ALLIANCE BEHAVIORAL HEALTHCARE

FINANCIAL REPORT

As of and for the Year Ended June 30, 2016

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

ALLIANCE BEHAVIORAL HEALTHCARE

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Area Board
Alliance Behavioral Healthcare
Durham, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Alliance Behavioral Healthcare (the "Organization"), which comprise the statement of net position, as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2016, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's basic financial statements. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic 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 31, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Cherry Bekaert LLP

Raleigh, North Carolina
October 31, 2016

As management of Alliance Behavioral Healthcare (the "Organization"), we offer readers of Alliance Behavioral Healthcare's financial statements this narrative overview and analysis of the financial activities of Alliance Behavioral Healthcare as of and for the fiscal year ended June 30, 2016. 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 Behavioral Healthcare exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $104,697,322 (net position).
- As of the close of the current fiscal year, Alliance Behavioral Healthcare's restricted net position included:
    - $26,169,550 restricted for required Medicaid Waiver Risk Reserve
    - $62,500 restricted for specific State services
    - $9,161,013 restricted for future Local services

Financial Statements

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

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

The Organization's financial statements consist of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows and Notes to the 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 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. Measuring net position is one way to gauge the Organization's financial condition.

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 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, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 non-financial 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, 2016 is presented in Figure 1.

Figure 1

Condensed Statement of Net Position

	June 30,	
	2016	**2015**
Current Assets	$ 129,958,221	$ 94,664,315
Other Assets	26,275,872	19,795,513
Capital Assets	846,843	726,912
Total Assets	157,080,936	115,186,740
Deferred Outflows of Resources	2,885,029	2,933,681
Current Liabilities	52,026,722	29,631,894
Long-Term Liabilities	2,435,324	734,930
Total Liabilities	54,462,046	30,366,824
Deferred Inflows of Resources	806,597	4,538,308
Net Position		
Investment in Capital Assets	846,843	726,912
Restricted	35,393,063	33,523,126
Unrestricted	68,457,416	48,965,251
Total Net Position	$ 104,697,322	$ 83,215,289

The net position of the Organization increased to $104,697,322 during 2016. The Organization became a governmental entity on July 1, 2012 and has operated under the Medicaid Waiver since February 1, 2013. The capitation rate paid is established by an actuarial study of the historical service cost for the Medicaid population included in the Waiver agreement. To the extent that there are increases in net position, a portion of those increases are required by contractual agreement to be restricted to provide services in future periods.

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 year ended June 30, 2016 is presented in Figure 2.

Figure 2

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

	Year Ended June 30,	
	2016	**2015**
Total Operating Revenues	$ 500,964,265	$ 491,282,979
Total Operating Expenses	479,557,853	428,431,287
Total Operating Income	21,406,412	62,851,692
Total Nonoperating Revenues	75,621	52,712
Total increase in net position	21,482,033	62,904,404
Total net position, beginning, as previously reported	83,215,289	21,033,856
Restatement	-	(722,971)
Net position, beginning, as restated	83,215,289	20,310,885
Total net position, ending	$ 104,697,322	$ 83,215,289

The Organization has operated a Medicaid Managed Care waiver under contract with the Department of Health and Human Services since February 1, 2013. The Organization receives Medicaid funding on a per member per month basis. In addition to the waiver, the Organization operates under a single stream funding arrangement with the State of North Carolina, Department of Health and Human Services Division of Mental Health, Developmental Disabilities, and Substance Abuse. The two funding sources comprise approximately 92% of the revenues of the Organization.

Budgetary Analysis

Over the course of the year, the Organization revised its budget several times primarily due to increased Medicaid revenues and an increase in expected grant funds.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2016 the Organization had invested $846,843 in capital assets, net of accumulated depreciation, as shown in Figure 3.

Figure 3

Capital Assets, Net of Accumulated Depreciation

	June 30,	
	2016	**2015**
Furniture and Fixtures	$ 332,015	$ 426,437
Computer Equipment	235,251	270,141
Vehicles	3,774	18,871
Software	-	11,463
Leasehold Improvements	262,503	-
Work in progress	13,300	-
Total Capital Assets, Net of Accumulated Depreciation	$ 846,843	$ 726,912

At June 30, 2016, the Organization had no outstanding debt associated with these capital assets.

Economic Factors and Next Year's Budget

The Organization received a reduction to State funding for the fiscal year ending June 30, 2017 due to legislative budget reductions. The Organization is evaluating the impact the reductions will have on services and operations.

ALLIANCE BEHAVIORAL HEALTHCARE

STATEMENT OF NET POSITION

JUNE 30, 2016

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 50,915,927
Restricted cash and cash equivalents	8,469,695
Investments	58,055,571
Due from other governments, net of allowance of $105,141	9,632,511
Restricted due from other governments	753,818
Due from contractors	99,302
Miscellaneous receivables	94,997
Prepaids	1,936,400
Total Current Assets	129,958,221
Noncurrent Assets:	
Restricted cash and cash equivalents	26,169,550
Other assets	106,322
Capital assets, net of accumulated depreciation	846,843
Total Noncurrent Assets	27,122,715
Total Assets	157,080,936
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferral	2,885,029
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	2,570,302
Claims and other service liability	48,878,454
Current portion of accrued vacation	577,966
Total Current Liabilities	52,026,722
Noncurrent Liabilities:	
Noncurrent portion of accrued vacation	883,436
Net pension liability	1,551,888
Total Noncurrent Liabilities	2,435,324
Total Liabilities	54,462,046
DEFERRED INFLOWS OF RESOURCES	
Pension deferral	806,597
NET POSITION	
Investment in capital assets	846,843
Restricted	35,393,063
Unrestricted	68,457,416
Total Net Position	$ 104,697,322

The accompanying notes to the financial statements are an integral part of this statement.

ALLIANCE BEHAVIORAL HEALTHCARE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2016

Operating Revenues:	
Charges for services:	
Medicaid Waiver services	$ 373,279,415
Grant and local funding:	
Federal and state grants	43,167,726
Local grants	30,057,213
Grant funded services	1,338,780
Total grant and local funding	74,563,719
Administrative funding:	
Medicaid Waiver administration	48,460,028
State LME administrative grant	4,359,385
Local administration	301,718
Total administrative funding	53,121,131
Total Operating Revenues	500,964,265
Operating Expenses:	
Administrative expenses	46,217,716
Medicaid Waiver services	343,924,354
Federal and state services	51,678,361
Local services	36,398,642
Grant funded services	1,338,780
Total Operating Expenses	479,557,853
Operating Income	21,406,412
Nonoperating Revenues:	
Other income	75,621
Total Nonoperating Revenues	75,621
Change in net position	21,482,033
Total net position, beginning	83,215,289
Total net position, ending	$ 104,697,322

ALLIANCE BEHAVIORAL HEALTHCARE
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:	
Receipts from operations	$ 508,935,634
Payments to employees and fringe benefits	(32,940,068)
Payments to vendors and suppliers	(425,693,101)
Net cash provided by operating activities	50,302,465
Cash flows from noncapital financing activities:	
Other income	75,621
Net cash from noncapital financing activities	75,621
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(405,596)
Net cash from capital and related financing activities	(405,596)
Cash flows from investing activities:	
Cash invested during the year	(58,059,294)
Cash from investments sold during the year	18,892,556
Interest earned on investments	3,723
Net cash from investing activities	(39,163,015)
Net increase in cash and cash equivalents	10,809,475
Cash and cash equivalents, beginning	74,745,697
Cash and cash equivalents, ending	$ 85,555,172
Reconciliation of operating income to net cash from operating activities:	
Operating income	$ 21,406,412
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation expense	285,665
Bad debt expense	422,439
Changes in assets and liabilities:	
Accounts receivable	33,591
Due from governments	4,867,013
Due from contractors	2,648,327
Prepaids	(1,624,824)
Other assets	(10,387)
Deferred outflows related to pensions	48,652
Pension net asset	1,862,066
Pension net liability	1,551,888
Deferred inflows related to pensions	(3,731,711)
Accounts payable and accrued liabilities	23,178
Claims liability	22,282,963
Accrued vacation	237,193
Total cash from operating activities	$ 50,302,465

The accompanying notes to the financial statements are an integral part of this statement.

Note 1—Summary of significant accounting policies

The accounting policies of Alliance Behavioral Healthcare (the "Organization") conform to accounting principles generally accepted in the United States of America ("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 abuse 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. The Organization is governed by a nineteen member Area board, some of which are appointed by the Board of Commissioners of the representative counties. As required by GAAP, the accompanying financial statements present the Organization.

Description of a 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 insured and uninsured 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 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.

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 expenditures. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary due to an increase in Medicaid and grant funding. 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 – All cash and investments of the Organization are essentially demand deposits and are considered cash and cash equivalents.

Note 1—Summary of significant accounting policies (continued)

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 non-guaranteed 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- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

Restricted Assets – With the execution of the Medicaid waiver contract between the North Carolina Department of Health and Human Services, the Division of Medical Assistance ("DMA"), 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 DMA. The balance of the risk reserve account is $26,169,550 at June 30, 2016, and considered to be noncurrent. Current restricted assets consisted of money restricted for services from various funding sources as listed below:

Wake County	$ 4,032,511
Cumberland County	5,128,502
State of North Carolina	62,500
	$ 9,223,513

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. As of June 30, 2016, the allowance for uncollectible accounts was $105,141. Bad debt expense for the year ended June 30, 2016 was $353,579.

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. As of June 30, 2016, the allowance for uncollectible accounts was $0. Bad debt expense for the year ended June 30, 2016 was $68,860.

Miscellaneous Receivables – Miscellaneous receivables consist primarily of amounts due from sales tax refunds. 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.

Note 1—Summary of significant accounting policies (continued)

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

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

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

Assets	Estimated Useful Lives
Furniture and fixtures	7
Computer equipment	4
Vehicles	3
Software	3
Leasehold improvements	3

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, 2016. 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, 2016, 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 $28,628,100 as of June 30, 2016.

Accrued Vacation – The Organization's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned less the leave taken between July 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.

Restricted – A portion of net position is restricted by the DMA for future obligations of the Medicaid waiver. This amount is set aside in a bank account and at June 30, 2016, the balance was $26,169,550. In addition, $9,223,513 was restricted for behavioral health services by state and local funding sources at June 30, 2016.

Unrestricted – The Organization's unrestricted net position at June 30, 2016, was $68,457,416.

Note 1—Summary of significant accounting policies (continued)

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 non-capital financing or investing activities as defined by GAAP.

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 service revenues are recognized when monies are received. Allocations from the State are recognized as revenues when monies are received. 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 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, 2016, the Organization has a concentration in funding with approximately 84% and 8% of their revenues from Medicaid fund and single stream through the State of North Carolina, respectively.

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

Deposits – 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 non-interest-bearing deposits and the actual current balance for interest-bearing deposits.

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.

Note 2—Deposits and investments (continued)

Because of the inability to measure the exact amount of collateral pledged for the Organization under the Pooling Method, the potential exists for undercollateralization, 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, 2016, the Organization's deposits had a carrying amount of $85,555,172 and a bank balance of $86,287,634, all of which was covered by collateral held under the Pooling Method.

As of June 30, 2016, the Organization's investments were as follows:

	Valuation Measurement Method	**Book Value at June 30, 2016**	**Maturity**	**Rating**
Investment type				
NC Capital Management Trust - Cash Portfolio	Amortized Cost	$ 58,055,571	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. Level of fair value hierarchy: Level 1: 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 (NRSROs). As of June 30, 2016, the Organization was fully invested in North Carolina Capital Management Trust, which is permitted under North Carolina General Statutes 159-30 as amended.

Concentration of Credit Risk – At June 30, 2016, the Organization had $58,055,571 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The Organization has no formal policy regarding credit risk of its investments.

Note 3—Due from other governments

Due from other governments at June 30, 2016, consists of the following:

Federal	$ 6,255,809
State	3,481,843
	9,737,652
Less allowance	(105,141)
Total due from other governments	$ 9,632,511
Local	$ 753,818
Total restricted due from other governments	$ 753,818

Note 4—Capital assets

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

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Business-Type Activities				
Depreciable assets:				
Furniture and fixtures	$ 699,289	$ 5,344	$ -	$ 704,633
Computer equipment	334,572	57,384	-	391,956
Vehicles	67,253	-	-	67,253
Software	137,560	-	-	137,560
Leasehold improvements	-	329,568	-	329,568
Work in progress	-	13,300	-	13,300
	1,238,674	405,596	-	1,644,270
Less accumulated depreciation				
Furniture and fixtures	272,852	99,766	-	372,618
Computer equipment	64,431	92,274	-	156,705
Vehicles	48,382	15,097	-	63,479
Software	126,097	11,463	-	137,560
Leasehold improvements	-	67,065	-	67,065
	511,762	285,665	-	797,427
Total capital assets, net	$ 726,912	$ 119,931	$ -	$ 846,843

Note 5—Current liabilities

Accounts Payable and Accrued Liabilities – Accounts payable and accrued liabilities at June 30, 2016, were as follows:

Trade accounts payable	$ 328,641
Accrued salaries	1,600,087
Other accruals	641,574
	$ 2,570,302

Note 6—Long-term obligations

The following is a summary of charges in the Organization's long-term obligations for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
Accrued vacation	$ 1,224,209	$ 727,185	$ (489,992)	$ 1,461,402	$ 577,966
Net pension laibility	-	1,551,888	-	1,551,888	-
	$ 1,224,209	$ 2,279,073	$ (489,992)	$ 3,013,290	$ 577,966

Note 7—Retirement systems

Local Governmental Employees' Retirement System
Plan Description. The Organization contributes to the state-wide LGERS, a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's 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, or by calling (919) 707-0500.

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. 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 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.

Note 7—Retirement systems (continued)

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Organization 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, 2016, was 6.67% 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 $1,532,986, for the year ended June 30, 2016. The contributions made by the Organization equaled the required contributions for the year.

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 the 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, 2016, the Organization reported a liability of $1,551,888 for its proportionate share of the net pension liability, which was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015, 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, 2015, the Organization's proportion was 0.35%, which was an increase of 0.03% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Organization recognized pension expense of $1,142,436. At June 30, 2016, 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	$ -	$ 364,780
Net difference between projected and actual earnings on pension plan investments	-	441,817
Changes in proportion and differences between Organization contributions and proportionate share of contributions	1,352,043	-
Organization contributions subsequent to the measurement date	1,532,986	-
Total	$ 2,885,029	$ 806,597

Note 7—Retirement systems (continued)

Deferred outflows of resources related to pensions resulting from the Organization's contributions subsequent to the measurement date of $1,532,986 will be recognized as a decrease of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,		
2017	$	(80,888)
2018		(80,888)
2019		(84,010)
2020		791,232
	$	545,446

Actuarial Assumptions – The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.25% to 8.55%, including inflation and productivity factor
Investment rate of return	7.25%, 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and, therefore, not included in the measurement.

Note 7—Retirement systems (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, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate
Fixed income	29.0%	2.2%
Global equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation protection	6.0%	3.4%
	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014, to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount Rate – The discount rate used to measure the total pension liability was 7.25%. 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 7—Retirement systems (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 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Organization's proportionate share of the net pension liability (asset)	$ 10,821,511	$ 1,551,888	$ (6,257,569)

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 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 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 $229,459 for the year ended June 30, 2016.

Other Employment Benefits – IRC Section 401(k) Plan
Plan Description. The Organization contributes to the Supplemental Retirement Income Plan ("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 Internal Revenue Code 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 5% of participants' eligible compensation. Total amount contributed to the Plan by the Organization amounted to $1,464,214 for the year ended June 30, 2016. The voluntary contributions by employees amounted to $598,447 for the year ended June 30, 2016.

Note 8—Net position change

During the fiscal year ended June 30, 2016, the North Carolina Legislation passed Session Law 2015-241, which included a reduction of the LME/MCO single stream allocation by the appropriate share of $110,808,752 in non-recurring funds for the fiscal year ended June 30, 2016 and by the appropriate share of $152,850,133 in non-recurring funds for the year ending June 30, 2017. This reduced the amount of State Single Stream funding Alliance Behavioral Healthcare received for behavioral health services for indigent residents; however, it required that services must be maintained at the level provided in the previous year and, therefore, could not be reduced. As a result, the Organization reports a deficit for Federal and State grant funding for the year ending June 30, 2016, which is offset by using the available net position-unrestricted balance.

During FY16, the agreement signed between Wake County and Alliance Behavioral Healthcare required that the fourth quarter payment for funding of behavioral health services for Wake County residents be offset by any prior year available net position-restricted for Wake County. As of July 1, 2015, Alliance had an available net position-restricted for Wake County of $10,436,307; therefore, the fourth quarter payment was reduced by this available funding. As a result, the Organization reports a deficit for Local Funding-Wake County during the year ending June 30, 2016, which is offset by using the available net position-restricted for Wake County balance.

Note 9—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 for health insurance up to $145,000 for each individual claim is provided. The Organization purchases commercial insurance for individual claims in excess of $3,000,000 and aggregate claims in excess of $5,000,000. Settled claims have not exceeded this commercial coverage in the fiscal year.

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

The Organization carries business personal property insurance with amounts of coverage of $2,159,157 for blanket business coverage and $1,065,000 for computer contents in the Organization’s offices. There is a $1,000 deductible for each. The Organization carries excess liability insurance for individual and aggregate claims in excess of $2,000,000.

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 $100,000 with a $1,000 deductible. The Chief Executive Officer, Chief Finance Officer, and Finance Officer are individually bonded for $500,000 each.

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

Note 10—Operating leases

The Organization entered into an operating lease agreement with Highwoods Realty Limited Partnership for the rental of a building in Raleigh, North Carolina, through July 2019. The lease agreement does not qualify as a capital lease for accounting purposes and, therefore, the lease payments have been recorded as operating expenses in the period incurred. Payments are due monthly ranging from $9,571 to $22,857 during the life of the lease.

The Organization entered into an operating lease agreement with Research Triangle Regional Public Transportation Authority for the rental of a building in Durham, North Carolina, through December 2018. The lease agreement does not qualify as a capital lease for accounting purposes and, therefore, the lease payments have been recorded as operating expenses in the period incurred. Payments are due monthly ranging from $71,078 to $84,880 during the life of the lease.

The Organization entered into an operating lease agreement with the County of Durham for the rental of a building in Durham, North Carolina, through June 2018. The lease agreement does not qualify as a capital lease for accounting purposes and, therefore, the lease payments have been recorded as operating expenses in the period incurred. Payments are due monthly ranging from $17,116 to $25,889 during the life of the lease.

The Organization entered into an operating lease agreement with the County of Cumberland for the rental of a building in Fayetteville, North Carolina, through June 2019. The lease agreement does not qualify as a capital lease for accounting purposes and, therefore, the lease payments have been recorded as operating expenses in the period incurred. Payments are due monthly in the amount of $18,821 over the life of the lease.

The Organization entered into an operating lease agreement for the rental of an office space in Morrisville, North Carolina through February 2019. The lease agreement does not qualify as a capital lease for accounting purposes and, therefore, the lease payments have been recorded as operating expenses in the period incurred. Payments are due monthly ranging from $10,387 to $11,339 during the life of the lease.

Total lease payments charged to expense accounts for the year ended June 30, 2016, under operating leases, amounted to $1,832,867. Future minimum lease payments under operating leases, with remaining terms in excess of one year as of June 30, 2016, are as follows:

Years Ending June 30,	Amount
2017	$ 1,855,995
2018	1,967,581
2019	1,191,128
2020	31,199
	$ 5,045,903

Note 11—Summary disclosure of significant commitments and contingencies

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

Note 12—Pending accounting pronouncements

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

GASB Statement Number 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68" effective for the Organization beginning with its year ended June 30, 2017.

GASB Statement Number 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" effective for the Organization beginning with its year ended June 30, 2017.

GASB Statement Number 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" effective for the Organization beginning with its year ended June 30, 2018.

GASB Statement Number 77, "Tax Abatement Disclosures" effective for the Organization beginning with its year ended after June 30, 2017.

Note 13—Subsequent events

In connection with the preparation of the financial statements and in accordance with GAAP, the Organization considered for disclosure subsequent events that occurred after the Statement of Net Position date of June 30, 2016 and through October 31, 2016, which was the date the financial statements were available to be issued. The Organization purchased a building with earnest money for an approximate cost of $1,600,000 in October 2016.

REQUIRED SUPPLEMENTARY INFORMATION

ALLIANCE BEHAVIORAL HEALTHCARE
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

*LAST THREE FISCAL YEARS ENDED**

Schedule of Proportionate Share of Net Pension (Asset) Liability

	2016	2015	2014
Organization's proportion of the net pension liability (asset) (%)	0.346%	(0.316%)	0.161%
Organization's proportion of the net pension liability (asset) ($)	$ 1,551,888	$ (1,214,081)	$ 1,937,052
Organization's covered-employee payroll	$ 24,402,787	$ 20,724,096	$ 17,154,295
Organization's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.4%	(5.9%)	11.3%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

Schedule of Contributions

	2016	2015	2014
Contractually required contribution	$ 1,532,986	$ 1,465,194	$ 1,214,081
Contributions in relation to the contractually required contribution	1,532,986	1,465,194	1,214,081
Contribution deficiency (excess)	$ -	$ -	$ -
Organization's covered-employee payroll	$ 24,402,787	$ 20,724,096	$ 17,154,295
Contributions as a percentage of covered-employee payroll	6.3%	7.1%	7.1%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Information is not available for years prior to those presented.

SUPPLEMENTAL SCHEDULES

ALLIANCE BEHAVIORAL HEALTHCARE

BALANCE SHEET (NON-GAAP)

JUNE 30, 2016

ASSETS		
Current Assets:		
Cash and cash equivalents	$	50,915,927
Restricted cash and cash equivalents		8,469,695
Investments		58,055,571
Due from other governments		9,632,511
Restricted due from other governments		753,818
Due from contractors		99,302
Miscellaneous receivables		94,997
Prepaids		1,936,400
Total Current Assets		129,958,221
Noncurrent Assets:		
Restricted cash and cash equivalents		26,169,550
Other assets		106,322
Total Noncurrent Assets		26,275,872
Total Assets	$	156,234,093
LIABILITIES		
Liabilities:		
Accounts payable and accrued liabilities	$	2,570,302
Claims and other service liability		48,878,454
Total Liabilities		51,448,756
DEFERRED INFLOWS OF RESOURCES		
Due from other governments, net		1,743,400
Due from contractors, net		1,153
Total Deferred Inflows of Resources		1,744,553
FUND BALANCES		
Nonspendable for prepaid items		1,936,400
Restricted:		
Stabilization by State Statute		4,427,276
Medicaid Risk Reserve		26,169,550
State and Local Funding		9,223,513
Committed:		
Future operations and administrative costs		3,000,000
Unassigned		58,284,045
Total Fund Balances		103,040,784
Total Liabilities, Deferred Inflows, and Fund Balances	$	156,234,093

ALLIANCE BEHAVIORAL HEALTHCARE

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

Amounts reported in the Statement of Net Position are different because:	
Ending fund balance	$ 103,040,784
Capital assets used are not financial resources and, therefore, are not reported in the funds.	846,843
Liabilities for earned revenues considered deferred inflows of resources in the Balance Sheet (non-GAAP):	1,744,553
Net pension liability	(1,551,888)
Deferred outflow for pension benefits	2,885,029
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Deferred inflow for pension benefits	(806,597)
Accrued vacation	(1,461,402)
Net position	$ 104,697,322

ALLIANCE BEHAVIORAL HEALTHCARE

SCHEDULE OF REVENUES AND EXPENDITURES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Charges for services:			
Medicaid Waiver services	$ 379,615,032	$ 373,279,415	$ (6,335,617)
Grant and local funding:			
Federal and state grants	47,169,997	41,817,617	(5,352,380)
Local grants	36,294,009	30,057,213	(6,236,796)
Grant funded services	1,603,224	1,338,780	(264,444)
Total grant and local funding	85,067,230	73,213,610	(11,853,620)
Administrative funding			
Medicaid Waiver administration	49,066,271	48,460,028	(606,243)
State LME administrative grant	4,359,385	4,359,385	-
Local administration	364,086	301,718	(62,368)
Total administrative funding	53,789,742	53,121,131	(668,611)
Total Operating Revenues	518,472,004	499,614,156	(18,857,848)
NONOPERATING REVENUES			
Other income	100,000	75,621	(24,379)
Total Nonoperating Revenues	100,000	75,621	(24,379)
Total Revenues	518,572,004	499,689,777	(18,882,227)
EXPENDITURES			
Administrative expenses	53,889,742	46,085,408	7,804,334
Medicaid Waiver services	380,872,683	343,919,619	36,953,064
Federal and state services	55,240,097	51,581,599	3,658,498
Local services	39,909,634	36,398,642	3,510,992
Grant fund services	1,603,224	1,338,780	264,444
Total Operating Expenditures	531,515,380	479,324,048	52,191,332
Capital Outlay:			
Equipment purchases	-	405,596	(405,596)
Total Capital Outlay	-	405,596	(405,596)
Total Expenditures	531,515,380	479,729,644	51,785,736
Revenues over (under) expenditures	(12,943,376)	19,960,133	32,903,509
OTHER FINANCING SOURCES			
Appropriated from Wake County Fund Balance	2,315,625	-	(2,315,625)
Appropriated from Cumberland County Fund Balance	1,300,000	-	(1,300,000)
Appropriated from Medicaid Service Fund Balance	9,327,751	-	(9,327,751)
Total other financing sources	12,943,376	-	(12,943,376)
Revenues and other financing sources over expenditures	$ -	$ 19,960,133	$ 19,960,133

ALLIANCE BEHAVIORAL HEALTHCARE
SCHEDULE OF REVENUES AND EXPENDITURES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP) (CONTINUED)

YEAR ENDED JUNE 30, 2016

	Actual
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL	
Reconciling Items:	
Capital outlay	$ 405,596
Depreciation	(285,665)
Contributions to Local Government Employees' Retirement System	1,532,986
Organization's portion of collective pension expense	(1,142,436)
Compensated absences	(237,193)
Deferred outflows	1,744,553
Less prior year deferred outflows	(495,941)
Total reconciling items	1,521,900
Change in net position	$ 21,482,033

ALLIANCE BEHAVIORAL HEALTHCARE
CASH RECONCILIATION BY COUNTY REVENUE SOURCE

YEAR ENDED JUNE 30, 2016

	Cumberland County	Wake County	Durham County
Beginning cash	$ 5,186,807	$ (4,636,171)	$ -
Cash receipts	4,800,000	33,216,148	6,661,442
Cash disbursements	(4,858,305)	(25,301,284)	(6,661,442)
Ending cash	5,128,502	3,278,693	-
Accounts receivable at year-end	-	753,818	-
Restricted Assets	$ 5,128,502	$ 4,032,511	$ -