one-hundred percent (100%) of the employees contribution up to a maximum of three percent (3%) of the employee's annual compensation. An employee becomes one hundred percent (100%) vested with respect to the employer contributions after completing five (5) years of service. Employer contributions during the years ended August 31, 2025 and 2024 were $4,914 and $6,872, respectively.

## NOTE 12 OPERATING LEASES & RIGHT-OF-USE

The Council leases phone equipment including an imbedded maintenance agreement under an operating lease with a five (5) year initial term. The lease does not include a renewal option, and as such, the Council only recognizes the lease's initial lease term with respect to the ROU asset and operating lease liability on its statements of financial position at August 31, 2025 and 2024.

The Council's operating lease provides for fixed monthly lease payments. The lease agreement does not include any material residual value guarantees or restrictive covenants. The measurement of the lease assets and liabilities use an imputed interest rate, as a discount rate implicit in the Organization's lease cannot be readily determined. As of August 31, 2025 and 2024, both the operating lease assets and liabilities were $8,618 and $12,261, respectively, and payments made on the lease were $3,923 for the years then ended.

As of August 31, 2025, the remaining lease term was two years and four months, and the discount rate used to calculate the present value of the future lease payments was 3.81%.

Future minimum lease payments under non-cancellable operating leases as of August 31, 2025 were as follows:

| Year ended August 31, | Operating Lease |
|---|---|
| 2026 | $ 3,923 |
| 2027 | 3,923 |
| 2028 | 1,306 |
| 2029 | - |
| 2030 | - |
| Thereafter | - |
| Total future minimum lease payments | $ 9,152 |
| Less imputed interest | (534) |
| | $ 8,618 |

## NOTE 13 SIGNIFICANT UNUSUAL EVENT

On February 15, 2025, the Council of the Southern Mountains, Inc. experienced significant flooding at its primary office location. The flood resulted in substantial damage to program and administrative infrastructure, including but not limited to the Identogo and MoneyGram service equipment, computer systems, office furniture, and the copy and phone systems. The Organization initiated emergency response efforts, including the relocation of the finance office to an off-site facility in Bluefield, West Virginia, where operations were restored promptly. Management identified the cost of the loss of the phone system to be $10,530, representing the total amount of non-cancellable lease payments associated with the former asset. Losses for unbilled, unrecoverable Title XIX Waiver program billings are significant, but not reasonably estimable (see Note 7).

Management notes that while the Council did not have flood insurance at the time of the event, it has applied for assistance from FEMA to assist with the replacement of assets destroyed in the flood.

**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**
**For the years ended August 31, 2025 and 2024**

## NOTE 14 EXPENSES BY NATURE AND FUNCTION

The schedules below presents expenses by both their nature and their function for the years ended August 31, 2025 and 2024.

| | Program Activities | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Community Services Block Grant** | **Low-Income Home Energy Assistance** | **Family Day Care Food** | **Foster Grandparent** | **Title XIX Waiver** | **Retired Senior Volunteer Program** | **FEMA** | **Programs Subtotal** | **Administrative, Support, and Minor Programs** | **Total Expense 2025** |
| Salaries and wages | $ 132,491 | $ - | $ 12,684 | $ 75,693 | $ 2,057,862 | $ 52,519 | $ - | $ 2,331,249 | $ 288,119 | $ 2,619,368 |
| Payroll taxes and fringe benefits | 38,825 | - | 1,620 | 6,712 | 195,682 | 4,608 | - | 247,447 | 63,076 | 310,523 |
| Program supplies | 43,404 | - | 88,138 | 6,064 | 22,918 | 1,071 | 2,205 | 163,800 | 20,521 | 184,321 |
| Contract services | - | 319,507 | - | - | - | - | - | 319,507 | 3,000 | 322,507 |
| Stipends | - | - | - | 211,380 | 5,393 | - | - | 216,773 | - | 216,773 |
| Travel | 6,677 | - | - | 28,356 | 53,378 | 3,921 | - | 92,332 | 754 | 93,086 |
| Occupancy costs | 23,838 | - | 996 | 1,772 | 31,752 | 3,356 | - | 61,714 | 8,439 | 70,153 |
| Equipment rental and repair | 118 | - | - | 450 | 3,181 | 371 | - | 4,120 | 1,248 | 5,368 |
| Insurance | 9,667 | 2,188 | 195 | 821 | 21,003 | 2,539 | - | 36,413 | 1,163 | 37,576 |
| Professional fees | - | - | - | - | - | - | - | - | 24,340 | 24,340 |
| Postage | - | - | - | 3,183 | - | 1,187 | - | 4,370 | - | 4,370 |
| Telephone | 2,628 | - | 890 | 874 | 4,718 | 385 | - | 9,495 | 5,441 | 14,936 |
| Other expenses | 3,449 | - | 1,045 | 14,447 | 83,081 | 22,196 | - | 124,218 | 14,148 | 138,366 |
| In-kind expenses | - | - | - | 60,294 | - | 47,548 | - | 107,842 | - | 107,842 |
| Training | - | - | 88 | - | 5,492 | - | - | 5,580 | - | 5,580 |
| Depreciation | 2,307 | 2,810 | - | - | 734 | - | - | 5,851 | - | 5,851 |
| Administrative cost allocation, 10% | - | 24,477 | - | - | - | - | - | 24,477 | (24,477) | - |
| Administrative cost allocation | 23,359 | 6,384 | 1,987 | 11,355 | 314,765 | 7,912 | - | 365,762 | (365,762) | - |
| **Total expenses** | $ 286,763 | $ 355,366 | $ 107,643 | $ 421,401 | $ 2,799,959 | $ 147,613 | $ 2,205 | $ 4,120,950 | $ 40,010 | $ 4,160,960 |

**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**
**For the years ended August 31, 2025 and 2024**

## NOTE 13 EXPENSES BY NATURE AND FUNCTION (Continued)

| | Program Activities | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Community Services Block Grant | Low-Income Home Energy Assistance | Family Day Care Food | Foster Grandparent | Title XIX Waiver | Retired Senior Volunteer Program | FEMA | Programs Subtotal | Administrative, Support, and Minor Programs | Total Expense 2024 |
| Salaries and wages | $ 139,998 | $ 16,085 | $ 13,695 | $ 70,499 | $ 1,901,764 | $ 52,519 | $ - | $ 2,194,560 | $ 263,260 | $ 2,457,820 |
| Payroll taxes and fringe benefits | 21,477 | 3,387 | 1,752 | 6,271 | 187,696 | 4,630 | - | 225,213 | 55,313 | 280,526 |
| Program supplies | 53,162 | - | 79,282 | 4,159 | 22,005 | 1,069 | 2,205 | 161,882 | 1,506 | 163,388 |
| Contract services | - | 329,957 | - | - | - | - | - | 329,957 | 46,070 | 376,027 |
| Stipends | - | - | - | 235,278 | 12,558 | - | - | 247,836 | - | 247,836 |
| Travel | 14,504 | 63 | 93 | 31,706 | 59,053 | 2,574 | - | 107,993 | 20 | 108,013 |
| Occupancy costs | 22,119 | 188 | 1,291 | 2,046 | 32,119 | 3,304 | - | 61,067 | 7,108 | 68,175 |
| Equipment rental and repair | 4,675 | 190 | - | 1,015 | 5,728 | 574 | - | 12,182 | 2,476 | 14,658 |
| Insurance | 6,997 | 1,402 | 148 | 622 | 15,433 | 2,002 | - | 26,604 | 919 | 27,523 |
| Professional fees | - | - | - | - | - | - | - | - | 26,390 | 26,390 |
| Postage | - | - | - | 139 | - | 1,403 | - | 1,542 | - | 1,542 |
| Telephone | 1,335 | 225 | 607 | 510 | 3,461 | 297 | - | 6,435 | 4,425 | 10,860 |
| Other expenses | 15,869 | 282 | - | 11,997 | 21,497 | 26,722 | 180 | 76,547 | 24,970 | 101,517 |
| In-kind expenses | - | - | - | 58,700 | - | 51,113 | - | 109,813 | - | 109,813 |
| Training | - | - | - | - | 1,241 | - | - | 1,241 | - | 1,241 |
| Depreciation | 2,307 | 2,811 | - | - | 734 | - | - | 5,852 | - | 5,852 |
| Administrative cost allocation, 10% | - | 21,123 | - | - | - | - | - | 21,123 | (21,123) | - |
| Administrative cost allocation | 26,479 | 3,016 | 2,364 | 11,650 | 311,446 | 9,894 | - | 364,849 | (364,849) | - |
| **Total expenses** | $ 308,922 | $ 378,729 | $ 99,232 | $ 434,592 | $ 2,574,735 | $ 156,101 | $ 2,385 | $ 3,954,696 | $ 46,485 | $ 4,001,181 |

**SUPPLEMENTARY INFORMATION**

**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**For the year ended August 31, 2025**

| Federal Grantor/Pass-through Grantor/Program/Cluster Title | Grant or Pass Through Number | Assistance Listing Number | Federal Expenditures | |
|---|---|---|---|---|
| **CORPORATION OF NATIONAL AND COMMUNITY SERVICE** | | | | |
| Foster Grandparent Program | 24SFBWV002 | 94.011 | $ 378,025 | (1,2) |
| Total Foster Grandparent / Senior Companion Cluster | | | 378,025 | |
| Retired Senior Volunteer Program | 24SRBWV001 | 94.002 | 106,065 | |
| Total Corporation of National and Community Service | | | 484,090 | |
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | | |
| Passed through West Virginia Department of Commerce; WV Development Office, Community Advancement & Development | | | | |
| Community Services Block Grant | 25CSBG-F06 | 93.569 | 111,227 | (3) |
| Community Services Block Grant | 25CSBG-DT06 | 93.569 | 2,147 | (3) |
| Community Services Block Grant | 24CSBG-F06 | 93.569 | 130,326 | (3) |
| Community Services Block Grant | 24CSBG-DT06 | 93.569 | 7,926 | (3) |
| | | | 251,626 | |
| Total 477 Cluster | | | 251,626 | |
| Passed through West Virginia Department of Commerce; WV Development Office, Community Advancement & Development | | | | |
| Low-Income Home Energy Assistance | 25RRP-G06 | 93.568 | 255,000 | |
| Low-Income Home Energy Assistance | 24ERRP-G06 | 93.568 | 65,481 | |
| | | | 320,481 | |
| Total U.S. Department of Health and Human Services Passed through West Virginia Department of Commerce, WV Development Office, Community Advancement & Development | | | 572,107 | |
| **U.S. DEPARTMENT OF AGRICULTURE** | | | | |
| Passed through West Virginia Department of Education | | | | |
| Child and Adult Care Food Program | CACF-2025 | 10.558 | 16,301 | |
| Child and Adult Care Food Program | CACF-2024 | 10.558 | 10,922 | |
| Child and Adult Care Food Program | FDCH-2025 | 10.558 | 54,505 | |
| Child and Adult Care Food Program | FDCH-2024 | 10.558 | 23,775 | |
| | | | 105,503 | |
| Total U.S. Department of Agriculture Passed through West Virginia Department of Education | | | $ 105,503 | |
| **Total for Council of the Southern Mountains, Inc.** | | | $ 1,161,700 | |

**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**
**For the year ended August 31, 2025**

(1) Determined to be a major program in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

(2) Foster Grandparent / Senior Companion Cluster of programs (94.011, 94.016)

(3) 477 Cluster of programs (15.025, 15.026, 15.133, 15.114, 15.130, 17.265, 93.269, 93,575, 93,594, 93.596)

**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**For the year ended August 31, 2025**

## NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards include the federal grant activity of the Council of the Southern Mountains, Inc. under programs of the federal government for the year ended August 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a portion of the operations of Council of the Southern Mountains, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Council.

## NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain expenditures are note allowable or are limited as to reimbursements.

There are no amounts passed through to sub-recipients for the year ended August 31, 2025.

## NOTE C. INDIRECT COST RATE ELECTION

The Council of the Southern Mountains, Inc. has not elected to use the ten (10) percent de minimis indirect cost rate allowed under Section 200.414 of the Uniform Guidance. The Council has a negotiated rate in place.

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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
Council of the Southern Mountains, Inc.
Welch, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Council of the Southern Mountains, Inc. (a nonprofit Organization), which comprise the statement of financial position as of August 31, 2025, and the related statement of activities and changes in net assets, and statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 28, 2026.

**Report on Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Council of the Southern Mountains Inc.'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* .

To the Board of Directors
Council of the Southern Mountains, Inc.

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

Blair & Company

Charleston, West Virginia
May 28, 2026

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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
Council of the Southern Mountains, Inc.
Welch, West Virginia

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

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

We have audited Council of the Southern Mountains, Inc.'s 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 the Council's major federal program for the year ended August 31, 2025. Council of the Southern Mountains, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Council of the Southern Mountains, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2025.

***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 the Council of the Southern Mountains, Inc. 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 the major federal program. Our audit does not provide a legal determination of the Council'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 requirement of laws, statutes, regulations, rules, and the provisions of contracts or grant agreements applicable to the Council'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 Council's compliance based on our audit.

To the Board of Directors
Council of the Southern Mountains, Inc.

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 Council'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, where such procedures include examining, on a test basis, evidence regarding the Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and obtain an understanding of the Council'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 Council's internal control over compliance, and 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.

To the Board of Directors
Council of the Southern Mountains, Inc.

Blair & Company

Charleston, West Virginia
May 28, 2026

**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**For the year ended August 31, 2025**

## SECTION I - SUMMARY OF AUDITOR'S RESULTS

**Financial Statements:**

| | | | | |
|---|---|---|---|---|
| Type of auditor's report issued | | | | Unmodified Opinion |
| Is a "going concern" emphasis-of-matter paragraph included in the audit report | ( ) | Yes | ( X ) | No |
| Internal control over financial reporting: | | | | |
| ▪ Material weakness(es) identified? | ( ) | Yes | ( X ) | No |
| ▪ Reportable condition(s) identified that are not considered to be material weakness? | ( ) | Yes | ( X ) | No |
| Noncompliance material to financial statements noted? | ( ) | Yes | ( X ) | No |

**Federal Awards:**

| | | | | |
|---|---|---|---|---|
| Internal control over major programs: | | | | |
| ▪ Material weakness(es) identified? | ( ) | Yes | ( X ) | No |
| ▪ Reportable condition(s) identified that are not considered to be material weakness? | ( ) | Yes | ( X ) | No |
| Type of auditor's report issued on compliance for the major federal award program(s) | | | | Unmodified Opinion |
| ▪ Any audit findings disclosed that are required to be reported in accordance with Section 516(a) of OMB Uniform Guidance? | ( ) | Yes | ( X ) | No |

Identification of major program(s):

| Assistance Listing Number | Name of Federal Program or Cluster |
|---|---|
| 94.011 | Foster Grandparent / Senior Companion Cluster |

| | | | | |
|---|---|---|---|---|
| The dollar threshold for distinguishing between Type A and Type B programs: | | | | $750,000 |
| Auditee qualified as a low-risk auditee? | ( X ) | Yes | ( ) | No |

**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**(Continued)**
**For the year ended August 31, 2025**

## SECTION II - FINANCIAL STATEMENT FINDINGS

**None**

## SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**None**

**COUNCIL OF THE SOUTHERN MOUNTAINS, INC.**
**(A Nonprofit Organization)**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**
**For the year ended August 31, 2025**

## PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There were no audit findings reported in the year ended August 31, 2024.

## PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings reported in the year ended August 31, 2024.