

**ALLIANCE HEALTH**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2022**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Alliance Health  
Morrisville, North Carolina

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the business-type activity, each major fund, and the aggregate remaining fund information of Alliance Health (the Organization), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization'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 Alliance Health as of June 30, 2022, and the respective changes in financial position and cash flows, 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' 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 auditors' 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Required Supplementary Information**

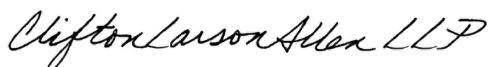
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information, as listed in the table of contents, on pages 32 through 33 be presented to supplement the basic financial statements. 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The supplemental schedules for North Carolina Division of Health Benefits reporting as well as the accompanying 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* 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 GAAS. 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 November 21, 2022 on our consideration of Alliance Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
November 21, 2022

**ALLIANCE HEALTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

Alliance Health (the Organization) is a Local Management Entity / Managed Care Organization in the state of North Carolina that plans, develops, implements and monitors behavioral health services within six different counties in the state. The counties in the Organization's catchment area include Mecklenburg, Wake, Cumberland, Durham, Orange and Johnston counties. The services developed and managed cover the continuum of care from inpatient and outpatient treatment, services and other supports.

As management of Alliance Health, we offer readers of Alliance Health's financial statements this narrative overview and analysis of the financial activities of Alliance Health as of and for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Organization's financial statements, which follows this narrative.

**Financial Highlights**

- The assets and deferred outflows of resources of Alliance Health exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$260,382,046 (net position).
- The Organization's net position increased by \$119,986,563. The increase is primarily related to the transfer of Restricted and Unrestricted Funds from Cardinal Innovations as a result of Mecklenburg and Orange counties becoming a part of the Organization's catchment area totaling \$85,655,236, the increase in Medicaid member lives, and COVID-19 funding.
- As of the close of the current fiscal year, Alliance Health's restricted net position totaled \$138,167,094. This includes \$133,603,000 restricted for the required Medicaid Waiver contract requirement to reserve 2% of Medicaid Waiver revenues until 15% of such revenues have been reserved. In addition, \$3,787,058, \$400,000, \$290,223 and \$86,813 have been restricted for services related to Cumberland County, Durham County, NC Start and TASC, respectively.

**Financial Statements**

The Organization's financial statements report information of the Organization using accounting methods similar to those used by public-sector managed health care organizations. The significant difference is in the level of risk reserves that are established due to the at-risk contractual relationship under which the Organization operates.

These financial statements offer short-term and long-term financial information about its activities.

The Organization's financial statements consist of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to the Basic Financial Statements. In addition to the financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the Organization. Budgetary information required by the North Carolina State Statutes can also be found in this part of the statements.

The Statement of Net Position reports the Organization's net position, which is the difference between the Organization's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources.

The Statement of Revenues, Expenses, and Changes in Net Position reports the Organization's revenues, expenses, and the overall change in net position.

**ALLIANCE HEALTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Financial Statements (Continued)**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Financial Analysis of the Organization**

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the net position of the Organization and the changes in net position. The Organization's net position is a way to measure financial health or financial position. Over time, increases or decreases in the Organization's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other nonfinancial factors such as changes in economic conditions and new or changed governmental legislation.

**Statement of Net Position**

A summary of the Organization's Statement of Net Position as of June 30, 2022, 2021 and 2020 is presented in Figure 1.

**Figure 1**

**Condensed Statement of Net Position  
June 30, 2022, 2021, and 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current Assets	\$ 278,271,445	\$ 131,844,705	\$ 90,615,394
Restricted and Other Assets	134,882,363	72,129,852	61,307,511
Right to Use Leased Assets	21,758,403	-	-
Capital Assets	<u>7,290,358</u>	<u>5,031,939</u>	<u>4,846,759</u>
Total Assets	442,202,569	209,006,496	156,769,664
Deferred Outflows of Resources	<u>14,965,093</u>	<u>10,588,273</u>	<u>8,990,392</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 457,167,662</u>	<u>\$ 219,594,769</u>	<u>\$ 165,760,056</u>
Current Liabilities	\$ 154,519,314	\$ 58,861,934	\$ 37,973,806
Long-Term Liabilities	<u>29,444,590</u>	<u>19,816,882</u>	<u>16,437,324</u>
Total Liabilities	183,963,904	78,678,816	54,411,130
Deferred Inflows of Resources	12,821,712	520,470	-
Net Position:			
Investment in Capital Assets	6,712,276	5,031,939	4,846,759
Restricted	138,167,094	75,620,287	63,889,910
Unrestricted	<u>115,502,676</u>	<u>59,743,257</u>	<u>42,612,257</u>
Total Net Position	<u>260,382,046</u>	<u>140,395,483</u>	<u>111,348,926</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 457,167,662</u>	<u>\$ 219,594,769</u>	<u>\$ 165,760,056</u>

The Organization became a governmental entity on July 1, 2012 and has operated under the Medicaid 1915(b)(c) Waiver since February 1, 2013. The capitation rate paid is established by an actuarial study of the historical service cost for the Medicaid population included in the Medicaid Waiver Agreement.



**ALLIANCE HEALTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Statement of Net Position (Continued)**

To the extent that there are increases in net position, in which the Organization had an increase of \$119,986,563 during 2022, a portion of those increases is required by contractual agreement to be restricted to provide services in future periods.

During the next fiscal year, \$4,558,852 from the unrestricted net position will be used to meet the required intergovernmental transfer. This is due to required intergovernmental transfers contained in Session Law 2021-180. This is approximately 4% of the Organization's unrestricted net position.

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

A summary of the Organization's Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2022, 2021 and 2020 is presented in Figure 2.

**Figure 2**

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total Operating Revenues	\$ 869,789,799	\$ 637,069,183	\$ 575,760,306
Total Operating Expenses	<u>837,112,065</u>	<u>608,076,136</u>	<u>552,913,703</u>
Total Operating Income (Loss)	32,677,734	28,993,047	22,846,603
Total Nonoperating Income	1,653,593	53,510	528,261
Total Transfers from Managed Care Organization	<u>85,655,236</u>	<u>-</u>	<u>-</u>
Total Increase in Net Position	119,986,563	29,046,557	23,374,864
Net Position - Beginning of Year	<u>140,395,483</u>	<u>111,348,926</u>	<u>87,974,062</u>
Net Position - End of Year	<u>\$ 260,382,046</u>	<u>\$ 140,395,483</u>	<u>\$ 111,348,926</u>

The Organization operates a Medicaid 1915(b)(c) Waiver under contract with the Department of Health and Human Services since February 1, 2013. The Organization receives Medicaid funding on a per member per month basis. In addition to the waiver, the Organization operates under a federal block grant and single stream funding arrangement with the state of North Carolina, Department of Health and Human Services Division of Mental Health, Developmental Disabilities, and Substance Abuse. The two funding sources comprise approximately 96% of the Organization's revenue.

**Budgetary Analysis**

Over the course of the year, the Organization revised its budget primarily due to increased Medicaid Revenues, Federal Block Grant funding, and State Categorical funding due to the realignment of Mecklenburg and Orange counties.

**ALLIANCE HEALTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Capital Assets, Right To Use Leased Assets and Debt Administration**

*Capital Assets* – At June 30, 2022, 2021 and 2020, the Organization had invested \$29,048,761, \$5,031,939, and \$4,846,759, respectively, in capital assets and right to use assets, net of accumulated depreciation and amortization, as shown in Figure 3.

**Figure 3**

**Capital Assets and Right to Use Leased Assets, Net of Accumulated Depreciation and Amortization**

	2022	2021	2020
Furniture and Fixtures	\$ 7,280	\$ 13,574	\$ 23,420
Computer Equipment	155,083	347,311	546,279
Software	398,051	677,843	957,634
Leasehold Improvements	362,399	418,153	473,907
Work in Progress	6,367,545	3,575,058	2,845,519
Total Capital Assets, Net of Accumulated Depreciation	<u>7,290,358</u>	<u>5,031,939</u>	<u>4,846,759</u>
Leased Buildings	21,598,040	-	-
Leased Equipment	160,363	-	-
Total Right to Use Assets, Net of Accumulated Amortization	<u>21,758,403</u>	<u>-</u>	<u>-</u>
Total Capital Assets and Right to Use Leased Assets, Net	<u>\$ 29,048,761</u>	<u>\$ 5,031,939</u>	<u>\$ 4,846,759</u>

The increase in capital assets during 2022 was a result of the Organization implementing GASB 87, *Leases*, as of July 1, 2021. GASB 87 requires a right to use leased asset and a corresponding lease liability to be recorded related to the Organization's building and equipment lease arrangements.

**Economic Factors and Next Year's Budget**

Beginning December 1, 2021, Alliance Health assumed responsibility for managing mental health, substance use disorder, and intellectual/development disabilities services for residents of Mecklenburg and Orange counties who are insured by Medicaid or are uninsured. The realignment will continue to have an impact on the amount of Medicaid and State Funding Alliance receives and the services funded and managed throughout the Alliance Health catchment area. The Alliance Health catchment area includes Mecklenburg, Wake, Cumberland, Durham, Orange, and Johnston Counties.

As a result of Medicaid Transformation in North Carolina pursuant to Session Law 2015-245, as amended, Alliance Health was selected by NC DHHS to operate a Behavioral Health and Intellectual/Developmental Disability Tailored Plan (BH IDD Tailored Plan). Alliance Health will serve individuals with significant behavioral health disorders, intellectual and developmental disabilities (I/DD) and traumatic brain injuries (TBI) who will be enrolled into BH IDD Tailored Plans, which are specialized managed care products targeting the needs of these populations. On September 29, 2022, NC DHHS announced it would delay the implementation of the BH IDD Tailored Plans until April 1, 2023 (these plans were originally scheduled to launch on December 1, 2022). While the full launch of BH IDD Tailored Plans was delayed, NC DHHS specified that certain services would still go live on December 1, 2022.

**ALLIANCE HEALTH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Economic Factors and Next Year's Budget (Continued)**

Relatedly, Alliance will support providers of Tailored Care Management to launch their services on December 1. Through Tailored Care Management, eligible beneficiaries will have a single designated care manager supported by a multidisciplinary team to provide integrated care management that addresses the beneficiary's whole-person health needs. Additionally, Alliance Health is focused on preparing to establish and operate a BH IDD Tailored Plan subject to the obligations and conditions associated with that expected April 2023 launch date.

**Requests for Information**

The Organization's financial statements are designed to present users with a general overview of the Organization's finances and to demonstrate the Organization's accountability. If you have any questions about the report or need additional financial information, please contact Kelly Goodfellow, Executive Vice President and Chief Financial Officer, Alliance Health, 5200 W. Paramount Parkway, Suite 200 Morrisville, North Carolina 27560.

**ALLIANCE HEALTH**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

**ASSETS**

Current Assets:	
Cash and Cash Equivalents	\$ 160,816,142
Restricted Cash and Cash Equivalents	4,564,094
Investments	95,482,768
Due from Other Governments	15,474,835
Due from Contractors	419,367
Miscellaneous Receivables	590,335
Prepaid Items	923,904
Total Current Assets	<u>278,271,445</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	134,560,903
Other Assets	321,460
Right to Use Leased Assets, Net of Accumulated Amortization	21,758,403
Capital Assets, Net of Accumulated Depreciation	7,290,358
Total Noncurrent Assets	<u>163,931,124</u>
Total Assets	442,202,569

**DEFERRED OUTFLOW OF RESOURCES**

Pension Deferrals	<u>14,965,093</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 457,167,662</u></u>

**LIABILITIES**

Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ 9,038,693
Claims and Other Service Liabilities	78,574,887
Current Portion of Accrued Vacation	2,712,052
Current Portion of Right to Use Lease Liability	2,796,029
Unearned Revenue	13,412,032
Due to the State	47,985,621
Total Current Liabilities	<u>154,519,314</u>

**NONCURRENT LIABILITIES**

Noncurrent Portion of Accrued Vacation	1,172,605
Noncurrent Portion of Right to Use Lease Liability	19,540,456
Net Pension Liability	8,731,529
Total Noncurrent Liabilities	<u>29,444,590</u>
Total Liabilities	183,963,904

**DEFERRED INFLOW OF RESOURCES**

Pension Deferrals	<u>12,821,712</u>
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**NET POSITION**

Investment in Capital Assets	6,712,276
Restricted	138,167,094
Unrestricted	115,502,676
Total Net Position	<u>260,382,046</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 457,167,662</u></u>

See accompanying Notes to Basic Financial Statements.

**ALLIANCE HEALTH**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2022**

**OPERATING REVENUES**

Charges for Services:	
Medicaid Waiver Services	\$ 644,760,353
Grant and Local Funding:	
Federal and State Grants	99,200,248
Local Grants	29,994,787
Grant Funded Services	173,010
Total Grant and Local Funding	129,368,045
Administrative Funding:	
Medicaid Waiver Administration	87,817,506
State LME Administrative Grant	7,474,554
Local Administration	369,341
Total Administrative Funding	95,661,401
Total Operating Revenues	869,789,799

**OPERATING EXPENSES**

Administrative Expenses	98,961,441
Medicaid Waiver Services	609,221,175
Federal and State Services	99,174,670
Local Services	29,581,769
Grant Funded Services	173,010
Total Operating Expenses	837,112,065

**OPERATING INCOME**

32,677,734

**NONOPERATING INCOME BEFORE TRANSFERS**

Other Income	1,653,593
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**TRANSFERS FROM MANAGED CARE ORGANIZATION**

85,655,236

**CHANGE IN NET POSITION**

119,986,563

Net Position - Beginning of Year

140,395,483

**NET POSITION - END OF YEAR**

\$ 260,382,046

*See accompanying Notes to Basic Financial Statements.*

**ALLIANCE HEALTH  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Operations	\$ 909,758,452
Payments to Vendors and Suppliers	(737,479,483)
Payments to Employees and Benefits	(49,141,646)
Net Cash Provided by Operating Activities	<u>123,137,323</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net Sales of Investments	9,846,802
Interest Earned on Investments	153,198
Net Cash Provided by Investing Activities	<u>10,000,000</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Other Income	1,500,393
Transfers from Managed Care Organization	85,655,236
Net Cash Provided by Noncapital Financing Activities	<u>87,155,629</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and Construction of Capital Assets	(2,792,487)
Payments on Right to Use Lease Liability	(2,675,240)
Net Cash Used by Capital and Related Financing Activities	<u>(5,467,727)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	214,825,225
Cash and Cash Equivalents - Beginning of Year	<u>85,115,914</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 299,941,139</u>
Cash and Cash Equivalents	\$ 160,816,142
Restricted Cash and Cash Equivalents	139,124,997
Total Cash and Cash Equivalents	<u>\$ 299,941,139</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION</b>	
Right to Use Leased Assets Obtained through Right to Use Lease Liability	<u>\$ 25,011,725</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Net Operating Income	\$ 32,677,734
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization Expense	3,787,390
Bad Debt Expense	233,573
Changes in Assets and Liabilities:	
Accounts Receivable	(539,801)
Due from Other Governments	(3,654,859)
Due from Contractors	(158,814)
Prepaid Items	(80,927)
Deferred Outflows Related to Pensions	(4,376,818)
Net Pension Liability	(10,196,551)
Deferred Inflows Related to Pensions	12,301,242
Accounts Payable and Accrued Liabilities	2,696,809
Claims and Other Service Liabilities	45,604,621
Due to State	30,676,522
Unearned Revenue	13,412,032
Accrued Vacation	755,170
Net Cash Provided by Operating Activities	<u>\$ 123,137,323</u>

See accompanying Notes to Basic Financial Statements.

**ALLIANCE HEALTH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Alliance Health (the Organization) conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to governments. The following is a summary of the more significant accounting policies.

**Reporting Entity**

The Organization is, by virtue of powers contained in state law (Chapter 122C of the North Carolina General Statutes), delegated the authority to manage the provision of high quality cost-effective mental health, developmental disabilities, and substance use disorder services to consumers in Durham and Wake counties effective July 1, 2012. Effective January 1, 2013, the Organization began servicing Johnston and Cumberland counties through contracts with the North Carolina Department of Health and Human Services (NCDHHS). On July 1, 2013, Cumberland County Area Authority merged with the Organization.

Effective December 1, 2021, Mecklenburg and Orange counties became part of the Organization's catchment area. As part of the movement of these counties, the Organization received approximately \$85,655,000 in restricted and unrestricted funds from another managed care organization. This transfer is recorded as Transfers from Managed Care Organization on the Statement of Revenues, Expenses, and Change in Net Position in fiscal year 2022.

The Organization is governed by a 19-member area board, some of which are appointed by the Board of Commissioners of the representative counties.

*Local Management Entity – Managed Care Organization (LME-MCO)*

An LME-MCO is an organization in the state of North Carolina that plans, develops, implements, and monitors behavioral health services within a specified geographic area, according to state requirements. The Managed Care Organization (MCO) component of the entity is responsible for managing behavioral health services in a specific geographic area provided through the state's Medicaid 1915(b)(c) waiver plan. Under this plan, the Organization receives a contractual capitated fee per member per month, holds financial risk and coordinates care through a defined network of providers, physicians, and hospitals. The Local Management Entity component of the Organization is also responsible for managing behavioral health services for uninsured and underinsured individuals but does not hold financial risk. The services developed and managed cover the care continuum from inpatient and outpatient treatment, services, and/or supports. These services are primarily funded by federal (non-Medicaid), state, and local grants.

**Basis of Presentation**

The accompanying financial statements are presented in accordance with U.S. GAAP as prescribed by the Governmental Accounting Standards Board (GASB). The full scope of the Organization's activities is considered to be a single business-type activity and, accordingly, is reported within a single column in the basic financial statements.

**ALLIANCE HEALTH  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting**

The financial statements of the Organization have been prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

**Budgetary Data**

The Organization’s budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the Organization. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Amendments are required for any revisions that alter total revenues and expenditures. The governing board must approve all amendments. During the year, an amendment to the original budget was necessary due to an increase in Medicaid revenues, Federal Block Grant funding, and State Categorical funding as a result of the realignment of Mecklenburg and Orange counties. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

**Cash and Cash Equivalents**

The Organization considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents for the statement of cash flows.

**Deposits and Investments**

All deposits of the Organization are made in board-designated official depositories and are collateralized as required by G.S. 159-31. The Organization may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina.

State law (G.S. 159-30(c)) authorizes the Organization to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the state of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain nonguaranteed federal agencies, certain high-quality issues of commercial paper and bankers’ acceptances, and the North Carolina Capital Management Trust (NCCMT). The Organization’s investments are reported at fair value. The NCCMT Government Portfolio, an SEC-registered (2a-7) external investment pool, is measured at fair value.



**ALLIANCE HEALTH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted Assets**

With the execution of the Medicaid Waiver contract between the NCDHHS, the Division of Health Benefits (DHB), and the Organization, a restricted risk reserve account was established to maintain a minimum required balance for obligations of the contract. Withdrawals and disbursements must be approved by DHB. The balance of the risk reserve account is \$134,560,903 at June 30, 2022, and considered to be noncurrent. The remaining restricted assets of \$4,564,094 at June 30, 2022 is restricted for services to be rendered in Cumberland County, Durham County and for the NC Start and TASC programs and is considered to be current. When both restricted and unrestricted resources are available for use (use is approved by the third party who required the restriction, if applicable), the Organization uses restricted resources first, then unrestricted resources as they are needed.

**Due from Other Governments**

Due from other governments consists of amounts due from state and federal governments related to state allocations and federal grants. This amount is recorded net of an allowance when appropriate. Bad debt expense for the year ended June 30, 2022 was \$233,573.

**Due from Contractors**

Due from contractors consists of amounts due from providers related to adjudicated claims and provider pay backs. These are recorded in the period related to the date of service of the adjudicated claim and in the period the provider pay back is determined to be owed.

**Miscellaneous Receivables**

Miscellaneous receivables consist primarily of amounts due from sales tax refunds and third-party vendors. These are recorded in the period actual costs are incurred.

**Allowance for Doubtful Accounts**

All receivables that historically experience uncollectable accounts are shown net of an allowance for doubtful accounts, when appropriate. This amount is estimated by evaluating current information related to the collectability of individual receivables. The concentrations of credit risk of accounts receivable are based on receivables with primarily federal and state (North Carolina) government agencies. There was no allowance for doubtful accounts recorded as of June 30, 2022.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

**Capital Assets**

The Organization's capital assets are recorded at original cost or estimated historical cost. Donated capital assets are recorded at the acquisition value. Minimum capitalization threshold is \$5,000 for all capital assets with the exception of software, which is \$100,000. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend assets' lives, are not capitalized.

**ALLIANCE HEALTH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

The Organization's capital assets are depreciated on a straight-line basis over the following estimated useful lives:

Furniture and Fixtures	7 Years
Computer Equipment	3 Years
Vehicles	3 Years
Software	5 Years
Leasehold Improvements	1 to 11 Years

The Organization evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude, and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the Organization are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the Organization are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

**Right to Use Leased Assets and Liabilities**

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Organization adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption.

At the commencement of a lease, the Organization initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

**ALLIANCE HEALTH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Right to Use Leased Assets and Liabilities (Continued)**

Key estimates and judgments related to leases include how the Organization determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Organization uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Organization generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the Organization is reasonably certain to exercise.

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

**Claims and Other Service Liability**

Claims and other service liability includes Medicaid, federal, state, and local claims and reimbursable expenditure-based invoices owed to providers related to services performed prior to June 30, 2022. The Organization estimates claims incurred but not reported (IBNR) and adds that to claims reported but not paid (RBNP) as of June 30, reporting the total as Claims and Other Service Liability. RBNP claims include all eligible federal, state, and local claims related to the year ended June 30, 2022, with the exception of Medicaid claims where the eligibility period is longer, and the liability is not known. The Organization's estimate for IBNR claims related to Medicaid was \$49,164,583 as of June 30, 2022.

**Due to the State**

The Organization has accrued a liability of \$47,985,621 of amounts due back to the state based on the risk corridor calculations for the year ended June 30, 2021 and the initial risk corridor calculation for the year ended June 30, 2022.

**Unearned Revenue**

Unearned revenue relates to payments received under cost-reimbursable contracts that were received in advance and are deferred to the applicable period in which the related services are performed or expenditures are incurred.

**ALLIANCE HEALTH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accrued Vacation**

The Organization's policy is to record the cost of vacation leave when earned. The policy was changed as a result of the global COVID-19 pandemic. Effective June 30, 2022, the policy provides for a maximum accumulation of unused vacation leave of 30 days, which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. In addition, any accumulated vacation leave in excess of 30 days at December 31 is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave balance up to a maximum accumulation at December 31 plus the leave earned less the leave taken between January 1 and June 30.

**Net Position**

The Organization's net position is classified as follows:

**Investment in Capital Assets**

This represents the Organization's total investment in capital assets and right of use leased assets, less the related lease liability.

**Restricted**

A portion of net position is restricted by the DHB for future obligations of the Medicaid waiver. The amount set aside in a bank account at June 30, 2022 was \$134,560,903. The amount restricted in net position at June 30, 2022 was \$133,603,000. The difference is related to a pending transfer. The remaining restricted net position of \$4,564,094 at June 30, 2022 is set aside in a bank account and is restricted for services to be rendered in Cumberland County, Durham County and for the NC Start and TASC programs.

**Unrestricted**

The Organization's unrestricted net position at June 30, 2022 was \$115,502,676. Of this amount, \$4,558,852 or approximately 4% will be used to fund required intergovernmental transfers contained in Session Law 2018-5. \$13,039,125, or approximately 11%, will be reinvested to prepare for BH IDD Tailored Plan operations as well as finalize the investment in a child facility based crisis center in Fuquay-Varina.

**Revenue and Expense Recognition**

The Organization classifies its revenues and its expenses as operating and nonoperating in the accompanying statement of revenues, expenses, and changes in net position. Operating expenses generally result from providing services in connection with the Organization's principal ongoing operations. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by U.S. GAAP.

**ALLIANCE HEALTH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue and Expense Recognition (Continued)**

Operating revenues include monies received from federal, state, and local governments related to Medicaid services, mental health and substance abuse block grants, and other grants. Medicaid revenues are recognized when earned. Allocations from the state are recognized as revenues when earned. Reimbursable grant revenues are recognized when allowable activities and costs in accordance with related grant requirements are incurred.

Nonoperating revenues include activities that do not meet the definition of operating revenues.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflow of resources and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Concentrations**

For the year ended June 30, 2022, the Organization has a concentration in funding with approximately 84% of their revenues from Medicaid funding.

**Pensions**

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 Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Organization's employer contributions are recognized when due and the Organization has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**NOTE 2 DEPOSITS AND INVESTMENTS**

All of the Organization's deposits are collateralized under the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Organization, these deposits are considered to be held by their agents in the Organization's name. The amount of the pledged collateral is based on an approved averaging method for noninterest bearing deposits and the actual current balance for interest-bearing deposits.

**ALLIANCE HEALTH  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Organization or the escrow agent.

Because of the inability to measure the exact amount of collateral pledged for the Organization under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The Organization relies on the State Treasurer to monitor those financial institutions. The Organization analyzes the financial soundness of any other financial institution used by the Organization. The Organization complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Organization has no formal policy regarding custodial credit risk for deposits.

At June 30, 2022, the Organization's deposits had a carrying amount of \$299,941,139 and a bank balance of \$300,597,944, all of which was covered by collateral held under the Pooling Method. As of June 30, 2022, the Organization's investments were as follows:

Investment Type	Valuation Measurement Method	Book Value at June 30, 2022	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value	\$ 95,482,768	N/A	AAAm

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Within the level of fair value hierarchy, the investments are classified as: Level 1 as debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Organization does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The Organization limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSRO). As of June 30, 2022, the Organization was fully invested in NCCMT, which is permitted under North Carolina General Statutes 159-30 as amended.

**ALLIANCE HEALTH  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

At June 30, 2022, the Organization had \$145,564,608 invested with the NCCMT. This includes the \$95,482,768 of investments shown above and \$50,081,840 of restricted cash and equivalents.

**NOTE 3 DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2022 consists of the following. There was no allowance for the year ended June 30, 2022.

Federal	\$ 7,685,782
State	449,244
Local	<u>7,339,809</u>
Total Due from Other Governments	<u><u>\$ 15,474,835</u></u>

**NOTE 4 CAPITAL ASSETS**

A summary of changes in the Organization's capital assets is as follows:

	Balance July 1, 2021	Increases	Decreases	Transfers	Balance June 30, 2022
<b>Business-Type Activities</b>					
Capital Assets, Depreciable:					
Furniture and Fixtures	\$ 735,573	\$ -	\$ -	\$ -	\$ 735,573
Computer Equipment	1,193,993	-	-	-	1,193,993
Vehicles	67,253	-	-	-	67,253
Software	1,557,560	-	-	-	1,557,560
Leasehold Improvements	1,613,478	-	-	-	1,613,478
Work in Progress	<u>3,575,058</u>	<u>2,792,487</u>	-	-	<u>6,367,545</u>
Total Capital Assets, Depreciable	8,742,915	2,792,487	-	-	11,535,402
Less Accumulated Depreciation:					
Furniture and Fixtures	721,999	6,294	-	-	728,293
Computer Equipment	846,682	192,228	-	-	1,038,910
Vehicles	67,253	-	-	-	67,253
Software	879,717	279,792	-	-	1,159,509
Leasehold Improvements	<u>1,195,325</u>	<u>55,754</u>	-	-	<u>1,251,079</u>
Total Accumulated Depreciation	<u>3,710,976</u>	<u>534,068</u>	-	-	<u>4,245,044</u>
Total Capital Assets, Net	<u><u>\$ 5,031,939</u></u>	<u><u>\$ 2,258,419</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,290,358</u></u>

**ALLIANCE HEALTH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5 RIGHT TO USE LEASE ASSETS**

The Organization has recorded six right to use leased assets. The assets are right to use assets for leased buildings and equipment. The related leases are disclosed in the Note 8. The right to use leased assets are amortized on a straight-line basis over the term of the related leases.

Right to use leased asset activity was as follows for the year ended June 30, 2022:

	Balance July 1, 2021	Increases	Decreases	Transfers	Balance June 30, 2022
<b>Business-Type Activities</b>					
Right to Use Lease Assets, Amortizable					
Leased Buildings	\$ 24,724,602	\$ 96,222	\$ -	\$ -	\$ 24,820,824
Leased Equipment	-	190,901	-	-	190,901
Total Right to Use Leased Assets, Depreciable	24,724,602	287,123	-	-	25,011,725
Less Accumulated Amortization:					
Leased Buildings	\$ -	\$ 3,222,784	\$ -	\$ -	\$ 3,222,784
Leased Equipment	-	30,538	-	-	30,538
Total Accumulated Amortization	-	3,253,322	-	-	3,253,322
Total Right to Use Leased Assets, Net	<u>\$ 24,724,602</u>	<u>\$ (2,966,199)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,758,403</u>

**NOTE 6 ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued liabilities at June 30, 2022 were as follows:

Accrued Salaries	\$ 5,182,575
Other Accruals	3,856,118
Total Accounts Payable and Accrued Expenses	<u>\$ 9,038,693</u>

**NOTE 7 LONG-TERM OBLIGATIONS**

The following is a summary of changes in the Organization's long-term obligations for the fiscal year ended June 30, 2022:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion of Balance
Accrued Vacation	\$ 3,129,487	\$ 1,237,455	\$ 482,285	\$ 3,884,657	\$ 2,712,052
Right to Use Lease Liability	24,820,824	190,901	2,675,240	22,336,485	2,796,029
Net Pension Liability	18,928,080	-	10,196,551	8,731,529	-
Total Long-Term Obligations	<u>\$ 46,878,391</u>	<u>\$ 1,428,356</u>	<u>\$ 13,354,076</u>	<u>\$ 34,952,671</u>	<u>\$ 5,508,081</u>



**ALLIANCE HEALTH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 RIGHT TO USE LEASE LIABILITY**

The Organization has entered into lease agreements to lease certain buildings and equipment. The Organization recognizes a lease liability and an intangible right-to-use lease asset in the applicable statement of net position.

The first agreement was executed on December 17, 2018 to lease building space and requires 128 monthly payments ranging from \$254,939 to \$310,560. The lease liability is measured at a discount rate of 3.29%. As a result of the lease, the Organization has recorded a right to use leased asset with a net book value of \$21,243,445 at June 30, 2022.

The second agreement was executed on July 1, 2014, amended June 1, 2017, renewed August 21, 2019 and renewed October 25, 2021 to lease building space and requires monthly payments of \$16,995 thru the expiration date of December 31, 2023. The lease liability is measured at a discount rate of 1.48%. As a result of the lease, the Organization has recorded a right to use leased asset with a net book value of \$300,470 at June 30, 2022.

The third agreement was executed on December 1, 2021 to lease building space and requires 16 monthly payments of \$5,958. The lease liability is measured at a discount rate of 1.14%. As a result of the lease, the Organization has recorded a right to use leased asset with a net book value of \$54,125 at June 30, 2022.

The fourth agreement was executed on July 1, 2021 to lease equipment and requires 63 monthly payments of \$2,065. The lease liability is measured at a discount rate of 1.81%. As a result of the lease, the Organization has recorded a right to use leased asset with a net book value of \$100,396 at June 30, 2022.

The fifth agreement was executed on May 9, 2022 to lease equipment and requires 64 monthly payments of \$474. The lease liability is measured at a discount rate of 3.44%. As a result of the lease, the Organization has recorded a right to use leased asset with a net book value of \$26,475 at June 30, 2022.

The sixth agreement was executed on September 16, 2021 to lease equipment and requires 61 monthly payments of \$680. The lease liability is measured at a discount rate of 1.77%. As a result of the lease, the Organization has recorded a right to use leased asset with a net book value of \$33,492 at June 30, 2022.

During fiscal year 2022, Cumberland County provided rental space to the Organization at zero costs for the use of office space for the Cumberland County Crisis Response Center. This space has an annual fair market value of \$328,231. Under GASB 87, no amount has been booked as a right to use leased asset related to this rental space.

**ALLIANCE HEALTH  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 RIGHT TO USE LEASE LIABILITY (CONTINUED)**

Certain building leases provide for increases in future minimum and annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 3,474,988
2024	3,397,878
2025	3,377,305
2026	3,462,796
2027	3,520,472
Thereafter	<u>7,903,514</u>
Total	25,136,953
Less: Current Portion	(2,796,029)
Less: Amount Representing Interest	<u>(2,800,468)</u>
Total	<u><u>\$ 19,540,456</u></u>

**NOTE 9 RETIREMENT SYSTEMS**

**Local Governmental Employees' Retirement System**

Plan Description

The Organization is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEO) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members: nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**ALLIANCE HEALTH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 RETIREMENT SYSTEMS (CONTINUED)**

**Local Governmental Employees' Retirement System (Continued)**

Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan

Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Organization's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Organization's contractually required contribution rate for the year ended June 30, 2022 was 11.35% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Organization were \$6,128,337 for the year ended June 30, 2022.

Refunds of Contributions

Organization employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

**ALLIANCE HEALTH  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 RETIREMENT SYSTEMS (CONTINUED)**

**Local Governmental Employees' Retirement System (Continued)**

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

At June 30, 2022, the Organization reported a liability of \$8,731,529 for its proportionate share of the net pension liability, which was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the actuarial assumptions. The Organization's proportion of the net pension liability was based on a projection of the Organization's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Organization's proportion was 0.56935%, which was an increase of 0.03966% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the Organization recognized pension expense of \$3,856,208. At June 30, 2022, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 2,777,813	\$ -
Change of Assumptions	5,485,628	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	12,474,732
Changes in Proportion and Differences Between Organization Contributions and Proportionate Share of Contributions	573,315	346,980
Organization Contributions Subsequent to the Measurement Date	6,128,337	-
Total	<u>\$ 14,965,093</u>	<u>\$ 12,821,712</u>

Deferred outflows of resources related to pensions resulting from the Organization's contributions subsequent to the measurement date of \$6,128,337 will be recognized as a decrease of the net pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (252,562)
2024	(787,283)
2025	(2,945,111)
Total	<u>\$ (3,984,956)</u>

**ALLIANCE HEALTH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 RETIREMENT SYSTEMS (CONTINUED)**

**Local Governmental Employees' Retirement System (Continued)**

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	3.25% to 8.25%, Including Inflation and Productivity Factor
Investment Rate of Return	6.50%, Net of Pension Plan Investment Expense, Including Inflation

The plan currently uses mortality tables that vary by age, gender, employee group, and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and, therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections 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 allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

**ALLIANCE HEALTH  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 RETIREMENT SYSTEMS (CONTINUED)**

**Local Governmental Employees' Retirement System (Continued)**

Actuarial Assumptions (Continued)

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset (liability) and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.5%. All rates of return and inflation are annualized.

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Organization's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Organization's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the Organization's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Organization's Proportionate Share of the Net Pension Liability (Asset)	\$ 33,895,068	\$ 8,731,529	\$ (11,976,602)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR for the state of North Carolina.

**Deferred Compensation Plan**

The Organization offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, which is available to all the Organization employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with U.S. GAAP, the Organization's Deferred Compensation Plan requires all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. The voluntary contributions by employees amounted to \$614,423 for the year ended June 30, 2022.

**ALLIANCE HEALTH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 RETIREMENT SYSTEMS (CONTINUED)**

**Other Employment Benefits – IRC Section 401(k) Plan**

Plan Description

The Organization contributes to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to employees of the Organization. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan is included in the CAFR for the state of North Carolina within the pension trust fund financial statements for the IRC Section 401(k) plan that includes the Plan, which report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 707-0500.

Funding Policy

The Organization's employees may participate in the Plan on a voluntary basis. In addition to employee contributions, the Organization contributes a 3% match. Total amount contributed to the Plan by the Organization amounted to \$1,280,816 for the year ended June 30, 2022. The voluntary contributions by employees amounted to \$2,624,459 for the year ended June 30, 2022.

**NOTE 10 RISK MANAGEMENT**

The Organization is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization has established a risk management program to account for and finance its uninsured risks of loss.

Under the Organization's risk management program, coverage is provided as follows:

The Organization purchases professional liability insurance for individual claims of \$3,000,000 and aggregate claims of \$6,000,000. All deductibles are \$50,000. In addition, the Organization purchases management liability coverage to include directors' and officers' coverage, along with employment practices coverage. Each line of coverage provides a limit of \$5,000,000. Settled claims have not exceeded this commercial coverage in the fiscal year.

The Organization carries automobile coverage of \$1,000,000 per incident for Organization owned vehicles and acts as an excess policy for employee-owned vehicles that are used on/for Organization business.

The Organization carries crime coverage of \$200,000 per incident for employee dishonesty, forgery and alteration, and computer fraud. All deductibles are \$1,000.

The Organization carries cyber liability coverage of \$5,000,000 per occurrence. All deductibles are \$100,000.

**ALLIANCE HEALTH  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 RISK MANAGEMENT (CONTINUED)**

The Organization carries business personal property insurance with amounts of coverage of \$2,641,505 for blanket business and personal property coverage (this includes coverage for any contents owned, leased, or rented by the Organization and are in the scheduled buildings). There is a deductible of \$2,500.

In accordance with G.S. 159-29, Organization employees who have access to \$100 or more of the Organization's funds at any given time are covered under the crime section for employee dishonesty, forgery and alteration, and computer fraud of \$200,000 with a \$1,000 deductible. The chief executive officer, chief finance officer, chief operating officer, finance officer, and senior director of accounting and finance are individually bonded for \$500,000 each.

The Organization carries commercial coverage against all other risks of loss, including property and general liability insurance.

**NOTE 11 SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

**Federal and State-Assisted Programs**

The Organization has received proceeds from several federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in a refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of any grant monies.

**Software Licensing**

The Organization has contracts for software licensing, hosting, and maintenance resulting in the following future committed payments:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 1,783,079
2024	1,844,844
Total	<u>\$ 3,627,923</u>

**COVID-19**

During 2020 and continuing into 2022, the outbreak of COVID-19 emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Organization's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.



**ALLIANCE HEALTH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 11 SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES  
(CONTINUED)**

**Construction Contract**

In December 2020, the Organization signed a construction contract and change orders with a guaranteed maximum price of \$5,151,205 for the construction of a new crisis center in Fuquay, North Carolina. As of June 30, 2022, approximately \$456,000 of this contract is still open to be spent. Construction is expected to be completed in fiscal year 2023.

**Grant Commitments**

Subsequent to year-end, in October 2022, the Organization agreed to contribute \$1,085,000 to an unrelated non-profit corporation in North Carolina to cover costs associated with building permanent supportive housing units. In October 2022, the Organization also agreed to contribute up to \$1 million for completion of the project to build a behavioral health urgent care.

**NOTE 12 UPCOMING ACCOUNTING PRONOUNCEMENTS**

Management is currently evaluating what, if any, impact implementation of the following changes in U.S. GAAP may have on the financial statement of the Organization:

GASB Statement Number 96, *Subscription-Based Information Technology Arrangements*, which will be effective beginning with the Organization's year ended June 30, 2023.

**NOTE 13 SUBSEQUENT EVENTS**

Management has evaluated the subsequent events through November 21, 2022, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ALLIANCE HEALTH  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS ENDED JUNE 30\***

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION (ASSET) LIABILITY**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Organization's proportion of the net pension liability (asset) (%)	0.569%	0.530%	0.559%	0.516%	0.467%	0.451%	0.346%	(0.316%)	0.161%
Organization's proportion of the net pension liability (asset) (\$)	\$ 8,731,529	\$ 18,928,080	\$ 15,276,231	\$ 12,240,813	\$ 7,133,553	\$ 9,574,705	\$ 1,551,888	\$ (1,214,081)	\$ 1,937,052
Organization's covered-employee payroll	\$ 54,157,060	\$ 35,211,144	\$ 33,777,449	\$ 31,082,278	\$ 28,932,210	\$ 24,402,787	\$ 20,724,096	\$ 17,154,295	\$ 9,203,044
Organization's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	16.1%	53.8%	45.2%	39.4%	24.7%	39.2%	7.5%	(7.1%)	21.0%
Plan fiduciary net position as a percentage of the total pension liability	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

**SCHEDULE OF CONTRIBUTIONS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 6,146,826	\$ 3,940,281	\$ 3,151,404	\$ 2,630,372	\$ 2,347,879	\$ 2,455,491	\$ 1,532,986	\$ 1,465,194	\$ 1,214,081
Contributions in relation to the contractually required contribution	6,128,337	3,940,281	3,151,404	2,630,372	2,347,879	2,455,491	1,532,986	1,465,194	1,214,081
Contribution deficiency (excess)	<u>\$ 18,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Organization's covered-employee payroll	\$ 54,157,060	\$ 38,820,496	\$ 35,211,144	\$ 33,777,449	\$ 31,082,278	\$ 28,932,210	\$ 24,402,787	\$ 20,724,096	\$ 17,154,295
Contributions as a percentage of covered-employee payroll	11.35%	10.15%	9.00%	7.80%	7.60%	8.50%	6.30%	7.10%	7.10%

\* Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

## **SUPPLEMENTARY INFORMATION**

**ALLIANCE HEALTH**  
**STATEMENT OF NET POSITION – MEDICAID AND NON-MEDICAID – FULL ACCRUAL BASIS**  
**JUNE 30, 2022**

	Medicaid Related	Non-Medicaid Related	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 149,561,857	\$ 11,254,285	\$ 160,816,142
Restricted Cash and Cash Equivalents	-	4,564,094	4,564,094
Investments	95,482,768	-	95,482,768
Due from Other Governments, Net of Allowance	5,527,721	9,947,114	15,474,835
Due from Contractors	374,483	44,884	419,367
Miscellaneous Receivables	199,691	390,644	590,335
Prepaid Items	862,689	61,215	923,904
Total Current Assets	<u>252,009,209</u>	<u>26,262,236</u>	<u>278,271,445</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	134,560,903	-	134,560,903
Other Assets	321,460	-	321,460
Right to Use Leased Assets, Net of Accumulated Amortization	21,758,403	-	21,758,403
Capital Assets, Net of Accumulated Depreciation	7,108,534	181,824	7,290,358
Total Noncurrent Assets	<u>163,749,300</u>	<u>181,824</u>	<u>163,931,124</u>
Total Assets	415,758,509	26,444,060	442,202,569
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension Deferrals	14,965,093	-	14,965,093
Total Assets and Deferred Outflows of Resources	<u>\$ 430,723,602</u>	<u>\$ 26,444,060</u>	<u>\$ 457,167,662</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 5,878,339	\$ 3,160,354	\$ 9,038,693
Claims and Other Service Liabilities	66,704,285	11,870,602	78,574,887
Current Portion of Accrued Vacation	2,279,605	432,447	2,712,052
Current Portion of Right to Use Lease Liability	2,796,029	-	2,796,029
Unearned Revenue	7,182,445	6,229,587	13,412,032
Due to State	47,985,621	-	47,985,621
Total Current Liabilities	<u>132,826,324</u>	<u>21,692,990</u>	<u>154,519,314</u>
<b>NONCURRENT LIABILITIES</b>			
Noncurrent Portion of Accrued Vacation	985,629	186,976	1,172,605
Noncurrent Portion of Right to Use Lease Liability	19,540,456	-	19,540,456
Net Pension Liability	8,731,529	-	8,731,529
Total Noncurrent Liabilities	<u>29,257,614</u>	<u>186,976</u>	<u>29,444,590</u>
Total Liabilities	162,083,938	21,879,966	183,963,904
<b>DEFERRED INFLOW OF RESOURCES</b>			
Pension Deferrals	12,821,712	-	12,821,712
<b>NET POSITION</b>			
Investment in Capital Assets	6,530,452	181,824	6,712,276
Restricted	133,784,824	4,382,270	138,167,094
Unrestricted	115,502,676	-	115,502,676
Total Net Position	<u>255,817,952</u>	<u>4,564,094</u>	<u>260,382,046</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 430,723,602</u>	<u>\$ 26,444,060</u>	<u>\$ 457,167,662</u>

**ALLIANCE HEALTH**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – MEDICAID AND**  
**NON-MEDICAID – FULL ACCRUAL BASIS**  
**YEAR ENDED JUNE 30, 2022**

	<u>Medicaid Related</u>	<u>Non-Medicaid Related</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for Services:			
Medicaid Waiver Services	\$ 644,760,353	\$ -	\$ 644,760,353
Grant and Local Funding:			
Federal and State Grants	-	99,200,248	99,200,248
Local Grants	-	29,994,787	29,994,787
Grant Funded Services	-	173,010	173,010
Total Grant and Local Funding	<u>-</u>	<u>129,368,045</u>	<u>129,368,045</u>
Administrative Funding:			
Medicaid Waiver Administration	87,817,506	-	87,817,506
State LME Administrative Grant	-	7,474,554	7,474,554
Local Administration	-	369,341	369,341
Total Administrative Funding	<u>87,817,506</u>	<u>7,843,895</u>	<u>95,661,401</u>
Total Operating Revenues	732,577,859	137,211,940	869,789,799
<b>OPERATING EXPENSES</b>			
Administrative Expenses	91,117,552	7,843,889	98,961,441
Medicaid Waiver Services	609,221,175	-	609,221,175
Federal and State Services	-	99,174,670	99,174,670
Local Services	-	29,581,769	29,581,769
Grant Funded Services	-	173,010	173,010
Total Operating Expenses	<u>700,338,727</u>	<u>136,773,338</u>	<u>837,112,065</u>
<b>OPERATING INCOME</b>	32,239,132	438,602	32,677,734
<b>NONOPERATING INCOME BEFORE TRANSFERS</b>			
Other Income	1,653,593	-	1,653,593
<b>TRANSFERS FROM MANAGED CARE ORGANIZATION</b>	<u>85,655,236</u>	<u>-</u>	<u>85,655,236</u>
<b>CHANGE IN NET POSITION</b>	119,547,961	438,602	119,986,563
Net Position - Beginning of Year	<u>136,269,991</u>	<u>4,125,492</u>	<u>140,395,483</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 255,817,952</u>	<u>\$ 4,564,094</u>	<u>\$ 260,382,046</u>

**ALLIANCE HEALTH**  
**BALANCE SHEET - GOVERNMENTAL FUNDS – MODIFIED ACCRUAL BASIS**  
**JUNE 30, 2022**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 160,816,142
Restricted Cash and Cash Equivalents	4,564,094
Investments	95,482,768
Due from Other Governments	15,474,835
Due from Contractors	419,367
Miscellaneous Receivables	590,335
Prepaid Items	923,904
Total Current Assets	278,271,445

Noncurrent Assets:

Restricted Cash and Cash Equivalents	134,560,903
Other Assets	321,460
Total Noncurrent Assets	134,882,363

Total Assets	\$ 413,153,808
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**LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 9,038,693
Claims and Other Service Liabilities	78,574,887
Total Liabilities	87,613,580

**DEFERRED INFLOW OF RESOURCES**

Due from Other Governments, Net	10,860,451
Miscellaneous Receivables	93,254
Total Deferred Inflow of Resources	10,953,705

**FUND BALANCES**

Nonspendable for Prepaid Items	923,904
Restricted:	
Stabilization by State Statute	16,805,997
Medicaid Risk Reserve	133,603,000
Cumberland County Funds	3,787,058
Durham County Funds	400,000
NC Start Funds	290,223
TASC Funds	86,813
Committed:	
Future Reinvestment Plan	13,039,125
Intergovernmental Transfer	4,558,852
Mecklenburg and Orange Counties	18,897,087
Unassigned	122,194,464
Total Fund Balances	314,586,523

Total Liabilities, Deferred Inflows, and Fund Balances	\$ 413,153,808
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**ALLIANCE HEALTH  
SUPPLEMENTAL SCHEDULE RECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS – MODIFIED ACCRUAL BASIS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

Amounts reported in the statement of net position are different because:

<b>ENDING FUND BALANCE</b>	<b>\$ 314,586,523</b>
Capital assets used are not financial resources and, therefore, are not reported in the funds.	7,290,358
Right to use leased assets used are not financial resources and, therefore, are not reported in the funds.	21,758,403
Other long-term assets (receivables not collected within 90 days) are not available to pay for current period expenditures and are reported as inflows of resources in the funds.	10,953,705
Due to the State and Unearned Revenue	(61,397,653)
Net Pension Liability	(8,731,529)
Net Deferred Inflows and Outflows for Pension Benefits	2,143,381
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Right to Use Lease Liability	(22,336,485)
Accrued Vacation	(3,884,657)
<b>NET POSITION</b>	<b><u><u>\$ 260,382,046</u></u></b>



**ALLIANCE HEALTH**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS – MODIFIED ACCRUAL BASIS**  
**YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>OPERATING REVENUES</b>				
Charges for Services:				
Medicaid Waiver Services	\$ 419,996,322	\$ 742,777,462	\$ 685,874,282	\$ (56,903,180)
Grant and Local Funding:				
Federal and State Grants	52,262,919	116,560,103	99,200,248	\$ (17,359,855)
Local Grants	39,083,864	41,838,144	29,994,787	(11,843,357)
Grant Funded Services	175,000	190,000	173,010	(16,990)
Total Grant and Local Funding	<u>91,521,783</u>	<u>158,588,247</u>	<u>129,368,045</u>	<u>(29,220,202)</u>
Administrative Funding:				
Medicaid Waiver Administration	57,688,571	94,601,427	87,817,506	(6,783,921)
State LME Administrative Grant	3,851,407	7,474,555	7,474,554	(1)
Local Administration	390,540	390,540	369,341	(21,199)
Total Administrative Funding	<u>61,930,518</u>	<u>102,466,522</u>	<u>95,661,401</u>	<u>(6,805,121)</u>
Total Operating Revenues	<u>573,448,623</u>	<u>1,003,832,231</u>	<u>910,903,728</u>	<u>(92,928,503)</u>
<b>NONOPERATING INCOME</b>				
Other Income	500,000	1,595,432	1,653,593	58,161
Total Nonoperating Income	<u>500,000</u>	<u>1,595,432</u>	<u>1,653,593</u>	<u>58,161</u>
Total Revenues	<u>573,948,623</u>	<u>1,005,427,663</u>	<u>912,557,321</u>	<u>(92,870,342)</u>
<b>EXPENDITURES</b>				
Administrative Expenses	62,430,518	122,076,252	95,930,397	26,145,855
Medicaid Waiver Services	419,996,322	787,489,710	609,221,177	178,268,533
Federal and State Services	52,262,919	116,911,555	99,174,670	17,736,885
Local Services	39,083,864	45,612,184	29,581,769	16,030,415
Grant Fund Services	175,000	190,000	173,010	16,990
Debt Service:				
Lease Principal Retirement	-	-	2,675,240	(2,675,240)
Lease Interest Charges	-	-	760,611	(760,611)
Total Operating Expenditures	<u>573,948,623</u>	<u>1,072,279,701</u>	<u>837,516,874</u>	<u>234,762,827</u>
Capital Outlay:				
Work in Progress	-	-	2,792,487	(2,792,487)
Leased Buildings	-	-	24,820,824	(24,820,824)
Leased Equipment	-	-	190,901	(190,901)
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>27,804,212</u>	<u>(27,804,212)</u>
Total Expenditures	<u>573,948,623</u>	<u>1,072,279,701</u>	<u>865,321,086</u>	<u>206,958,615</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	(66,852,038)	47,236,235	114,088,273
<b>OTHER FINANCING SOURCES</b>				
Appropriated Fund Balance	-	28,139,790	-	28,139,790
Lease Obligations Issued	-	-	25,011,725	(25,011,725)
Transfers from Other MCO	-	38,712,248	85,655,236	(46,942,988)
Total Other Financing Sources	<u>-</u>	<u>66,852,038</u>	<u>110,666,961</u>	<u>28,139,790</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>157,903,196</u>	<u>\$ 157,903,196</u>
Fund Balance - Beginning of Year			<u>156,683,327</u>	
Fund Balance - End of Year			<u>\$ 314,586,523</u>	

**ALLIANCE HEALTH  
SUPPLEMENTAL SCHEDULE RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL  
FUNDS – MODIFIED ACCRUAL BASIS TO THE STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ 157,903,196

Governmental funds report capital outlays as expenditures. However, in the statement of revenues, expenses, and change in net position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which cash capital outlay exceeded depreciation in the current period. 24,016,822

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of those differences in the treatment of long-term debt and related items:

Lease Liability Issued	(25,011,725)
Principal Payments on Lease Liability	2,675,240

Expenses related to compensated absences in the statement of revenues, expenses, and change in net position that do not require current financial resources are not reported as expenses in the funds. (755,170)

OPEB and Pension funding in the statement of revenues, expenses, and change in net position that do not require current financial resources are not reported in the funds. 2,272,129

Due to the State and Unearned Revenue are shown as revenue on the modified accrual basis. (44,088,554)

Some expenses in the statement of revenues, expenses, and change in net position that do not require current financial resources are not reported as expenses on a modified accrual basis. 2,974,625

Change in Net Position \$ 119,986,563

**ALLIANCE HEALTH  
CASH RECONCILIATION TO RESTRICTED ASSETS  
BY COUNTY REVENUE SOURCE  
YEAR ENDED JUNE 30, 2022**

	<u>Cumberland County</u>	<u>Wake County</u>	<u>Durham County</u>
Beginning Restricted Assets	\$ 3,002,823	\$ -	\$ 771,217
Cash Receipts	4,838,950	13,940,285	6,386,178
Cash Disbursements	<u>(4,057,961)</u>	<u>(21,276,849)</u>	<u>(4,616,302)</u>
Ending Cash	780,989	(7,336,564)	1,769,876
Accounts Receivable (Payable) - End of Year	<u>3,246</u>	<u>7,336,564</u>	<u>(2,141,093)</u>
Restricted Assets	<u><u>\$ 3,787,058</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 400,000</u></u>

## COMPLIANCE REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Alliance Health  
Morrisville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of Alliance Health (the Organization), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated November 21, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization’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*.

**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.



**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
November 21, 2022



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE OMB UNIFORM GUIDANCE**

Board of Directors  
Alliance Health  
Morrisville, North Carolina

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

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

We have audited Alliance Health's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization has 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, 2022.

#### ***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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 Organization'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 Organization's federal programs.

***Auditors' 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 Alliance Health'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 GAAS, *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 Alliance Health's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Alliance Health'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 Alliance Health'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 Alliance Health'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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
November 21, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
STATE PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE AUDIT MANUAL FOR  
GOVERNMENTAL AUDITORS IN NORTH CAROLINA AND THE  
STATE SINGLE AUDIT IMPLEMENTATION ACT**

Board of Directors  
Alliance Health  
Morrisville, North Carolina

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

***Opinion on Each Major State Program***

We have audited Alliance Health's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Organization's major state programs for the year ended June 30, 2022. The Organization's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization has 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 state programs for the year ended June 30, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 the *Audit Manual for Governmental Auditors in North Carolina* and the *State Single Audit Implementation Act*. Our responsibilities under those standards and the *Uniform Guidance* are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization 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 Organization'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 Organization's state programs.

### ***Auditors' 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 Alliance Health'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 GAAS, *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 Alliance Health's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *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 Alliance Health'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 Alliance Health'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 Alliance Health'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 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.

Board of Directors  
Alliance Health

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

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.



**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
November 21, 2022

**ALLIANCE HEALTH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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**Section I – Summary of Auditors’ Results**

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes       x       no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes       x       none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes       x       no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes       x       no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes       x       none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes       x       no

***Identification of Major Federal Programs***

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
93.667	Block Grant for Social Services
93.958	Block Grant for Community Health Services
93.959	Block Grant for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_       x       yes \_\_\_\_\_ no

**ALLIANCE HEALTH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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**Section I – Summary of Auditors’ Results (Continued)**

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**State Financial Assistance**

1. Internal control over state projects:

- Material weakness(es) identified?      \_\_\_\_\_ yes            x       no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?      \_\_\_\_\_ yes            x       none reported

2. Type of auditors’ report issued on compliance for state programs:      Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?      \_\_\_\_\_ yes            x       no

**Identification of Major State Programs**

<b>CSFA Number(s)</b>	<b>Name of State Project</b>
536998	LME Administration
536998	Single Streamline Funding
5369HN002	TCLI Community Living Assistance (CLA)
5369DN	TCLI Diversion Screening
5369SU	TCLI Mental Health Services (TMS)
N/A	Transition to Community Living Voucher (TCLV)
5369PB	Three Way

Dollar threshold used to distinguish between Type A and Type B state projects:      \$       500,000

**ALLIANCE HEALTH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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**Section II – Financial Statement Findings**

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**ALLIANCE HEALTH  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2022**

North Carolina State Legislature

Alliance Health respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2022.

Audit period: July 1, 2020 – June 30, 2021

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

2021-001 N.C. Tracks Access Rights

Condition: The finding was another matter that three employees had access to parts of the N.C Tracks system that were not necessary to perform their job functions and outside of the Organization's access policy.

Status: Corrected. Alliance has developed a formal operational procedure to govern N.C. Tracks access requests and approval process. In addition, access levels of current users were reviewed and adjusted as needed.

2021-002 N.C. Start Expansion – State Program

Condition: The finding was another matter noting that two of the four quarterly reports were submitted after the report submission deadline.

Status: Corrected. Alliance has developed protocols to ensure a consistent and timely submission process for all N.C. Start reporting requirements.

If the North Carolina State Legislature has questions regarding this plan, please call Joshua Knight, Director of Internal Audit at 919.651.8592



**ALLIANCE HEALTH  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
Community Planning and Development:				
Passed-through the Office of Economic Recovery and Investment:				
Dash	14.267		\$ 163,761	
<b>U.S. Department of Homeland Security</b>				
Federal Emergency Management:				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:				
Crisis Counseling (RSP)	97.032	536995	98,102	
Total U.S. Department of Homeland Security				
<b>U.S. Department of Treasury</b>				
Passed through the N.C. Dept. of Health and Human Services:				
COVID-19 Coronavirus Relief Fund	21.019	53699A/B	(35,603)	
<b>Substance Abuse and Mental Health Administration</b>				
Integrated Care for Kids	93.378		9,249	
Passed through the N.C. Dept. of Health and Human Services:				
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:				
Block Grant for Community Health Services	93.958	536975	4,353,718	
Block Grant for Social Services	93.667	536949	988,784	
Block Grant for Prevention and Treatment of Substance Abuse	93.959	536949	6,592,566	
Emergency COVID-19 Supplemental Grant	93.665	536975	111,587	
Strategic Prevention Framework for Partnership for Success Grant (SPF-PFS) Funding	93.243	536915	146,565	
Opioid State Targeted Response	93.788	536975	8,646,415	
Total Substance Abuse and Mental Health Administration			<u>20,848,884</u>	
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 21,075,144</b></u>	
<b>N.C. Department of Health and Human Services</b>				
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:				
Department of Justice:				
TCL Assertive Engagement		5369AE		\$ 6,255
TCL Bridge Housing		5369HN004		322,903
TCL Community Living Assistance (CLA)		5369HN002		640,113
TCL Diversion Screening		5369DN		630,070
TCL Emergency Housing		5369HN003		12,160
TCL Mental Health Services (TMS)		5369SU		1,514,357
TCL Subsidy Admin Staffing		5369SN003		190,708
TCL Supported Employment		5369EU		258,140
TCL Transition Coordinator		5369SN002		105,175
TCL Transition Year Stability Resource (TYSR)		5369HN001		215,763
Total Department of Justice				<u>3,895,644</u>
LME Systems Management		536998		7,474,554
Single Stream Line Funding		536998		54,727,356
Alcohol Drug Abuse Treatment Center (ADATC)		53690P / 53690Q		5,957,314
Children with Complex Needs		5369DR002		136,812
Community Inclusion		5369IR		95,450
Fountain Ridge Project		536998011		160,490
Money Follows the Person		N/A		21,070
NASMHPD Transformation Transfer Initiative Grant		536975		15,082
NC Start Expansion		53696DR001		721,957
Short Term Group Homes Assistance		536995		299,938
Transition to Community Living Voucher (TCLV)		N/A		4,789,397
Three Way		N/A		6,958,992
Traumatic Brain Injury		5369BN		493,023
Total N.C. Department of Health and Human Services				<u>85,747,079</u>
<b>Total Expenditures of State Awards</b>				<u><b>\$ 85,747,079</b></u>

See accompanying Notes to Schedule of Expenditures of Federal and State Awards.

**ALLIANCE HEALTH**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**JUNE 30, 2022**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of Alliance Health (the Organization) and is presented on the accrual basis of accounting. The information in this 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 for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**NOTE 2 CONTINGENCIES**

The Organization is subject to audit examination by the funding sources of grants to determine its compliance with certain grant provisions. In the event that expenditures could be disallowed through the audit, repayment of such disallowances could be required.

**NOTE 3 INDIRECT COST RATE**

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