ALLIANCE HEALTH

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

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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, 2023, 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, 2023, 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.

Board of Directors
Alliance Health

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 9 and the required supplementary information, as listed in the table of contents, on page 34 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 October 26, 2023 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

CliftonLarsonAllen LLP

Charlotte, North Carolina
October 26, 2023

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, 2023. 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 $320,969,829 (net position).
- The Organization's net position increased by $60,587,783. The increase primarily consists of savings related to Medicaid Services of $53,662,306, revenues of $20,537,784, related to the Medicaid Waiver contract requirement to reserve 2% of Medicaid Waiver revenues, and interest income earned on investments of $4,184,768. These increases are offset by administrative losses of $18,277,601.
- Medicaid Services savings is a result of continued provider capacity and workforce issues due to the COVID pandemic. The Public Health Emergency did not end until May 11, 2023, and provider services still have not achieved the same levels as they were pre-COVID.
- The administrative losses of $18,277,601 is due to the continued delay of the Tailored Plan as the Organization continues to incur expenses as a result of increased staffing and other costs in preparation for the Tailored Plan launch without the corresponding increase of administrative revenue.
- As of the close of the current fiscal year, Alliance Health's restricted net position totaled $160,065,761. This includes $155,331,704 restricted for the required Medicaid Waiver contract requirement to reserve 2% of Medicaid Waiver revenues until 15% of such revenues have been reserved. Although Alliance has met the 15% requirement, management has elected to continue to reserve 2% of the Medicaid Waiver Revenues to meet future obligations of the Tailored Plan's Capital Reserve requirements. The restricted net position also includes balances restricted for services related to Cumberland County, Durham County, and Mecklenburg County of $4,593,638, $109,481, and $30,938, 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.

Financial Statements (Continued)

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. 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, 2023, 2022, and 2021 is presented in Figure 1.

Figure 1

Condensed Statement of Net Position
June 30, 2023, 2022, and 2021

	2023	2022	2021
Current Assets	$ 334,638,075	$ 278,271,445	$ 131,844,705
Restricted and Other Assets	155,653,164	134,882,363	72,129,852
Right to Use Leased Assets	18,496,870	21,758,403	-
Right to Use SBITA Assets	1,457,321	-	-
Capital Assets	10,572,788	7,290,358	5,031,939
Total Assets	520,818,218	442,202,569	209,006,496
Deferred Outflows of Resources	30,203,730	14,965,093	10,588,273
Total Assets and Deferred Outflows of Resources	$ 551,021,948	$ 457,167,662	$ 219,594,769
Current Liabilities	$ 172,213,435	$ 154,519,314	$ 58,861,934
Long-Term Liabilities	57,499,538	29,444,590	19,816,882
Total Liabilities	229,712,973	183,963,904	78,678,816
Deferred Inflows of Resources	339,146	12,821,712	520,470
Net Position:			
Investment in Capital Assets	9,613,884	6,712,276	5,031,939
Restricted	160,065,761	138,167,094	75,620,287
Unrestricted	151,290,184	115,502,676	59,743,257
Total Net Position	320,969,829	260,382,046	140,395,483
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 551,021,948	$ 457,167,662	$ 219,594,769

To the extent that there are increases in net position, in which the Organization had an increase of $60,587,783 during 2023, a portion of those increases is required by contractual agreement to be restricted to provide services in future periods.

During the next fiscal year, $4,907,800 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 2023-134. This is approximately 3% 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, 2023, 2022, and 2021 is presented in Figure 2.

Figure 2

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

	2023	2022	2021
Total Operating Revenues	$ 1,107,875,975	$ 869,789,799	$ 637,069,183
Total Operating Expenses	1,052,955,337	837,112,065	608,076,136
Total Operating Income	54,920,638	32,677,734	28,993,047
Total Nonoperating Income	5,667,145	1,653,593	53,510
Total Transfers from Managed Care Organization	-	85,655,236	-
Total Increase in Net Position	60,587,783	119,986,563	29,046,557
Net Position - Beginning of Year	260,382,046	140,395,483	111,348,926
Net Position - End of Year	$ 320,969,829	$ 260,382,046	$ 140,395,483

The Organization was formed as a governmental entity on July 1, 2012, and has operated the 1915(b) and (c) Medicaid Waiver programs as a Prepaid Inpatient Health Plan under a contract with North Carolina Department of Health and Human Services, Division of Health Benefits (DHHS) since February 1, 2013. The capitation rate paid is established by DHHS in an actuarially sound manner reflecting the contractual requirements and expectations included in the Medicaid Waiver contract. The Organization receives Medicaid funding on a per member per month basis.

As of December 1, 2022, Tailored Care Management services were being offered. Through Tailored Care Management, eligible beneficiaries 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. During 2023, Tailored Care Management was paid based on an acuity-tiered capitation payment. Beginning July 1, 2023, Tailored Care Management will be reimbursed based on a claims basis.

The Organization also operates under a federal block grant and single stream funding contract with the state of North Carolina, Department of Health and Human Services Division of Mental Health, Developmental Disabilities, and Substance Abuse.

The Medicaid and State funding sources comprise approximately 97% of the Organization's revenue.

Budgetary Analysis

Over the course of the year, the Organization revised its budget primarily due to decreased Medicaid Revenues as a result of the Tailored Plan launch delay as well as increased Federal Block Grant funding and State Categorical funding due to the additional funding from DHHS.

Capital Assets, Right To Use Assets, and Debt Administration

Capital Assets – At June 30, 2023, 2022, and 2021, the Organization had invested $30,526,979, $29,048,761, and $5,031,939, 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 Assets, Net of Accumulated Depreciation and Amortization

	2023	2022	2021
Buildings	$ 7,261,102	$ -	$ -
Furniture and Fixtures	1,540	7,280	13,574
Computer Equipment	249,248	155,083	347,311
Software	368,972	398,051	677,843
Leasehold Improvements	306,645	362,399	418,153
Work in Progress	2,385,281	6,367,545	3,575,058
Total Capital Assets, Net of Accumulated Depreciation	10,572,788	7,290,358	5,031,939
Leased Buildings	18,363,228	21,598,040	-
Leased Equipment	133,642	160,363	-
SBITA Assets	1,457,321	-	-
Total Right to Use Assets, Net of Accumulated Amortization	19,954,191	21,758,403	-
Total Capital Assets and Right to Use Assets, Net	$ 30,526,979	$ 29,048,761	$ 5,031,939

The increase in capital assets during 2023 was a result of the Organization implementing GASB 96, *Subscription-Based Information Technology Arrangements* (SBITAs), as of July 1, 2022. GASB 96 requires an organization to account for the asset and corresponding liability of subscription-based arrangements. During 2022 the increase in capital assets 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.

Risk Corridor

The Organization has a total risk corridor of $59,546,994 relating to fiscal years 2021 through 2023. The Organization has submitted a request to NC DHHS to allow the Organization to contribute $24,190,052 of its FY22 risk corridor remittance requirement for certain provider capacity and service expansion projects in strategically identified areas of the catchment area. This leaves $35,356,942 due to the state. As of the issuance of these Financial Statements and Supplementary Information, the Organization has not received a formal answer from DHHS.

Economic Factors and Next Year's Budget

As a result of Medicaid Transformation in North Carolina pursuant to Session Law 2015-245, as amended, Alliance Health was selected by North Carolina Department of Health and Human Services (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 conditions (including mental health and substance use 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 July 11, 2023, North Carolina DHHS announced it would delay the implementation of the BH IDD Tailored Plans (these plans were originally scheduled to launch on December 1, 2022, April 1, 2023, then October 1, 2023). As of the issuance of the Organizations Financial Statements a new implementation date has not been specified, but such date will be no later than July 1, 2024, as specified by the 2023 Appropriations Act (HB 259) passed by the North Carolina General Assembly on September 22, 2023. The budget also provided for an initial term of the Tailored Plan contract for 4 years.

On March 27, 2023, North Carolina House Bill 76, Access to Healthcare Options, was signed into law. The legislation expands Medicaid health coverage to an expected 600,000 North Carolinian's ages 19-64 earning up to 138% of the federal poverty line may be eligible. The legislation was contingent on the North Carolina State Fiscal Year 24-25 budget (State Budget) passing and was originally expected to launch on October 1, 2023. Due to the delay in the State Budget legislation, the new expected launch date is December 1, 2023. As of the issuance of these Financial Statements and Supplementary Information, it is unknown how many new members Alliance will receive as a result of Medicaid Expansion.

On September 21, 2023, the North Carolina State legislature passed the State Budget under Session Law 2023-134, which became law on October 3, 2023. The State Budget increased the requirement for the LME/MCO catchment area population to be a minimum of 1.5 million individuals and directed DHHS to reduce the number of LME/MCO's to no more than 5 but no less than 4. The State Budget also required DHHS to redefine the regions covered under the Tailored Plan contract as a result of the changes of the number of LME/MCO's. These changes are required to be effective no later than 90 days after the State Budget became law. As of the issuance of these Financial Statements and Supplementary Information, DHHS has not announced its decision regarding the number of LME/MCO's will remain.

In the 2023 Appropriations Act referenced above, the North Carolina General Assembly provided funding for mental and behavioral healthcare facilities, projects, programs, and services that are expected to impact a diverse array of state departments and agencies, as well as local entities and enterprises in the state.

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, 2023

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 213,484,828
Restricted Cash and Cash Equivalents	4,734,057
Investments	99,066,755
Due from Other Governments	13,695,632
Due from Contractors	1,164,018
Miscellaneous Receivables	395,553
Prepaid Items	2,097,232
Total Current Assets	334,638,075
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	155,331,704
Other Assets	321,460
Right to Use Leased Assets, Net of Accumulated Amortization	18,496,870
Right to Use SBITA Assets, Net of Accumulated Amortization	1,457,321
Capital Assets, Net of Accumulated Depreciation	10,572,788
Total Noncurrent Assets	186,180,143
Total Assets	520,818,218
DEFERRED OUTFLOW OF RESOURCES	
Pension Deferrals	30,203,730
Total Assets and Deferred Outflows of Resources	$ 551,021,948
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Expenses	$ 9,467,211
Claims and Other Service Liabilities	79,736,791
Current Portion of Accrued Vacation	3,834,386
Current Portion of Right-to-Use Lease Liability	2,801,237
Current Portion of Right-to-Use SBITA Liability	639,264
Unearned Revenue	40,376,599
Due to the State	35,357,947
Total Current Liabilities	172,213,435
NONCURRENT LIABILITIES	
Noncurrent Portion of Accrued Vacation	815,070
Noncurrent Portion of Right-to-Use Lease Liability	16,757,931
Noncurrent Portion of Right-to-Use SBITA Liability	714,663
Net Pension Liability	39,211,874
Total Noncurrent Liabilities	57,499,538
Total Liabilities	229,712,973
DEFERRED INFLOW OF RESOURCES	
Pension Deferrals	339,146
NET POSITION	
Investment in Capital Assets	9,613,884
Restricted	160,065,761
Unrestricted	151,290,184
Total Net Position	320,969,829
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 551,021,948

See accompanying Notes to Basic Financial Statements.

ALLIANCE HEALTH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

OPERATING REVENUES	
Charges for Services:	
Medicaid Waiver Services	$ 840,591,989
Grant and Local Funding:	
Federal and State Grants	123,903,623
Local Grants	27,096,437
Grant Funded Services	172,260
Total Grant and Local Funding	151,172,320
Administrative Funding:	
Medicaid Waiver Administration	108,345,752
State LME Administrative Grant	6,931,637
Local Administration	834,277
Total Administrative Funding	116,111,666
Total Operating Revenues	1,107,875,975
OPERATING EXPENSES	
Administrative Expenses	135,856,680
Medicaid Waiver Services	766,391,899
Federal and State Services	124,280,656
Local Services	26,253,842
Grant Funded Services	172,260
Total Operating Expenses	1,052,955,337
OPERATING INCOME	54,920,638
NONOPERATING INCOME	
Other Income	5,667,145
CHANGE IN NET POSITION	60,587,783
Net Position - Beginning of Year	260,382,046
NET POSITION - END OF YEAR	$ 320,969,829

See accompanying Notes to Basic Financial Statements.

ALLIANCE HEALTH
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Operations	$ 1,123,442,202
Payments to Vendors and Suppliers	(994,691,939)
Payments to Employees and Benefits	(49,141,646)
Net Cash Provided by Operating Activities	79,608,617
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments, Net	(3,583,987)
Interest Earned on Investments	2,384,361
Net Cash Used by Investing Activities	(1,199,626)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Other Income	3,270,805
Net Cash Provided by Noncapital Financing Activities	3,270,805
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(3,966,125)
Payments on Right-to-Use Lease Liability	(2,789,305)
Payments on Right-to-Use SBITA Liability	(1,326,893)
Proceeds from Sale of Capital Assets	11,977
Net Cash Used by Capital and Related Financing Activities	(8,070,346)
NET INCREASE IN CASH AND CASH EQUIVALENTS	73,609,450
Cash and Cash Equivalents - Beginning of Year	299,941,139
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 373,550,589
Cash and Cash Equivalents	$ 213,484,828
Restricted Cash and Cash Equivalents	160,065,761
Total Cash and Cash Equivalents	$ 373,550,589
SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION	
Right-to-Use Leased Assets Obtained through Right-to-Use Lease Liability	$ 11,988
Right-to-Use SBITA Assets Obtained through Right-to-Use SBITA Liability	$ 2,680,820
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income	$ 54,920,638
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization Expense	5,180,715
Bad Debt Expense	(10,904)
Changes in Assets and Liabilities:	
Accounts Receivable	205,686
Due from Other Governments	1,779,203
Due from Contractors	(744,651)
Prepaid Items	(1,173,328)
Deferred Outflows Related to Pensions	(15,238,635)
Net Pension Liability	30,480,345
Deferred Inflows Related to Pensions	(12,482,566)
Accounts Payable and Accrued Liabilities	428,518
Claims and Other Service Liabilities	1,161,904
Due to State	(12,627,674)
Unearned Revenue	26,964,567
Accrued Vacation	764,799
Net Cash Provided by Operating Activities	$ 79,608,617

See accompanying Notes to Basic Financial Statements.

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 during 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.

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 a decrease in Medicaid revenues as a result of the Tailored Plan launch delay as well as increased Federal Block Grant funding, and State Categorical funding due to additional funding from NCDHHS. 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.

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. Withdraws and disbursements must be approved by DHB. The balance of the risk reserve account is $155,331,704 at June 30, 2023, and considered to be noncurrent. The remaining restricted assets of $4,734,057 at June 30, 2023 is restricted for services to be rendered in Cumberland County, Durham County and Mecklenburg County 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. There was no bad debt expense for the year ended June 30, 2023.

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, 2023.

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 $10,000 for all capital assets with the exception of software, which is $200,000. 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.

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:

Buildings	40 Years
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

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-to-Use Subscription-Based Information Technology Arrangements Assets and Liabilities

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement provide guidance on the accounting and financial reporting for Subscription-Based Information Technology Arrangements (SBITAs). This Statement (1) defines a SBITA (2) establishes that a SBITA results in a right-to-use subscription asset, intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, Leases as amended. The Organization adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption. See Note 6 and Note 10 for further information.

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, 2023. 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, 2023, 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 $48,712,753 as of June 30, 2023.

Due to the State

The Organization has a total risk corridor of $59,546,994 relating to fiscal years 2021 through 2023. The Organization has accrued a total liability of $35,357,947 of amounts due back to the state, of which $35,356,942 is based on the risk corridor calculations for the years ended June 30, 2022, June 30, 2021, and the initial risk corridor calculation for the contract ended on April 30, 2023. The remaining $24,190,052 of the total risk corridor is included in Unearned Revenue.

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.

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, right of use leased assets, less the related lease liability, and right of use SBITA assets, less the related SBITA 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 and restricted in net position at June 30, 2023 was $155,331,704. The remaining restricted net position of $4,734,057 at June 30, 2023 is set aside in a bank account and is restricted for services to be rendered in Cumberland County, Durham County, and Mecklenburg County.

Unrestricted

The Organization's unrestricted net position at June 30, 2023 was $151,290,184. Of this amount, $4,907,800 or approximately 3% will be used to fund required intergovernmental transfers contained in Session Law 2023-134. $20,700,000, or approximately 14%, will be reinvested to prepare for BH IDD Tailored Plan operations. $14,361,641 and $1,823,121, or approximately 11%, are funds recommitted in relation to unrestricted funds transferred to the Organization from Cardinal.

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.

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, 2023, the Organization has a concentration in funding with approximately 86% 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.

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, 2023, the Organization’s deposits had a carrying amount of $373,550,589 and a bank balance of $373,783,899, all of which was covered by collateral held under the Pooling Method. As of June 30, 2023, the Organization’s investments were as follows:

Investment Type	Valuation Measurement Method	Book Value at June 30, 2023	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value	$ 99,066,755	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, 2023, the Organization was fully invested in NCCMT, which is permitted under North Carolina General Statutes 159-30 as amended.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

At June 30, 2023, the Organization had $151,028,439 invested with the NCCMT. This includes the $99,066,755 of investments shown above and $51,961,684 of restricted cash and equivalents.

NOTE 3 DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2023 consists of the following. There was no allowance for the year ended June 30, 2023.

Federal	$ 6,351,059
State	1,510,129
Local	5,834,444
Total Due from Other Governments	$ 13,695,632

NOTE 4 CAPITAL ASSETS

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

	Balance July 1, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Business-Type Activities					
Capital Assets, Depreciable:					
Buildings	$ -	$ 3,058,481	$ -	$ 4,217,780	$ 7,276,261
Furniture and Fixtures	735,573	-	-	-	735,573
Computer Equipment	1,193,993	345,111	-	-	1,539,104
Vehicles	67,253	-	20,378	-	46,875
Software	1,557,560	327,017	-	-	1,884,577
Leasehold Improvements	1,613,478	-	-	-	1,613,478
Work in Progress	6,367,545	235,516	-	(4,217,780)	2,385,281
Total Capital Assets, Depreciable	11,535,402	3,966,125	20,378	-	15,481,149
Less Accumulated Depreciation:					
Buildings	-	15,159	-	-	15,159
Furniture and Fixtures	728,293	5,740	-	-	734,033
Computer Equipment	1,038,910	250,946	-	-	1,289,856
Vehicles	67,253	-	20,378	-	46,875
Software	1,159,509	356,096	-	-	1,515,605
Leasehold Improvements	1,251,079	55,754	-	-	1,306,833
Total Accumulated Depreciation	4,245,044	683,695	20,378	-	4,908,361
Total Capital Assets, Net	$ 7,290,358	$ 3,282,430	$ -	$ -	$ 10,572,788

NOTE 4 CAPITAL ASSETS (CONTINUED)

During year ended June 30, 2023, the Organization completed construction of a new crisis center in Fuquay, North Carolina.

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 9. 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, 2023:

	Balance July 1, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Business-Type Activities					
Right-to-Use Lease Assets, Amortizable					
Leased Buildings	$ 24,820,824	$ -	$ 96,221	$ -	$ 24,724,603
Leased Equipment	190,901	11,988	-	-	202,889
Total Right-to-Use Leased Assets, Depreciable	25,011,725	11,988	96,221	-	24,927,492
Less Accumulated Amortization:					
Leased Buildings	3,222,784	3,234,812	96,221	-	6,361,375
Leased Equipment	30,538	38,709	-	-	69,247
Total Accumulated Amortization	3,253,322	3,273,521	96,221	-	6,430,622
Total Right-to-Use Leased Assets, Net	$ 21,758,403	$ (3,261,533)	$ -	$ -	$ 18,496,870

NOTE 6 RIGHT-TO-USE SBITA ASSETS

The Organization has recorded SBITA assets and liabilities as a result of implementing GASB 96. The SBITA assets are initially measured at an amount equal to the initial measurement of the related SBITA liability plus any SBITA payments made prior to the subscription term, less SBITA incentives, and plus any ancillary charges necessary to place the SBITA into service. The SBITA assets are amortized on a straight-line basis over the life of the related contract. SBITAs which are based on variable payments (or users) are not recorded as subscription assets or liabilities and are expenses as incurred. The Organization uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the Organization generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.

NOTE 6 RIGHT-TO-USE SBITA ASSETS (CONTINUED)

Right-to-use SBITA asset activity was as follows for the year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Business-Type Activities					
Right-to-Use SBITA Assets, Amortizable	$ 2,680,820	$ -	$ -	$ -	$ 2,680,820
Less Accumulated Amortization:	-	1,223,499	-	-	1,223,499
Total Right-to-Use SBITA Assets, Net	$ 2,680,820	$ (1,223,499)	$ -	$ -	$ 1,457,321

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued liabilities at June 30, 2023 were as follows:

Accrued Salaries	$ 6,986,384
Other Accruals	2,480,827
Total Accounts Payable and Accrued Expenses	$ 9,467,211

NOTE 8 LONG-TERM OBLIGATIONS

The following is a summary of changes in the Organization's long-term obligations for the fiscal year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion of Balance
Accrued Vacation	$ 3,884,657	$ 1,122,334	$ 357,535	$ 4,649,456	$ 3,834,386
Right-to-Use Lease Liability	22,336,485	11,988	2,789,305	19,559,168	2,801,237
Right-to-Use SBITA Liability	2,680,820	-	1,326,893	1,353,927	639,264
Net Pension Liability	8,731,529	30,480,345	-	39,211,874	-
Total Long-Term Obligations	$ 37,633,491	$ 31,614,667	$ 4,473,733	$ 64,774,425	$ 7,274,887

NOTE 9 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.

NOTE 9 RIGHT-TO-USE LEASE LIABILITY (CONTINUED)

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 $18,263,071 at June 30, 2023.

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 $100,157 at June 30, 2023.

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%. The lease expired in March, 2023 and was not renewed.

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 $76,774 at June 30, 2023.

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 $21,373 at June 30, 2023.

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 $25,688 at June 30, 2023.

The seventh agreement was executed on July 1, 2022 to lease equipment and requires 66 monthly payments of $212. The lease liability is measured at a discount rate of 3.77%. As a result of the lease, the Organization has recorded a right-to-use leased asset with a net book value of $9,809 at June 30, 2023.

During fiscal year 2023, 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 $335,917. Under GASB 87, no amount has been recorded as a right-to-use leased asset related to this rental space.

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.

NOTE 9 RIGHT-TO-USE LEASE LIABILITY (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

Year Ending June 30,	Amount
2024	$ 3,400,422
2025	3,379,849
2026	3,463,275
2027	3,525,081
2028	3,598,387
Thereafter	4,306,401
Total	21,673,415
Less: Current Portion	(2,801,237)
Less: Amount Representing Interest	(2,114,247)
Total	$ 16,757,931

NOTE 10 RIGHT-TO-USE SBITA LIABILITY

The Organization has entered into SBITAs for finance, reporting, and healthcare software for a period of 1 to 5 years and an incremental borrowing rate of 2.35% to 3.40%. The SBITAs have been recorded at the present value of the future contract payments as of the date of their inception or, for SBITAs existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2022.

For the year ended June 30, 2023, the Organization had SBITAs with variable payments that were based on user seats which were expensed as incurred in the amount of $697,304.

For the year ended June 30, 2023, the Organization had no other payments, such as termination penalties, not previously included in the measurement of the subscription liability.

For the year ended June 30, 2023, the Organization had no commitments under SBITAs before the commencement of the subscription term or any losses associated with an impairment.

SBITA debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total Payments
2024	$ 639,264	$ 39,163	$ 678,427
2025	345,020	21,223	366,243
2026	296,095	10,805	306,900
2027	45,389	1,990	47,379
2028	28,159	921	29,080
Total	$ 1,353,927	$ 74,102	$ 1,428,029

NOTE 11 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.

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, 2023 was 12.10% 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 $9,132,716 for the year ended June 30, 2023.

NOTE 11 RETIREMENT SYSTEMS (CONTINUED)

Local Governmental Employees' Retirement System (Continued)

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.

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

At June 30, 2023, the Organization reported a liability of $39,211,874 for its proportionate share of the net pension liability, which was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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, 2023, the Organization's proportion was 0.69507%, which was an increase of 0.12572% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the Organization recognized pension expense of $11,891,858. At June 30, 2023, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 1,689,604	$ 165,656
Change of Assumptions	3,912,464	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	12,959,935	-
Changes in Proportion and Differences Between Organization Contributions and Proportionate Share of Contributions	2,509,011	173,490
Organization Contributions Subsequent to the Measurement Date	9,132,716	-
Total	$ 30,203,730	$ 339,146

NOTE 11 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 (Continued)

Deferred outflows of resources related to pensions resulting from the Organization's contributions subsequent to the measurement date of $9,132,716 will be recognized as a decrease of the net pension liability in the fiscal year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2024	$ 6,531,036
2025	5,845,252
2026	2,181,226
2027	6,174,354
Total	$ 20,731,868

Actuarial Assumptions

The total pension liability in the December 31, 2021 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, 2021 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.

NOTE 11 RETIREMENT SYSTEMS (CONTINUED)

Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate
Fixed Income	29.0 %	1.1 %
Global Equity	42.0	6.5%
Real Estate	8.0	5.9%
Alternatives	8.0	7.5%
Credit	7.0	5.0%
Inflation Protection	6.0	2.7%
Total	100.0 %	

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.

NOTE 11 RETIREMENT SYSTEMS (CONTINUED)

Local Governmental Employees' Retirement System (Continued)

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:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Organization's Proportionate Share of the Net Pension Liability	$ 70,772,382	$ 39,211,874	$ 13,204,182

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 $777,731 for the year ended June 30, 2023.

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 $1,681,971 for the year ended June 30, 2023. The voluntary contributions by employees amounted to $3,306,883 for the year ended June 30, 2023.

NOTE 12 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 $500,000. 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.

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 (appointed finance officer), chief operating officer, senior director of accounting and finance, and senior director of accounts payable and purchasing are individually bonded for $500,000. The senior vice president of financial operations is individually bonded for $1,000,000.

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

NOTE 13 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:

Year Ending June 30,	Amount
2024	$ 2,649,566
2025	1,789,780
Total	$ 4,439,346

NOTE 14 SUBSEQUENT EVENTS

Management has evaluated the subsequent events through October 26, 2023, 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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Organization's Proportion of the Net Pension Liability (Asset) (%)	0.695%	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) ($)	$ 39,211,874	$ 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	$ 75,557,935	$ 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	51.9%	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	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

SCHEDULE OF CONTRIBUTIONS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 9,142,510	$ 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	9,132,716	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)	$ 9,794	$ 18,489	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Organization's Covered-Employee Payroll	$ 75,557,935	$ 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	12.10%	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.

SUPPLEMENTARY INFORMATION

ALLIANCE HEALTH
STATEMENT OF NET POSITION – MEDICAID AND NON-MEDICAID – FULL ACCRUAL BASIS
JUNE 30, 2023

	Medicaid Related	Non-Medicaid Related	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 204,534,715	$ 8,950,113	$ 213,484,828
Restricted Cash and Cash Equivalents	-	4,734,057	4,734,057
Investments	99,066,755	-	99,066,755
Due from Other Governments, Net of Allowance	4,904,809	8,790,823	13,695,632
Due from Contractors	1,105,096	58,922	1,164,018
Miscellaneous Receivables	337,051	58,502	395,553
Prepaid Items	1,456,199	641,033	2,097,232
Total Current Assets	311,404,625	23,233,450	334,638,075
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	155,331,704	-	155,331,704
Other Assets	321,460	-	321,460
Right-to-Use Leased Assets, Net of Accumulated Amortization	18,496,870	-	18,496,870
Right-to-Use SBITA Assets, Net of Accumulated Amortization	1,457,321	-	1,457,321
Capital Assets, Net of Accumulated Depreciation	10,277,189	295,599	10,572,788
Total Noncurrent Assets	185,884,544	295,599	186,180,143
Total Assets	497,289,169	23,529,049	520,818,218
DEFERRED OUTFLOW OF RESOURCES			
Pension Deferrals	30,203,730	-	30,203,730
Total Assets and Deferred Outflows of Resources	$ 527,492,899	$ 23,529,049	$ 551,021,948
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	$ 7,866,526	$ 1,600,685	$ 9,467,211
Claims and Other Service Liabilities	66,573,225	13,163,566	79,736,791
Current Portion of Accrued Vacation	3,168,701	665,685	3,834,386
Current Portion of Right-to-Use Lease Liability	2,801,237	-	2,801,237
Current Portion of Right-to-Use SBITA Liability	639,264	-	639,264
Unearned Revenue	37,450,651	2,925,948	40,376,599
Due to State	35,355,942	2,005	35,357,947
Total Current Liabilities	153,855,546	18,357,889	172,213,435
NONCURRENT LIABILITIES			
Noncurrent Portion of Accrued Vacation	673,566	141,504	815,070
Noncurrent Portion of Right-to-Use Lease Liability	16,757,931	-	16,757,931
Noncurrent Portion of Right-to-Use SBITA Liability	714,663	-	714,663
Net Pension Liability	39,211,874	-	39,211,874
Total Noncurrent Liabilities	57,358,034	141,504	57,499,538
Total Liabilities	211,213,580	18,499,393	229,712,973
DEFERRED INFLOW OF RESOURCES			
Pension Deferrals	339,146	-	339,146
NET POSITION			
Investment in Capital Assets	9,318,285	295,599	9,613,884
Restricted	155,331,704	4,734,057	160,065,761
Unrestricted	151,290,184	-	151,290,184
Total Net Position	315,940,173	5,029,656	320,969,829
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 527,492,899	$ 23,529,049	$ 551,021,948

ALLIANCE HEALTH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – MEDICAID AND NON-MEDICAID – FULL ACCRUAL BASIS
YEAR ENDED JUNE 30, 2023

	Medicaid Related	Non-Medicaid Related	Total
OPERATING REVENUES			
Charges for Services:			
Medicaid Waiver Services	$ 840,591,989	$ -	$ 840,591,989
Grant and Local Funding:			
Federal and State Grants	-	123,903,623	123,903,623
Local Grants	-	27,096,437	27,096,437
Grant Funded Services	-	172,260	172,260
Total Grant and Local Funding	-	151,172,320	151,172,320
Administrative Funding:			
Medicaid Waiver Administration	108,345,752	-	108,345,752
State LME Administrative Grant	-	6,931,637	6,931,637
Local Administration	-	834,277	834,277
Total Administrative Funding	108,345,752	7,765,914	116,111,666
Total Operating Revenues	948,937,741	158,938,234	1,107,875,975
OPERATING EXPENSES			
Administrative Expenses	128,090,766	7,765,914	135,856,680
Medicaid Waiver Services	766,391,899	-	766,391,899
Federal and State Services	-	124,280,656	124,280,656
Local Services	-	26,253,842	26,253,842
Grant Funded Services	-	172,260	172,260
Total Operating Expenses	894,482,665	158,472,672	1,052,955,337
OPERATING INCOME	54,455,076	465,562	54,920,638
NONOPERATING INCOME			
Other Income	5,667,145	-	5,667,145
CHANGE IN NET POSITION	60,122,221	465,562	60,587,783
Net Position - Beginning of Year	255,817,952	4,564,094	260,382,046
NET POSITION - END OF YEAR	$ 315,940,173	$ 5,029,656	$ 320,969,829

ALLIANCE HEALTH
BALANCE SHEET - GOVERNMENTAL FUNDS – MODIFIED ACCRUAL BASIS
JUNE 30, 2023

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 213,484,828
Restricted Cash and Cash Equivalents	4,734,057
Investments	99,066,755
Due from Other Governments	13,695,632
Due from Contractors	1,164,018
Miscellaneous Receivables	395,553
Prepaid Items	2,097,232
Total Current Assets	334,638,075
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	155,331,704
Other Assets	321,460
Total Noncurrent Assets	155,653,164
Total Assets	$ 490,291,239
LIABILITIES	
Accounts Payable and Accrued Expenses	$ 9,467,211
Claims and Other Service Liabilities	79,736,791
Due to the State	35,357,947
Total Liabilities	124,561,949
DEFERRED INFLOW OF RESOURCES	
Due from Other Governments, Net	7,901,012
Miscellaneous Receivables	330,523
Total Deferred Inflow of Resources	8,231,535
FUND BALANCES	
Nonspendable for Prepaid Items	2,097,232
Restricted:	
Stabilization by State Statute	15,576,663
Medicaid Risk Reserve	155,331,704
Cumberland County Funds	4,593,638
Durham County Funds	109,481
Mecklenburg County Funds	30,938
Committed:	
Future Reinvestment Plan	20,700,000
Intergovernmental Transfer	4,907,800
Mecklenburg and Orange Counties	16,184,762
Unassigned	137,965,537
Total Fund Balances	357,497,755
Total Liabilities, Deferred Inflows, and Fund Balances	$ 490,291,239

ALLIANCE HEALTH
SUPPLEMENTAL SCHEDULE RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED ACCRUAL BASIS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

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

ENDING FUND BALANCE	$ 357,497,755
Capital assets used are not financial resources and, therefore, are not reported in the funds.	10,572,788
Right-to-use leased assets used are not financial resources and, therefore, are not reported in the funds.	18,496,870
Right-to-use SBITA assets used are not financial resources and, therefore, are not reported in the funds.	1,457,321
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.	8,231,535
Unearned Revenue	(40,376,599)
Net Pension Liability	(39,211,874)
Net Deferred Inflows and Outflows for Pension Benefits	29,864,584
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	(19,559,168)
Right-to-Use SBITA Liability	(1,353,927)
Accrued Vacation	(4,649,456)
NET POSITION	$ 320,969,829

ALLIANCE HEALTH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED ACCRUAL BASIS
YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES				
Charges for Services:				
Medicaid Waiver Services	$ 1,058,233,945	$ 861,794,904	$ 822,293,104	$ (39,501,800)
Grant and Local Funding:				
Federal and State Grants	103,836,236	142,728,024	123,903,623	$ (18,824,401)
Local Grants	45,308,796	53,497,766	27,096,437	(26,401,329)
Grant Funded Services	190,000	400,000	172,260	(227,740)
Total Grant and Local Funding	149,335,032	196,625,790	151,172,320	(45,453,470)
Administrative Funding:				
Medicaid Waiver Administration	152,266,323	136,672,396	108,345,752	(28,326,644)
State LME Administrative Grant	7,474,555	6,931,637	6,931,637	-
Local Administration	791,668	834,277	834,277	-
Total Administrative Funding	160,532,546	144,438,310	116,111,666	(28,326,644)
Total Operating Revenues	1,368,101,523	1,202,859,004	1,089,577,090	(113,281,914)
NONOPERATING INCOME				
Other Income	2,205,432	6,093,739	5,667,145	(426,594)
Total Nonoperating Income	2,205,432	6,093,739	5,667,145	(426,594)
Total Revenues	1,370,306,955	1,208,952,743	1,095,244,235	(113,708,508)
EXPENDITURES				
Administrative Expenses	162,737,978	150,532,049	126,265,206	24,266,843
Medicaid Waiver Services	1,058,233,945	861,794,904	766,391,899	95,403,005
Federal and State Services	103,836,236	142,728,024	124,280,656	18,447,368
Local Services	45,308,796	53,497,766	26,253,842	27,243,924
Grant Fund Services	190,000	400,000	172,260	227,740
Debt Service:				
Lease Principal Retirement	-	-	2,789,305	(2,789,305)
Lease Interest Charges	-	-	680,617	(680,617)
SBITA Principal Retirement	-	-	1,326,893	(1,326,893)
SBITA Interest Charges	-	-	206,200	(206,200)
Total Operating Expenditures	1,370,306,955	1,208,952,743	1,048,366,878	160,585,865
Capital Outlay:				
Work in Progress	-	-	3,966,125	(3,966,125)
Leased Equipment	-	-	11,988	(11,988)
SBITA Assets	-	-	2,680,820	(2,680,820)
Total Capital Outlay	-	-	6,658,933	(6,658,933)
Total Expenditures	1,370,306,955	1,208,952,743	1,055,025,811	153,926,932
REVENUES OVER EXPENDITURES	-	-	40,218,424	40,218,424
OTHER FINANCING SOURCES				
Lease Obligations Issued	-	-	11,988	11,988
SBITA Obligations Issued	-	-	2,680,820	2,680,820
Total Other Financing Sources	-	-	2,692,808	2,692,808
Change in Fund Balance	$ -	$ -	42,911,232	$ 42,911,232
Fund Balance - Beginning of Year			314,586,523	
Fund Balance - End of Year			$ 357,497,755	

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, 2023

Net Change in Fund Balances - Total Governmental Funds	$ 42,911,232
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.	1,478,218
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	(11,988)
Principal Payments on Lease Liability	2,789,305
SBITA Liability Issued	(2,680,820)
Principal Payments on SBITA Liability	1,326,893
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.	(764,799)
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.	(2,759,142)
Unearned Revenue is shown as revenue on the modified accrual basis.	21,021,054
Some revenues and expenses in the statement of revenues, expenses, and change in net position that do not require current financial resources are not reported as revenues and expenses on a modified accrual basis.	(2,722,170)
Change in Net Position	$ 60,587,783

ALLIANCE HEALTH
CASH RECONCILIATION TO RESTRICTED ASSETS
BY COUNTY REVENUE SOURCE
YEAR ENDED JUNE 30, 2023

	Cumberland County	Wake County	Durham County	Mecklenburg County	Orange County
Beginning Restricted Assets	$ 3,787,058	$ -	$ 400,000	$ -	$ -
Cash Receipts	4,887,810	12,661,352	3,215,239	646,810	873,636
Cash Disbursements	(4,084,460)	(15,150,628)	(6,425,510)	(597,022)	(1,126,093)
Ending Cash	803,350	(2,489,276)	(3,210,271)	49,788	(252,457)
Accounts Receivable (Payable) - End of Year	3,230	2,489,276	2,919,752	(18,850)	252,457
Restricted Assets	$ 4,593,638	$ -	$ 109,481	$ 30,938	$ -

COMPLIANCE REPORTS

CliftonLarsonAllen LLP
CLAconnect.com

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

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, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated October 26, 2023.

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

CliftonLarsonAllen LLP

Charlotte, North Carolina
October 26, 2023

CliftonLarsonAllen LLP
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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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Alliance Health's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Alliance Health's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Directors
Alliance Health

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

CliftonLarsonAllen LLP

Charlotte, North Carolina
October 26, 2023

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, 2023. 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, 2023.

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.

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

CliftonLarsonAllen LLP

Charlotte, North Carolina
October 26, 2023

ALLIANCE HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Section I – Summary of Auditors' Results

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)? __x__ yes ______ no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.665	Emergency COVID-19 Supplemental Grant
93.788	Opioid State Targeted Response Grant
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

Section I – Summary of Auditors' Results (Continued)

State Financial Statements

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

CSFA Number(s)	Name of State Project
536998	LME Administration
536998	Single Streamline Funding
536995	Intermediate Care Facilities for Individuals with Intellectual Disabilities
N/A	Three Way

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

Section II – Financial Statement Findings

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

Section III – Findings and Questioned Costs – Major Federal Programs

2023 – 001

Federal Agency: U.S. Department of Health and Human Services

Federal Program Title: Block Grant for Community Mental Health Services

CFDA Number: 93.958

Pass-Through Agency: North Carolina Department of Health and Human Services

Pass-Through Number(s): N/A

Award Period: July 1, 2022 to June 30, 2023

Type of Finding: Other Matter

Criteria or Specific Requirement: Services billed through NC Tracks are required to be supported by local documentation for the claim date of service.

Condition: During our testing, we noted that services billed through NC Tracks were reimbursed for a program participant whose provider was not able to produce local documentation for the date of service selected.

Questioned Costs: $70

Context: The identified finding represented 1 of 40 of the case files sampled.

Cause: Provider did not maintain sufficient records to support program service billed.

Effect: A service was reimbursed that was not able to be substantiated by the provider.

Repeat Finding: The finding is not a repeat of a finding in the immediately prior year.

Recommendation: The Organization should design controls to ensure an adequate review process is in place to ensure that services billed through NC Tracks are supported by adequate provider documentation.

Views of Responsible Officials: There is no disagreement with the audit finding.

ALLIANCE HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures
U.S. Department of Housing and Urban Development				
Community Planning and Development:				
Passed-through the Office of Economic Recovery and Investment:				
Dash	14.267		$ 172,260	
U.S. Department of Treasury				
Passed through the N.C. Dept. of Health and Human Services:				
COVID-19 Coronavirus Relief Fund	21.019	53699A/B	(2,845)	
Substance Abuse and Mental Health Administration				
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	536949	4,351,673	
Block Grant for Social Services	93.667	536949	1,649,817	
Block Grant for Prevention and Treatment of Substance Abuse	93.959	536949	9,327,277	
Emergency COVID-19 Supplemental Grant	93.665	536975	1,036,897	
Strategic Prevention Framework for Partnership for Success Grant (SPF-PFS) Funding	93.243	536915	401,582	
Opioid State Targeted Response	93.788	536975	8,847,151	
Total Substance Abuse and Mental Health Administration			25,614,397	
Total Expenditures of Federal Awards			**$ 25,783,812**	
N.C. Department of Health and Human Services				
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:				
Department of Justice:				
TCL Assertive Engagement		5369AE		$ 4,408
TCL Bridge Housing		5369HN004		734,141
TCL Community Inclusion		5369IR		150,000
TCL Community Living Assistance (CLA)		5369HN002		865,791
TCL Diversion Screening		5369DN		696,000
TCL Emergency Housing		5369HN003		33,983
TCL Incentive Plan		5369IN		1,073,210
TCL In-Reach Learning		5369IR		29,430
TCL Mental Health Services (TMS)		5369SU		933,660
TCL Subsidy Admin Staffing		5369SN003		180,000
TCL Supported Employment		5369EU		393,035
TCL Transition Coordinator		5369SN002		180,000
TCL Transition Year Stability Resource (TYSR)		5369HN001		414,109
Total Department of Justice				5,687,768
LME Systems Management		536998		6,931,637
Single Stream Line Funding		536998		62,662,934
Alcohol Drug Abuse Treatment Center (ADATC)		53690P / 53690Q		6,843,666
Children with Complex Needs		5369DR002		131,685
Fountain Ridge Project		536998011		373,389
Intermediate Care Facilities for Individuals with Intellectual Disabilities		536995		3,385,837
Money Follows the Person		N/A		23,868
NASMHPD Transformation Transfer Initiative Grant		536975		30,984
NC Start Expansion		53696DR001		764,780
Opioid Abatement		536975		925,867
Transition to Community Living Voucher (TCLV)		N/A		6,973,622
Three Way		N/A		10,176,106
Traumatic Brain Injury		5369BN		688,591
Total N.C. Department of Health and Human Services				105,600,734
Total Expenditures of State Awards				**$ 105,600,734**

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

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.

Alliance Health

919-651-8401
AllianceHealthPlan.org

Department of Health and Human Services

Alliance Health respectfully submits the following corrective action plan for the year ended June 30, 2023.

Audit period: July 01, 2022– June 30, 2023

The finding from the schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2023-001 Block Grants for Community Mental Health Services – CFDA No. 93.958

Recommendation: The Organization should design controls to ensure an adequate review process is in place to ensure that services billed through NC Tracks are supported by adequate provider documentation.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Per statute (NC GS § 122C-111) Alliance Health's Provider Network Evaluation Team will continue to monitor public mental health, intellectual/developmental disability and substance abuse services. Types of monitoring include routine monitoring utilizing the State-mandated DHHS North Carolina Monitoring Process for LME/MCOs, targeted monitoring and investigations to address grievances, complaints, or quality of care concerns. In addition, Alliance Health employs a team of Provider Network Relations staff, Provider Network Operations staff and claims analysts to assist providers with technical assistance and support.

Other existing controls include various analytics to detect unusual claim activity such as billing excluded services, improbable dates of services, and atypical billing patterns. Subsequent investigation is initiated as needed upon detection/discovery of questionable billing.

To further mitigate this risk, Alliance Health will utilize Alliance's All Provider Meeting as a platform to re-educate providers on the requirements to have written notes and documentation on file, prior to billing for a service. This will be addressed by Alliance's Director of Network Operations during Alliance's 10.19.2023 All Provider Meeting. The meeting will be taped and placed on Alliance's website for future reference.

In addition, Alliance's Program Integrity Department is actively evaluating the billing in question and will pursue investigation, repayment, and other actions as determined appropriate.

Name of the contact person responsible for corrective action: Lynn Widener, Director of Provider Network Operations

Planned completion date for corrective action plan: 12/31/2023.

If the Department of Health and Human Services has questions regarding this plan, please call Kelly Goodfellow, CFO at 919-651-8757.