VAYA HEALTH

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

VAYA HEALTH
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023

INDEPENDENT AUDITORS' REPORT	**1**
MANAGEMENT'S DISCUSSION AND ANALYSIS	**4**
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	**11**
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION	**12**
STATEMENT OF CASH FLOWS	**13**
NOTES TO FINANCIAL STATEMENTS	**14**
REQUIRED SUPPLEMENTARY INFORMATION	
OTHER POSTEMPLOYMENT BENEFITS	**38**
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM – PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)	**40**
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM – CONTRIBUTIONS	**41**
SUPPLEMENTAL SCHEDULES FOR NC DIVISION OF HEALTH BENEFITS REPORTING	
BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED ACCRUAL BASIS	**42**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED ACCRUAL BASIS	**43**
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	**44**
SCHEDULE OF COMMITTED FUND BALANCES	**45**
STATEMENT OF NET POSITION – MEDICAID AND NON-MEDICAID – FULL ACCRUAL BASIS	**46**
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION – MEDICAID AND NON-MEDICAID – FULL ACCRUAL BASIS	**48**

VAYA HEALTH
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED JUNE 30, 2023

COMPLIANCE SECTION

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*	49
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	51
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	54
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	57
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS	59
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	60
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	61

INDEPENDENT AUDITORS' REPORT

Board of Directors
Vaya Health
Asheville, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and the major fund of Vaya 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 the business-type activity and the major fund of the Organization as of June 30, 2023, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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
Vaya 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 10, and the required supplementary information, as listed in the table of contents on pages 38 through 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The supplemental schedules for North Carolina Division of Health Benefits reporting as well as the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2023, on our consideration of Vaya Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Charlotte, North Carolina
November 22, 2023

Management's Discussion and Analysis (MD&A)

The management of Vaya Health (the Organization) offers readers of the Organization's financial statements this narrative overview and analysis of the Organization's financial activities for the fiscal year ended (FYE) 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 follow this narrative.

Financial Highlights

- The Organization's net position decreased by a total of $25,859,276 as compared to the previous year-end. Included in this calculation was the amount of $10,924,519 funding from the Division of Health Benefits for Medicaid risk reserve contributions made during the fiscal year and interest earned on the restricted cash. The Organization does not consider risk reserve revenue a part of their operations and without this revenue the Organization would have had a net loss of $36,783,795.
- Net investment in capital assets increased by $3,146,419 (or 81.23%) as compared to the previous year's end.
- The process of determining the Incurred but not Reported (IBNR) liability for contracted services has been moved to a more robust and responsive method that recognizes trends sooner and provides for generally more conservative estimates.
- Unrestricted net position decreased by $39,930,214 to $59,011,400 during the fiscal year ended June 30, 2023. The key contributing factor for this decrease was a result of community reinvestment initiatives made by the Organization during the fiscal year.
- The business-type activity operating revenues were $820,922,275 for the fiscal year ended June 30, 2023.
- Total operating expenses of all the Organization's programs were $849,854,446 during the fiscal year ended June 30, 2023.
- The Organization has made the following community reinvestments during the fiscal year ended June 30, 2023: provider stabilization through continued payment enhancements beyond the June 30, 2022 sunset of Public Health Emergency funding ($18,500,000); funding of start-up investment of a 28,000 square foot Regional Crisis Center in Burlington, NC ($1,200,000); and support of Medicaid Transformation/Tailored Plan implementation through system upgrades and hiring of key personnel ($13,100,000).

Overview of the Financial Statements

The Organization's basic financial statements consist of three components: 1) the MD&A, 2) fund financial statements, and 3) notes to the financial statements. Because the Organization is a special-purpose government engaged in business-type activities only, the financial statements are presented in accordance with paragraph 138 of GASB Statement No. 34. In addition to the financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Organization. In addition to the management's discussion and analysis, management has prepared the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

Overview of the Organization

The Organization is an Area Authority or multi-county political subdivision of the state of North Carolina operating in accordance with North Carolina General Statute 122C. The Organization's primary mission is to manage a publicly funded health care system which addresses the mental health, substance use, and intellectual and developmentally disability needs of citizens in the 31-county catchment area. The 31-county catchment area comprises the counties of Alamance, Alexander, Alleghany, Ashe, Avery, Buncombe, Caldwell, Caswell, Chatham, Cherokee, Clay, Franklin, Graham, Granville, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Person, Polk, Rowan, Stokes, Swain, Transylvania, Vance, Watauga, Wilkes, and Yancey.

Effective July 1, 2012, the Organization began operating under a Medicaid 1915(b)(c) waiver with the Organization bearing the financial risk. The Organization's operations are funded primarily through Medicaid waiver funds, as well as Federal and state funds from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS).

Effective January 1, 2017, the Organization legally changed its name from Smoky Mountain Center for Mental Health, Development Disabilities, and Substance Abuse Services to Vaya Health. The name change did not have any impact on the Organization's contracts with state agencies or providers.

On June 1, 2021, the Boards of Directors for Vaya Health and Cardinal Innovations announced their intention to combine operations, with Vaya remaining as the surviving entity. Effective January 1, 2022, the contractual and statutory responsibility for managing publicly-funded mental health, substance use, intellectual/ developmental disability services and supports in nine additional counties transferred to the Organization.

Fund Financial Statements

The financial statements are presented on the fund basis. The fund financial statements provide a more detailed look at the Organization's most significant activities by focusing on the individual activities of the major funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Organization, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance, or noncompliance, with finance-related legal requirements, such as the General Statutes (G.S.), the Organization's budget ordinance, or requirements under the Medicaid waivers. The focus is now on the activities of the major funds, and not on the type of fund. The Organization maintains one fund based on its activities as required and for accountability and control. The fund is an enterprise fund which uses the full accrual basis of accounting and accounts for the Organization's activities in a manner similar to a for-profit business.

Fund Financial Statements (Continued)

The Organization adopts an annual budget as required by N.C.G.S. § 159-42(c). The budget is a legally adopted document that incorporates input from the public and the management of the Organization and the decisions of the Board about which services to provide and how to pay for them. The budgetary statements demonstrate how well the Organization complied with the budget ordinance and whether the Organization succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statements use the budgetary basis of accounting and are presented using the same format, language, and classifications as the legal budget document. The budgetary statements are presented as supplementary information to demonstrate compliance with applicable state laws. To account for the difference between the budgetary basis of accounting and the full accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Notes to the Financial Statements

The next section of the financial statements is the notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are on pages 14-37. After the notes, supplemental information is provided to show details about the Organization's postemployment benefits.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information required by North Carolina general statutes.

Statements of Net Position

A summary of the Organization's statements of net position at June 30, 2023, 2022, and 2021 is presented in Table A-1.

Table A-1
Condensed Statements of Net Position
June 30, 2023, 2022, and 2021

	2023	2022	2021
Current Assets	$ 183,391,182	$ 226,958,053	$ 96,785,624
Restricted Cash	100,451,626	89,527,107	55,551,671
Right to Use Leased Assets	9,697,301	14,175,026	-
Right to Use SBITA Assets	8,706,984	-	-
Capital Assets	8,842,618	4,950,765	4,059,719
Total Assets	311,089,711	335,610,951	156,397,014
Deferred Outflows of Resources	23,410,242	13,255,831	7,926,237
Total Assets and Deferred Outflows of Resources	$ 334,499,953	$ 348,866,782	$ 164,323,251
Current Liabilities	$ 120,559,105	$ 121,868,577	$ 46,925,950
Pension Liability	24,222,040	6,238,674	13,612,971
Other Postemployment Benefits	4,339,000	4,804,000	2,645,000
Other Long-Term Liabilities	17,047,754	13,598,383	1,719,527
Total Liabilities	166,167,899	146,509,634	64,903,448
Deferred Inflows of Resources	1,849,002	10,014,820	1,485,601
Net Position:			
Net Investment in Capital Assets	7,020,026	3,873,607	4,059,719
Restricted	100,451,626	89,527,107	55,551,671
Unrestricted Net Position	59,011,400	98,941,614	38,322,812
Total Net Position	166,483,052	192,342,328	97,934,202
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 334,499,953	$ 348,866,782	$ 164,323,251

Net position may serve over time as one useful indicator of a government's financial condition. The assets of the Organization exceeded liabilities by $144,921,812 as of June 30, 2023. The Organization uses unrestricted cash to pay providers of services and to manage risk associated with the capitation payments under the Medicaid waivers.

An additional portion of the Organization's net position represents resources that are subject to external restrictions on how they may be used. An amount of 35.1% of the total fund balance is unrestricted while 60.3% of net position is restricted by the Medicaid (b)(c) waiver contract. The remaining balance represents the net investment in fixed assets.

Statements of Revenues, Expenses, and Changes in Net Position

While the statements of revenues, expenses, and changes in net position show the change in net position, it also provides answers to the nature and source of these changes.

Table A-2
Condensed Statements of Changes in Net Position
Years Ended June 30, 2023, 2022, and 2021

	2023	2022	2021
Revenues			
Intergovernmental:			
Local	$ 4,305,981	$ 3,523,612	$ 2,803,243
Federal	31,125,853	24,502,307	29,405,279
State	93,837,505	74,023,211	62,143,416
Medicaid	687,398,408	554,241,663	397,199,775
Other Income	4,822,633	45,589,509	2,703,165
Total Revenues	821,490,380	701,880,302	494,254,878
Expenses			
Personnel	101,063,164	72,499,199	42,236,126
Professional Services	25,488,711	13,222,077	1,650,445
Supplies	358,876	291,078	85,465
Current Obligations and Services	4,491,109	2,432,030	1,282,956
Fixed Charges and Expenses	17,390,328	11,980,458	5,346,442
Capital Outlay	877,366	181,935	36,863
Depreciation	6,735,754	2,569,970	278,194
Contracts and Grants	694,017,243	567,580,996	425,443,799
Total Expenses	850,422,551	670,757,743	476,360,290
Nonoperating Income (Loss) Before Transfers			
Loss on Disposal of Capital Assets	(5,263)	-	(234,659)
Gain on Donated Assets	-	424,861	-
Interest Income	3,078,158	82,769	45,255
Total Nonoperating Income (Loss) Before Transfers	3,072,895	507,630	(189,404)
Transfers from Local Management Entities	-	62,777,937	-
Change in Net Position	(25,859,276)	94,408,126	17,705,184
Net Position - Beginning of Year	192,342,328	97,934,202	80,229,018
Net Position - End of Year	$ 166,483,052	$ 192,342,328	$ 97,934,202

Capital Asset, Right-of-Use Assets and Debt Administration

The Organization's investment in capital assets as of June 30, 2023, 2022, and 2021, totals $7,657,205, $3,873,607, and $4,059,719 (net of accumulated depreciation and amortization, and right to use payables), respectively. These assets include land and assets in process (which are not depreciated), buildings, leasehold improvements, furniture and other equipment, computer equipment, and vehicles. Capital assets increased during the year with additions exceeding depreciation expense.

Table A-3
Capital Assets and Right to Use Assets
June 30, 2023, 2022, and 2021

	2023	2022	2021
Land	$ 481,540	$ 481,540	$ 471,000
In Progress	20,253	1,465,951	1,300,000
Buildings	532,679	566,980	176,602
Leasehold Improvements	2,097,428	2,275,055	1,920,326
Office Furniture and Equipment	23,107	-	-
Computer Software and Equipment	5,687,611	161,239	191,791
Total Capital Assets	8,842,618	4,950,765	4,059,719
Right to Use Leased Assets	9,697,301	14,175,026	-
Right to Use SBITA Assets	8,706,984	-	-
Total Capital Assets and Right to Use Assets	$ 27,246,903	$ 19,125,791	$ 4,059,719

Additional information on the Organization's capital assets and right to use assets can be found in Note 2 of the Basic Financial Statements.

At June 30, 2023, the Organization had $8,790,832 of a right to use SBITA payable outstanding related to SBITAs held by the Organization. At June 30, 2023 and 2022, the Organization had $10,798,866 and $15,252,184, respectively, of a right to use lease payable outstanding related to leases held by the Organization. At June 30, 2023, 2022, and 2021, the Organization had a contract obligation of $637,179, $951,399, and $1,141,643, respectively, related to a commitment on a computer software purchase contract.

Economic and Other Factors

A number of economic factors currently affect the financial and operational performance of health care entities and the Organization including the following factors:

In 2015, the NC General Assembly enacted legislation directing NCDHHS to transition Medicaid and NC Health Choice from fee-for-service to managed care. Under managed care, the state contracts with insurance companies, which are paid a predetermined set rate per enrolled person to provide all services. In July 2020, legislation authorized NC Medicaid Managed Care to begin July 1, 2021, for Standard Plans and April 1, 2023, for Behavioral Health I/DD Tailored Plans.

Economic and Other Factors (Continued)

In February 2021, the Organization submitted a response to the NCDHHS Request for Applications #: 30-2020-052-DHB for the BH I/DD Tailored Plan, and in July 2021, the Organization was awarded a contract to operate a BH/ IDD Tailored Plan. Cardinal Innovations was also awarded a BH I/DD Tailored Plan contract, which was then assigned to the Organization by NCDHHS. The Organization's BH I/DD Tailored Plan is expected to launch July 1, 2024 as part of the statewide shift to fully integrated Medicaid managed care. Under the new plan, the Organization will also manage members' physical health care, pharmacy services, long-term services and supports, and unmet health-related resource needs.

Finance Contact

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 Executive Vice President and Chief Financial Officer, Vaya Health, 200 Ridgefield Court, Asheville, North Carolina, 28806.

BASIC FINANCIAL STATEMENTS

This Page Intentionally Left Blank

VAYA HEALTH
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS		
Cash and Cash Equivalents	$	160,409,746
Accounts Receivable, Net		19,525,547
Prepaid Expenses		2,682,121
Other Assets		773,768
Total Current Assets		183,391,182
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents		100,451,626
Right to Use Leased Assets, Net of Accumulated Amortization		9,697,301
Right to Use SBITA Assets, Net of Accumulated Amortization		8,706,984
Capital Assets, Net of Accumulated Depreciation		8,842,618
Total Noncurrent Assets		127,698,529
Total Assets		311,089,711
DEFERRED OUTFLOWS OF RESOURCES		23,410,242
Total Assets and Deferred Outflows of Resources	$	334,499,953

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable and Other Current Liabilities	$	49,733,784
Liability for Claims Incurred, but not Reported		55,922,278
Unearned Revenue		6,536,467
Right to Use Lease Payable - Current Portion		3,467,003
Right to Use SBITA Payable - Current Portion		2,525,913
Compensated Absences - Current Portion		2,373,660
Total Current Liabilities		120,559,105
LONG-TERM LIABILITIES		
Other Postemployment Benefits		4,339,000
Pension Liability		24,222,040
Contract Payable - Long Term		477,884
Right to Use Lease Payable - Long Term		7,331,863
Right to Use SBITA Payable - Long Term		6,264,919
Compensated Absences - Long Term		2,973,088
Total Long-Term Liabilities		45,608,794
Total Liabilities		166,167,899
DEFERRED INFLOWS OF RESOURCES		1,849,002
NET POSITION		
Net Investment in Capital Assets		7,020,026
Restricted:		
Medicaid Risk Reserve		100,451,626
Unrestricted		59,011,400
Total Net Position		166,483,052
Total Liabilities, Deferred Inflows of Resources, and Net Position	$	334,499,953

See accompanying Notes to Financial Statements.

VAYA HEALTH
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2023

OPERATING REVENUES	
Intergovernmental:	
Local	$ 4,305,981
Federal	31,125,853
State	93,837,505
Medicaid	687,398,408
Other Income	4,822,633
Total Operating Revenues	821,490,380
EXPENSES	
Personnel	101,063,164
Professional Services	25,488,711
Supplies and Materials	358,876
Current Obligations and Services	4,491,109
Fixed Charges and Expenses	17,390,328
Capital Outlay	877,366
Depreciation and Amortization	6,735,754
Contracts and Grants	694,017,243
Total Expenses	850,422,551
OPERATING LOSS	(28,932,171)
NONOPERATING INCOME	
Loss on Disposal of Fixed Assets	(5,263)
Interest Income	3,078,158
Total Nonoperating Income	3,072,895
DECREASE IN NET POSITION	(25,859,276)
Net Position - Beginning of Year	192,342,328
NET POSITION - END OF YEAR	$ 166,483,052

See accompanying Notes to Financial Statements.

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Federal, State, and Local Agencies	$ 804,805,343
Payments to Suppliers	(48,729,081)
Payments to Employees	(99,825,531)
Payments for Contracted Services	(697,895,563)
Other Receipts and Payments, Net	3,113,128
Net Cash Used by Operating Activities	(38,531,704)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(4,751,226)
Payments on Right to Use Lease Payable	(3,620,319)
Payments on Right to Use SBITA Payable	(2,313,470)
Net Cash Used by Capital and Related Financing Activities	(10,685,015)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	3,078,158
Net Cash Provided by Investing Activities	3,078,158
NET DECREASE IN CASH AND CASH EQUIVALENTS	(46,138,561)
Cash and Cash Equivalents - Beginning of Year	306,999,933
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 260,861,372
Cash and Cash Equivalents	$ 160,409,746
Restricted Cash and Cash Equivalents	100,451,626
Total Cash and Cash Equivalents	$ 260,861,372
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	$ (28,932,171)
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Depreciation	6,735,754
Change in Assets and Liabilities:	
Increase in Accounts Receivable	(12,251,704)
Increase in Prepaid Expenses and Other Assets	(1,244,505)
Decrease in Pension Related Accounts	(336,863)
Decrease in Other Postemployment Benefits Liability	(465,000)
Decrease in Accounts Payable and Accrued Expenses	(3,878,320)
Decrease in Contract Payable	(122,691)
Increase in Deferred Revenue	389,300
Increase in Compensated Absences	1,574,496
Net Cash Used by Operating Activities	$ (38,531,704)

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Vaya Health (the Organization) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Organization is a local management entity (LME) and managed care organization (MCO) designated by and functioning under the control of the North Carolina Department of Health and Human Services to provide mental health, developmental disabilities, and substance abuse services in Alamance, Alexander, Alleghany, Ashe, Avery, Buncombe, Caldwell, Caswell, Chatham, Cherokee, Clay, Franklin, Graham, Granville, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Person, Polk, Rowan, Stokes, Swain, Transylvania, Vance, Watauga, Wilkes, and Yancey counties. The services include reviewing and evaluating the area needs and programs in mental health, mental impairment, alcoholism, drug dependency and related fields, and developing jointly with the North Carolina Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, an annual plan for the effective development, use and control of state and local facilities and resources in a comprehensive program of mental health service for the residents of the area. The Organization, which is governed by a 31-member board of directors, is an area authority empowered by Chapter 122C of the North Carolina General Statutes with the responsibility to oversee and control all activities related to mental health, developmental disabilities, and substance abuse services in its target area. The Organization has no component units, which under generally accepted accounting principles are legally separate entities for which the Organization is financially accountable.

Effective July 28, 2021, the Organization entered into a Transition, Consolidation, and Dissolution Agreement (the Agreement) with Cardinal Innovations Healthcare Solutions (Cardinal). Effective, January 1, 2022, the Organization absorbed the operations of Cardinal and nine counties who did not elect to realign with another LME/MCO. As part of the movement of these counties into the Organization’s catchment area, the Organization received approximately $62,778,000 in fund balance and Medicaid Risk Reserve from Cardinal during fiscal year 2022.

Effective January 1, 2017, the Organization legally changed its name from Smoky Mountain Center for Mental Health, Development Disabilities, and Substance Abuse Services to Vaya Health. The name change did not have any impact on the Organization’s contracts with state agencies or providers.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Fund Accounting

The accounts of the Organization are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

The Organization accounts for its operations as an enterprise fund. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The *Enterprise Fund* is the major operating fund of the Organization which accounts for all activity. The Enterprise Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Organization gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Activity related to the internal service fund of the Organization has been presented with the major operating fund for reporting purposes. The internal service fund was used in the past by the Organization to account for health and dental insurance to employees and eligible retirees.

Amounts reported as revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

Intergovernmental revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

All funds of the Organization are maintained on the accrual basis during the year. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. In converting from the full accrual basis to the modified accrual basis, the changes required may include adjustments for depreciation, capital outlay, compensated absences, and postemployment benefits.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgetary Data

The Organization maintains budgetary controls over all funds, as required by the North Carolina General Statutes. An annual budget is adopted for the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds.

Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than $5,000. The governing board must approve all amendments. During the year, several allocation letters caused budget revision amendments to the original budget. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The budget was prepared on the modified accrual basis of accounting. The budget presented in these statements is the budget ordinance amended through June 30, 2023.

D. Assets, Liabilities, and Net Position

1. Deposits and Investments

All deposits of the Organization are made in board-designated official depositories and are secured as required by G.S. 159-31. The Organization may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Organization may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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 Organization; 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 valued at fair value.

2. Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered 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.

Restricted cash consists of cash required to be set aside in a separate account by the Medicaid waiver.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position (Continued)

3. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years and evaluating current information related to the collectability of individual receivables.

4. Prepaid Items

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

5. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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.

Capital assets of the Organization are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	20 Years
Leasehold Improvements	5 to 20 Years
Vehicles	4 Years
Office Furniture	5 to 10 Years
Computer Software and Equipment	3 to 5 Years

6. Right to Use Leased Assets

The Organization has recorded right to use leased assets as a result of implementing GASB Statement No. 87, *Leases*. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position (Continued)

7. Right to Use SBITA Assets

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) for government end users (governments). 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.

8. 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.

9. Compensated Absences

The annual leave policy of the Organization provides for the accumulation of up to two hundred and forty (240) hours earned annual leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current portion in the financial statements.

The sick leave policy of the Organization provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Organization has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Long-Term Obligations

Long-term obligations are reported as liabilities and classified as short-term or long-term depending on their respective maturities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position (Continued)

11. Defined Benefit Pension and OPEB Plans

The Organization participates in one cost-sharing, multiple-employer, defined benefit pension plan that is administered by the State, the Local Governmental Employees' Retirement System (LGERS), and one other postemployment benefit plan (OPEB), the Employment Benefit Fund (EBF). 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. For purposes of measuring the net OPEB liability and OPEB expense, information has been determined on the same basis as they are reported by the EBF. For this purpose, the EBF recognizes benefit payments when due and payable with the benefit terms.

12. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate selection for deferred outflows of resources. This separate financial statements element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Organization has five pension items and two other postemployment benefits items that meet this criterion; see Note 2 for further detail.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Organization has two pension items and two other postemployment benefits items that meets this criterion; see Note 2 for further detail.

13. Liability for Claims Incurred but not Reported

The Organization uses the completion factor methodology to estimate the liability for services that have been provided during the accounting period but not reported by the provider by receipt of a valid claim or encounter data as “Liability for Claims Incurred. but not Reported”. This amount is a current liability.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position (Continued)

14. Net Position

Net position is classified into three parts: net investment in capital assets, restricted, and unrestricted. Unrestricted net position includes the portion of net position that bears no restriction as to use or purpose. Net investment in capital assets includes resources invested in capital assets and right to use leased assets. Restricted net position includes revenue resources that are restricted to specific purposes externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law. Amounts restricted for the Medicaid Risk Reserve include the portion of net position that is restricted by the Medicaid 1915 b/c waiver.

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Cash and Cash Equivalents

All of the Organization’s deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the Federal Depository Insurance coverage level are collateralized with securities held by the Organization in its name. 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 entity’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. 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 with 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 undercollaterization, 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 Organization has no formal policy regarding custodial credit risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance.

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Cash and Cash Equivalents (Continued)

At June 30, 2023, the Organization's deposits had a carrying amount of $219,576,477 and a bank balance of $220,183,377. Of the bank balance, $500,000 was covered by Federal Depository Insurance; $219,683,377 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2023, the Organization had $400 of cash on hand.

2. Investments

The Organization measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1 – Quoted prices for identical investments in active markets;

Level 2 – Observable inputs other than quoted market prices; and,

Level 3 – Unobservable inputs.

At June 30, 2023, the Organization had the following investments, which are included within cash and cash equivalents on the statement of net position, measured at fair value:

	Value	Level 1	Level 2	Level 3
Money Market	$ 41,284,495	$ 41,284,495	$ -	$ -

Interest Rate Risk – The Organization has no policy on interest rate risk.

Custodial Credit Risk – The Organization has no policy on custodial credit risk.

Credit Risk – The Organization's investment in the NC Capital Management Trust Government Portfolio, which consists of a SEC-registered mutual fund, invests in treasuries and government agencies, is a money market fund (2a7) and maintains an AAAm rating from S&P for AAAmf by Moody's Investor Services.

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Investments (Continued)

At June 30, 2023, the Organization's investments and maturities are as follows:

	Fair Value	Less than 6 Months	6-12 Months	1-3 Years
NC Capital Management Trust*	$ 41,284,495	$ 41,284,495	$ -	$ -

* Because the NC Capital Management Trust Government Portfolio has a weighted average maturity of less than 90 days, it is presented as investment with a maturity of less than six months.

3. Receivables

Receivables at June 30, 2023 were as follows:

	Government	Other Providers	Total
General	$ 18,868,561	$ 1,134,562	$ 20,003,123
Less: Allowance for Doubtful Accounts	-	(477,576)	(477,576)
Total	$ 18,868,561	$ 656,986	$ 19,525,547

4. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balance
Capital Assets not Being Depreciated:					
Land	$ 481,540	$ -	$ -	$ -	$ 481,540
In Progress	1,465,951	20,253	159,904	(1,306,047)	20,253
Total Capital Assets not Being Depreciated	1,947,491	20,253	159,904	(1,306,047)	501,793
Capital Assets Being Depreciated:					
Buildings	686,020	-	-	-	686,020
Vehicles	55,702	-	-	-	55,702
Computer Software and Equipment	1,326,719	4,702,622	106,287	1,306,047	7,229,101
Office Furniture	143,979	25,674	80,237	-	89,416
Leasehold Improvements	3,200,051	2,677	-	-	3,202,728
Total Capital Assets Being Depreciated	5,412,471	4,730,973	186,524	1,306,047	11,262,967
Less: Accumulated Depreciation for:					
Buildings	119,040	34,301	-	-	153,341
Vehicles	55,702	-	-	-	55,702
Computer Software and Equipment	1,165,480	476,813	100,803	-	1,541,490
Office Furniture	143,979	2,567	80,237	-	66,309
Leasehold Improvements	924,996	180,304	-	-	1,105,300
Total Accumulated Depreciation	2,409,197	693,985	181,040	-	2,922,142
Capital Assets, Net	$ 4,950,765	$ 4,057,241	$ 165,388	$ -	$ 8,842,618

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

In addition, the Organization acquired $877,366 of minor capital assets that were below the capitalization threshold of $5,000.

5. Right to Use Leased Assets

The Organization has recorded seven right to use leased assets. These assets are right to use assets for leased buildings and equipment. The related leases are discussed in the Long-Term Liabilities subsection of this note. The right to use leased assets are amortized on a straight-line basis over the term of the related leases.

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

	Beginning Balances	Increases	Decreases	Transfers	Ending Balance
Right to Use Leased Assets Being Amortized:					
Leased Buildings	$ 16,445,383	$ -	$ 1,670,329	$ -	$ 14,775,054
Leased Computer Equipment	20,287	-	-	-	20,287
Total Right to Use Leased Assets Being Amortized	16,465,670	-	1,670,329	-	14,795,341
Less Accumulated Amortization for:					
Leased Buildings	2,286,136	3,635,435	837,055	-	5,084,516
Leased Computer Equipment	4,508	9,016	-	-	13,524
Total Accumulated Amortization	2,290,644	3,644,451	837,055	-	5,098,040
Right to Use Leased Assets, Net	$ 14,175,026	$ (3,644,451)	$ 833,274	$ -	$ 9,697,301

6. Right to Use SBITA Assets

The Organization has recorded Subscription-Based Information Technology Arrangement (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 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

6. Right to Use SBITA Assets (Continued)

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

	Beginning Balances	Increases	Decreases	Transfers	Ending Balance
Right to Use SBITA Assets Being Amortized	$ 11,104,302	$ -	$ -	$ -	$ 11,104,302
Less Accumulated Amortization		2,397,318	-	-	2,397,318
Right to Use SBITA Assets, Net	$ 11,104,302	$ (2,397,318)	$ -	$ -	$ 8,706,984

B. Liabilities

1. Payables

Accounts payable, incurred but not reported claims and other current liabilities at June 30, 2023 were as follows:

	Vendors	Accrued Wages and Benefits	Incurred but not Reported Claims	Total
Payables	$ 42,752,871	$ 6,980,913	$ 55,922,278	$ 105,656,062

2. Pension Plan Obligations, Other Employment Benefits, and Other Postemployment Benefits

a. Retirement Plan

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 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 – 9 appointed by the Governor, 1 appointed by the State Senate, 1 appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System 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, by calling (919) 981-5454, or at www.osc.nc.gov.

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. Pension Plan Obligations, Other Employment Benefits, and Other Postemployment Benefits (Continued)

a. Retirement Plan (Continued)

Benefits Provided: LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with 5 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 5 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 postretirement 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 12.13% 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 approximately $8,791,000 for the year ended June 30, 2023.

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. Pension Plan Obligations, Other Employment Benefits, and Other Postemployment Benefits (Continued)

a. Retirement Plan (Continued)

At June 30, 2023, the Organization reported a liability of approximately $24,222,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation 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, 2022, the Organization's proportion was 0.43%.

For the year ended June 30, 2023, the Organization recognized pension expense of approximately $7,296,224. 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	$ 1,043,705	$ 102,329
Changes of Assumptions	2,416,816	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	8,005,636	-
Changes in Proportion and Differences between Organization Contributions and Proportionate Share of Contributions	1,723,998	178,673
Organization Contributions Subsequent to the Measurement Date	8,790,087	-
Total	$ 21,980,242	$ 281,002

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. Pension Plan Obligations, Other Employment Benefits, and Other Postemployment Benefits (Continued)

a. Retirement Plan (Continued)

Deferred outflows of resources of approximately $8,790,000 resulting from the Organization's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending 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	$ 4,018,950
2025	3,681,722
2026	1,394,437
2027	3,814,044
Total	$ 12,909,153

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	6.5%, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, 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 the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future ad hoc Cost of Living Adjustment (COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. Pension Plan Obligations, Other Employment Benefits, and Other Postemployment Benefits (Continued)

a. Retirement Plan (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	Expected Rate of Return
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 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 3.00%. All rates of return and inflation are annualized.

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. Pension Plan Obligations, Other Employment Benefits, and Other Postemployment Benefits (Continued)

a. Retirement Plan (Continued)

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

Sensitivity of the Organization's proportionate share of the net pension liability to changes in the discount rate. The following presents the Organization's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the Organization's proportionate share of the net pension 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	$ 43,717,654	$ 24,222,040	$ 8,156,513

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the state of North Carolina.

b. Other Postemployment Benefits

Plan Description: The Organization administers a defined benefit Employment Benefit Fund (EBF). As of September 2004, Organization employees who retire and draw benefits from the Local Government Employees' Retirement System (LGERS) have the ability to continue their health and dental coverage under the Organization's EBF. The Organization will provide a percentage of the cost of coverage based on the number of years of service and the employee's age at the time of retirement.

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. Pension Plan Obligations, Other Employment Benefits, and Other Postemployment Benefits (Continued)

b. Other Postemployment Benefits (Continued)

Coverage may continue for the retiree until the retiree becomes entitled to Medicare benefits or reaches the age of 65, whichever comes first. Also the Organization's retirees can purchase coverage for their dependents at the Organization's group rates. The Organization may amend the benefit provisions. A separate report was not issued for the plan.

Benefits Provided: The Organization pays the cost of coverage for the health care benefits paid to qualified retirees under a Board resolution that can be amended by the Board. The Organization has chosen to fund the health care benefits on a pay as you go basis.

Contributions: The funding policy of the Organization is to contribute an amount sufficient to satisfy benefit payment requirements to participants. Employees are not required to contribute to the EBF.

Employees Covered by Benefit Terms: At June 30, 2021, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	1
Active Plan Members	463
	464

Total OPEB Liability: The Organization's total OPEB liability of $4,339,000 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2021.

Actuarial Assumptions: The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary Increases	2.50%
Discount Rate	3.69%
Healthcare Cost Trend Rates	0.00% for fiscal year-end 2022 (to reflect actual experience), then 6.50% for fiscal year end 2023, decreasing 0.50 % per year to an ultimate rate of 5.00%

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. Pension Plan Obligations, Other Employment Benefits, and Other Postemployment Benefits (Continued)

b. Other Postemployment Benefits (Continued)

Mortality rates were based on the RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2021.

Discount Rate: The discount rate used to measure the total OPEB liability has been set equal to 3.69% and represents the Municipal GO AA 20-year yield curve rate as of July 1, 2022.

Changes in the Total OPEB Liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance - June 30, 2022	$ 4,804,000	$ -	$ 4,804,000
Changes for the Year:			
Service Cost	641,000	-	641,000
Interest	104,000	-	104,000
Contributions - Employer	-	11,000	(11,000)
Differences between Expected and Actual Experience	(292,000)	-	(292,000)
Benefit Payments	(11,000)	(11,000)	-
Other Changes	(907,000)	-	(907,000)
Net Changes	(465,000)	-	(465,000)
Balance - June 30, 2023	$ 4,339,000	$ -	$ 4,339,000

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the Organization as of the measurement date calculated using the discount rate, as well as what the Organization's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.69%) or 1-percentage-point higher (4.69%) than the current discount rate:

	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
Net OPEB Liability	$ 4,908,000	$ 4,339,000	$ 3,834,000

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. Pension Plan Obligations, Other Employment Benefits, and Other Postemployment Benefits (Continued)

b. Other Postemployment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Trend Rate: The following presents the net OPEB liability of the Organization as of the measurement date calculated using the trend rate, as well as what the Organization's net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current trend rate:

	1% Decrease (5.50%)	Current Trend Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability	$ 3,631,000	$ 4,339,000	$ 5,198,000

For the year ended June 30, 2023, under GASB 75, the Organization's OPEB expense is $712,000. At June 30, 2023, the Organization reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 1,011,000	$ 783,000
Changes of Assumptions	419,000	785,000
Total	$ 1,430,000	$ 1,568,000

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2024	$ (42,000)
2025	(44,000)
2026	(39,000)
2027	83,000
2028	73,000
Thereafter	(169,000)
Total	$ (138,000)

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. Pension Plan Obligations, Other Employment Benefits, and Other Postemployment Benefits (Continued)

c. Other Employment Benefits

The Organization has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee’s 12 highest months’ salary in a row during the 24 months prior to the employee’s death, but the benefit will be a minimum of $25,000 and will not exceed $50,000. All death benefit payments are made from the Death Benefit Plan. The Organization has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Organization considers these contributions to be immaterial.

3. Risk Management

The Organization is exposed to various risks of losses related to torts; malpractice; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization carries commercial insurance to cover substantially all risks of loss. The Organization obtains commercial general liability and professional liability coverage of $1,000,000 per occurrence and $3,000,000 in the aggregate, liability and collision insurance coverage on vehicles of $1,000,000 per occurrence, and workers’ compensation coverage subject to a limit of $1,000,000.

The Organization does not carry flood insurance as there are no properties located within areas designated as flood areas.

The Organization carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159.29, the Organization’s employees that have access to $100 or more at a given time of the Organization’s funds are performance bonded through a commercial surety bond. The Chief Executive Officer and the Chief Finance Officer are individually bonded for $250,000.

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

4. Contingent Liabilities

From time to time, the Organization is party to other pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Organization's financial position or results of operations.

5. Long-Term Obligations

As of June 30, 2023, the long-term obligations of the Organization consisted of the following:

	Balance July 1, 2022	Net Change	Balance June 30, 2023	Amounts Due within One Year
Contract Payable	$ 951,399	$ (283,091)	$ 668,308	$ 190,424
Right to Use Lease Payable	15,252,184	(4,453,318)	10,798,866	3,467,003
Right to Use SBITA Payable	11,104,302	(2,313,470)	8,790,832	2,525,913
Compensated Absences	3,772,252	1,574,496	5,346,748	2,373,660
Total	$ 31,080,137	$ (5,475,383)	$ 25,604,754	$ 8,557,000

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

In August 2020, the Organization signed a Master Services and Software License Agreement (License) to license a software and purchase associated hosting services for an initial term of seven years. The total implementation fee for this License is $1,300,000 and has been capitalized by the Organization. This fee is due in equal monthly installments of $15,854 for a period of 82 months commencing September 2020 and concluding in June 2027. As the implementation fee is non-cancellable, it has been recorded as a long-term liability. $190,244 was paid on this implementation fee in 2023. The current portion of the implementation fee to be paid in 2024 is included in Accounts Payable and Other Current Liabilities in the attached statement of net position. This software was placed into service on April 1, 2023.

The Organization has entered into agreements to lease certain buildings and equipment. The lease agreements qualify as other than short-term leases under GASB Statement 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

5. Long-Term Obligations (Continued)

The first agreement was executed on January 1, 2022 to lease building space and requires 42 monthly payments ranging from $1,979 to $2,162. The lease liability is measured at a discount rate of 3.0%, which is the Organization's incremental borrowing rate. As a result of the lease, the Organization has recorded a right to use asset with a net book value of $46,445 at June 30, 2023.

The second agreement was executed on January 1, 2022 to lease building space and requires 42 monthly payments ranging from $3,995 to $4,366. The lease liability is measured at a discount rate of 3.0%, which is the Organization's incremental borrowing rate. As a result of the lease, the Organization has recorded a right to use asset with a net book value of $93,772 at June 30, 2023.

The third agreement was executed on January 1, 2022 to lease building space and requires 54 monthly payments ranging from $165,280 to $184,224. The lease liability is measured at a discount rate of 3.0%, which is the Organization's incremental borrowing rate. As a result of the lease, the Organization has recorded a right to use asset with a net book value of $5,353,884 at June 30, 2023.

The fourth agreement was executed on January 1, 2022 to lease building space and requires 54 monthly payments ranging from $59,643 to $68,307. The lease liability is measured at a discount rate of 3.0%, which is the Organization's incremental borrowing rate. As a result of the lease, the Organization has recorded a right to use asset with a net book value of $1,965,981 at June 30, 2023.

The fifth agreement was executed on January 1, 2022 to lease computer equipment and requires 27 monthly payments of $776. The lease liability is measured at a discount rate of 3.0%, which is the Organization's incremental borrowing rate. As a result of the lease, the Organization has recorded a right to use asset with a net book value of $6,762 at June 30, 2023.

The sixth agreement was executed on January 1, 2022 and amended January 1, 2023 to lease building space and requires 18 monthly payments ranging from $15,057 to $15,509. The lease liability is measured at a discount rate of 3.0%, which is the Organization's incremental borrowing rate. As a result of the lease, the Organization has recorded a right to use asset with a net book value of $188,533 at June 30, 2023.

The seventh agreement was executed on July 1, 2021 to lease building space and requires 64 monthly payments ranging from $50,586 to $57,113. The lease liability is measured at a discount rate of 3.0%, which is the Organization's incremental borrowing rate. As a result of the lease, the Organization has recorded a right to use asset with a net book value of $2,041,923 at June 30, 2023.

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

5. Long-Term Obligations (Continued)

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

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

Year Ending June 30,	Amount
2024	3,734,559
2025	3,659,333
2026	3,664,991
2027	228,451
	11,287,334
Less: Current Portion	(3,467,003)
Less: Amount Representing Interest	(488,468)
Total	$ 7,331,863

The Organization has entered into SBITAs for finance, reporting, and healthcare software for a period of one to five years and an incremental borrowing rate of 3% to 4%. 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 no SBITAs with variable payments.

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.

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

5. Long-Term Obligations (Continued)

SBITA debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total Payments
2024	$ 2,525,913	$ 214,862	$ 2,740,775
2025	2,644,155	134,089	2,778,244
2026	2,039,520	64,365	2,103,885
2027	1,327,472	25,180	1,352,652
2028	253,772	16	253,788
Total	$ 8,790,832	$ 438,512	$ 9,229,344

NOTE 3 SUMMARY DISCLOSURES OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Health Insurance

During fiscal year 2020, the Organization, began to self-insure its employees’ health plan with Blue Cross Blue Shield of North Carolina (BCBSNC). BCBSNC has contracted with the Organization to supervise and administer the program. The Organization insures for excessive and unexpected health claims and is liable for claims not to exceed $125,000 for each employee per plan. As of June 30, 2023, a provision for estimates of the cost for claims not reported but incurred during the year ended June 30, 2023 was approximately $781,000. This provision is included in accounts payable and other current liabilities in the accompanying statement of net position. A deposit to cover claims of approximately $727,000 is included in other assets in the accompanying statement of net position.

REQUIRED SUPPLEMENTARY INFORMATION

VAYA HEALTH
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service Cost	$ 641,000	$ 383,000	$ 352,000	$ 410,000	$ 399,000	$ 389,000
Interest	104,000	74,000	78,000	107,000	88,000	74,000
Differences between Expected and Actual Experience	(292,000)	1,400,000	(160,000)	(1,041,000)	39,000	-
Changes of Assumptions	(907,000)	311,000	242,000	143,000	(27,000)	-
Benefit Payments	(11,000)	(9,000)	(17,000)	(11,000)	(79,000)	(79,000)
Net Change in Total OPEB Liability	(465,000)	2,159,000	495,000	(392,000)	420,000	384,000
Total OPEB Liability - Beginning	4,804,000	2,645,000	2,150,000	2,542,000	2,122,000	1,738,000
Total OEPB Liability - Ending	$ 4,339,000	$ 4,804,000	$ 2,645,000	$ 2,150,000	$ 2,542,000	$ 2,122,000
Plan Fiduciary Net Position						
Contributions - Employer	$ 11,000	$ 9,000	$ 17,000	$ 11,000	$ 79,000	$ 79,000
Benefit Payments, including Refunds of Employee Contributions	(11,000)	(9,000)	(17,000)	(11,000)	(79,000)	(79,000)
Administrative Expense	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	-	-	-	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-	-	-	-
Plan Fiduciary Net Position - Ending	$ -	$ -	$ -	$ -	$ -	$ -
Organization's Net OPEB Liability - Ending	$ 4,339,000	$ 4,804,000	$ 2,645,000	$ 2,150,000	$ 2,542,000	$ 2,122,000
Plan Fiduciary Net Position as a % of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Payroll	$ 31,970,000	$ 31,970,000	$ 24,788,000	$ 24,788,000	$ 24,710,000	$ 24,710,000
Organization's Net OPEB Liability as a Percentage of Covered Payroll	13.57%	15.03%	10.67%	8.67%	10.29%	8.59%

VAYA HEALTH
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS (CONTINUED)

Schedule of Employee Contributions	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	$ 11,000	$ 9,000	$ 17,000	$ 11,000	$ 79,000	$ 79,000
Contributions in Relation to the Actuarially Determined Contribution	11,000	9,000	17,000	11,000	79,000	79,000
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Expected Covered Payroll	$ 31,970,000	$ 31,970,000	$ 24,788,000	$ 24,788,000	$ 24,710,000	$ 24,710,000
Contributions as a Percentage of Covered Payroll	0.03%	0.03%	0.07%	0.04%	0.32%	0.32%

Notes to Schedule:
Benefit Changes: None
Changes of Assumptions: Discount Rate and Healthcare Cost Trend Rate

The Organization implemented GASB 75 during fiscal year 2018. As such, only six years of information is available.

VAYA HEALTH
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
YEAR ENDED JUNE 30, 2023

Local Government Employees' Retirement System

	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Organization's Proportion of the Net Pension (Asset) Liability (%)	0.429360%	0.406800%	0.380950%	0.402730%	0.402780%	0.422090%	0.399020%	0.361400%	-0.296340%
Organization's Proportion of the Net Pension (Asset) Liability ($)	$ 24,222,040	$ 6,238,674	$ 13,612,971	$ 11,121,139	$ 9,555,324	$ 6,448,371	$ 8,468,546	$ 1,621,946	$ (1,747,654)
Organization's Covered Payroll	72,465,599	46,054,608	26,604,904	26,225,253	26,784,025	26,700,357	24,821,723	22,101,861	16,755,550
Organization's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Payroll	33.43%	13.55%	51.17%	42.41%	35.68%	24.15%	34.12%	7.34%	-10.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset) Liability**	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

**This will be the same percentage for all participant employers in the LGERS plan.

VAYA HEALTH
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
CONTRIBUTIONS
YEAR ENDED JUNE 30, 2023

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 8,790,077	$ 5,227,198	$ 2,914,733	$ 2,394,438	$ 2,045,568	$ 2,022,194	$ 1,935,776	$ 1,655,609	$ 1,562,643
Contributions in Relation to the Contractually Required Contribution	8,790,087	5,250,227	2,914,733	2,394,438	2,045,568	2,022,097	1,954,467	1,673,466	1,562,643
Contribution Deficiency (Excess)	$ (10)	$ (23,029)	$ -	$ -	$ -	$ 97	$ (18,691)	$ (17,857)	$ -
Organization's Covered Payroll	$ 72,465,599	$ 46,054,608	$ 28,575,824	$ 26,604,904	$ 26,225,253	$ 26,784,025	$ 26,700,357	$ 24,821,723	$ 22,101,861
Contributions as a Percentage of Covered Payroll	12.13%	11.35%	10.20%	9.00%	7.80%	7.55%	7.25%	6.67%	7.07%

SUPPLEMENTAL SCHEDULES
FOR
NC DIVISION OF HEALTH BENEFITS REPORTING

VAYA HEALTH
SUPPLEMENTAL SCHEDULE
BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED ACCRUAL BASIS
JUNE 30, 2023

ASSETS	
Cash and Cash Equivalents	$ 160,409,746
Restricted Cash and Cash Equivalents	100,451,626
Accounts Receivable, Net of Allowance for Uncollectible Accounts and Contractual Allowances	19,525,547
Prepaid Expenses and Deposits	2,682,121
Other Assets	773,768
Total Assets	$ 283,842,808
LIABILITIES	
Accounts Payable	$ 42,752,871
Accrued Expenses	6,980,913
Liability for Claims Incurred, but not Reported	55,922,278
Total Liabilities	105,656,062
FUND BALANCES	
Nonspendable	3,455,889
Restricted:	
Stabilization of State Statute	19,525,547
Medicaid Risk Reserve	100,451,626
Committed	9,271,650
Unassigned	45,482,034
Total Fund Balances	178,186,746
Total Liabilities and Fund Balances	$ 283,842,808

Amounts Reported in the Statement of Net Position are Different Because:	
Fund Balance	$ 178,186,746
Capital Assets Used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Funds	8,842,618
Right to Use Leased Assets Used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Funds	9,697,301
Right to Use SBITA Assets Used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Funds	8,706,984
Deferred Inflows and Outflows are not Reported in the Funds	21,561,240
Pension Liabilities and Other Postemployment Benefits are not a Financial Resource and, therefore, are not Reported in the Funds	(28,561,040)
Liability for Right to Use Lease Asset is not Due and Payable in the Current Period and, therefore, is not Reported in the Fund	(10,798,866)
Liability for Right to Use SBITA Asset is not Due and Payable in the Current Period and, therefore, is not Reported in the Fund	(8,790,832)
Deferred Liabilities for Revenue and Rent is not Due and Payable in the Current Period and, therefore, is not Reported in the Funds	(6,536,467)
Liability for Compensated Absences and Contract Payable are not Due and Payable in the Current Period and, therefore, is not Reported in the Funds	(5,824,632)
Total Net Position	$ 166,483,052

VAYA HEALTH
SUPPLEMENTAL SCHEDULE
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 Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
State and Federal	$ 96,976,452	$ 136,462,281	$ 124,963,358	$ (11,498,923)
Local	3,533,957	4,264,671	4,305,981	41,310
Medicaid	864,280,060	703,280,060	687,398,408	(15,881,652)
Other Income	17,219,880	16,819,880	8,290,091	(8,529,789)
Total Revenues	982,010,349	860,826,892	824,957,838	(35,869,054)
EXPENDITURES				
Personnel and Professional Services	131,189,511	123,729,111	125,779,242	(2,050,131)
Supplies and Other Expenses	7,512,985	14,012,985	358,876	13,654,109
Current Obligations	6,858,070	6,858,070	4,491,109	2,366,961
Fixed Expenses	21,394,867	21,394,867	20,745,816	649,051
Capital Outlay	208,500	208,500	12,852,253	(12,643,753)
Contracts	814,846,416	705,623,360	694,017,243	11,606,117
Debt Service:				
Lease Principal Retirement	-	-	3,620,319	(3,620,319)
Lease Interest Charges	-	-	383,235	(383,235)
SBITA Principal Retirement	-	-	2,313,470	(2,313,470)
SBITA Interest Charges	-	-	264,609	(264,609)
Total Expenditures	982,010,349	871,826,893	864,826,172	7,000,721
REVENUES UNDER EXPENDITURES BEFORE OTHER FINANCING SOURCES	-	(11,000,001)	(39,868,334)	(28,868,333)
OTHER FINANCING SOURCES				
SBITA Obligations Issued	-	-	11,104,302	11,104,302
Total Other Financing Sources	-	-	11,104,302	11,104,302
Change in Fund Balance	$ -	$ (11,000,001)	(28,764,032)	$ (17,764,031)
Fund Balance - Beginning			206,950,778	
FUND BALANCE - ENDING			$ 178,186,746	

VAYA 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
JUNE 30, 2023

Net Change in Fund Balances - Total Governmental Funds	$ (28,764,032)
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 capital outlay exceeded depreciation in the current period.	8,594,621
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:	
Principal Payments on Lease Payable	3,620,319
Interest Payments on Lease Payable	383,235
SBITA Payable Issued	(11,104,302)
Principal Payments on SBITA Payable	2,313,470
Interest Payments on SBITA Payable	264,609
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.	(1,574,496)
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.	801,863
Deferred revenues are shown as revenue on the modified accrual basis.	(389,300)
Some expenses in the statement of revenues, expenses, and change in net position that do not require current financial resources are not reported as expenses on a modified accrual basis.	(5,263)
Decrease in Net Position	$ (25,859,276)

VAYA HEALTH
SUPPLEMENTAL SCHEDULE
SCHEDULE OF COMMITTED FUND BALANCES
JUNE 30, 2023

Cardinal Innovations Lease Payments	$ 9,271,650
Total	$ 9,271,650

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

	Medicaid	Non-Medicaid	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 181,066,902	$ (20,657,156)	$ 160,409,746
Accounts Receivable, Net	13,647,352	5,878,195	19,525,547
Prepaid Expenses	1,805,121	877,000	2,682,121
Other Assets	773,768	-	773,768
Total Current Assets	197,293,143	(13,901,961)	183,391,182
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	100,451,626	-	100,451,626
Right to Use Lease Asset, Net of Accumulated Amortization	9,697,301	-	9,697,301
Right to Use SBITA Asset, Net of Accumulated Amortization	8,706,984	-	8,706,984
Capital Assets, Net of Accumulated Depreciation	8,842,618	-	8,842,618
Total Noncurrent Assets	127,698,529	-	127,698,529
Total Assets	324,991,672	(13,901,961)	311,089,711
DEFERRED OUTFLOWS OF RESOURCES	23,410,242	-	23,410,242
Total Assets and Deferred Outflows of Resources	$ 348,401,914	$ (13,901,961)	$ 334,499,953

VAYA HEALTH
SUPPLEMENTAL SCHEDULE
STATEMENT OF NET POSITION – MEDICAID AND NON-MEDICAID – FULL ACCRUAL BASIS (CONTINUED)
JUNE 30, 2023

	Medicaid	Non-Medicaid	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable and Other Current Liabilities	$ 41,285,922	$ 8,447,862	$ 49,733,784
Liability for Claims Incurred, but not Reported	54,222,723	1,699,555	55,922,278
Unearned Revenue	4,202,074	2,334,393	6,536,467
Lease Payable - Current Portion	3,467,003	-	3,467,003
SBITA Payable - Current Portion	2,525,913	-	2,525,913
Compensated Absences - Current Portion	2,373,660	-	2,373,660
Total Current Liabilities	108,077,295	12,481,810	120,559,105
LONG-TERM LIABILITIES			
Other Postemployment Benefits	4,339,000	-	4,339,000
Pension Liability	24,222,040	-	24,222,040
Contract Payable - Long Term	477,884	-	477,884
Lease Payable - Long Term	7,331,863	-	7,331,863
SBITA Payable - Long Term	6,264,919	-	6,264,919
Compensated Absences - Long Term	2,973,088	-	2,973,088
Total Long-Term Liabilities	45,608,794	-	45,608,794
Total Liabilities	153,686,089	12,481,810	166,167,899
DEFERRED INFLOWS OF RESOURCES	1,849,002	-	1,849,002
NET POSITION			
Net Investment in Capital Assets	7,020,026	-	7,020,026
Restricted:			
Medicaid Risk Reserve	100,451,626	-	100,451,626
Unrestricted	85,395,171	(26,383,771)	59,011,400
Total Net Position	192,866,823	(26,383,771)	166,483,052
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 348,401,914	$ (13,901,961)	$ 334,499,953

VAYA HEALTH
SUPPLEMENTAL SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION – MEDICAID AND NON-MEDICAID – FULL ACCRUAL BASIS
YEAR ENDED JUNE 30, 2023

	Medicaid	Non-Medicaid	Total
OPERATING REVENUES			
Intergovernmental:			
Local	$ 37,241	$ 4,268,740	$ 4,305,981
Federal	-	31,125,853	31,125,853
State	-	93,837,505	93,837,505
Medicaid	687,398,408	-	687,398,408
Other Income	-	4,822,633	4,822,633
Total Revenues	687,435,649	134,054,731	821,490,380
EXPENSES			
Personnel	84,601,776	16,461,388	101,063,164
Professional Services	24,971,933	516,778	25,488,711
Supplies and Materials	306,335	52,541	358,876
Current Obligations and Services	3,764,430	726,679	4,491,109
Fixed Charges and Expenses	12,890,311	4,500,017	17,390,328
Capital Outlay	759,822	117,544	877,366
Depreciation	6,735,754	-	6,735,754
Contracts and Grants	573,129,646	120,887,597	694,017,243
Total Expenses	707,160,007	143,262,544	850,422,551
OPERATING LOSS	(19,724,358)	(9,207,813)	(28,932,171)
NONOPERATING INCOME			
Loss on Disposal of Fixed Assets	(5,263)	-	(5,263)
Interest Income	-	3,078,158	3,078,158
Total Nonoperating Income (Loss)	(5,263)	3,078,158	3,072,895
DECREASE IN NET POSITION	(19,729,621)	(6,129,655)	(25,859,276)
Net Position - Beginning of Year	212,596,444	(20,254,116)	192,342,328
NET POSITION - END OF YEAR	$ 192,866,823	$ (26,383,771)	$ 166,483,052

COMPLIANCE SECTION

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*

Area Board of Directors
Vaya Health
Asheville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity, each major fund, and the aggregate remaining fund information of Vaya 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 November 22, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Area Board of Directors
Vaya Health

Report on 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 result 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
November 22, 2023

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Area Board of Directors
Vaya Health
Asheville, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Vaya 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 Vaya 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 AU 2023 Vaya 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 Vaya 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 Vaya 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 Vaya 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.

Area Board of Directors
Vaya 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
November 22, 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

Area Board of Directors
Vaya Health
Asheville, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Vaya 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 Vaya 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 Vaya 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 Vaya 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 Vaya 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 Vaya 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
November 22, 2023

VAYA 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)? ____ yes __x__ no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.243	Strategic Prevention Framework
93.788	State Opioid Response Grant
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants 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 Assistance

1. Internal control over state projects:

   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified ______ yes __x__ none reported

2. Type of auditors' report issued on compliance for state projects: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______ yes __x__ no

Identification of Major State Projects

Assistance Listing Number(s)	Name of State Project
536998	Single Stream Funding
536996PB	Crisis Services – Local Psych Inpatient (3-way)
53690P/Q	Alcohol and Drug Abuse Treatment Centers

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

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

Finding 2022 – 001: Travel Reimbursements

Type: Other Matter

Condition: It was noted that a reimbursement was paid to an employee at a higher rate than the established per diem rate in the Organization's policy.

Criteria: In order to prevent unauthorized travel reimbursements to employees, disbursements must be reviewed for accuracy.

Status: Not a repeat finding in the current year. Vaya Health implemented additional reviews and simplified its policy to reflect a flat per diem rate in order to reduce the risk of error related to calculation complexity.

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

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	State Expenditures
Federal Awards				
U.S. Department of Housing and Urban Development				
Continuum of Care	14.267		$ 744,188	$ -
U.S. Department of Health and Human Services				
Substance Abuse and Mental Health Service Administration System of Care Grant	93.104		946,252	-
Passed-through the NC Dept. of Health and Human Services: Division of Mental Health, Developmental Disabilities and Substance Abuse Services:				
Block Grant for Strategic Prevention Framework - Partnership for Success	93.243	536915	499,380	-
Promoting Integration of Primary and Behavioral Healthcare (PIPBHC) Grant Funding	93.243	536995	85,979	-
Substance Abuse and Mental Health Service Administration Healthy Transition Funding	93.243	536975	769,086	-
Total 93.243			1,354,445	-
Emergency COVID-19 Allocations	93.665	536949	59,445	-
Social Services Block Grant	93.667	536949	916,451	-
Block Grants for Community Mental Health Services	93.958	536975	7,923,844	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	536990	9,263,645	-
State Opioid Response (SORS) Funding	93.788	536949	10,661,771	-
Total U.S. Department of Health and Human Services			31,125,853	-
Total Federal Awards			31,870,041	-
State Awards				
NC Department of Health and Human Services Division of Mental Health, Developmental Disabilities and Substance Abuse Services:				
Single Stream Funding and Other State Appropriations		536998	-	68,142,387
State Disability Rights		5369DR001-03	-	742,460
Community Based Crisis		536996010	-	550,000
Alcohol and Drug Abuse Treatment Centers		53690P/Q	-	11,365,411
Crisis Services - Local Psych Inpatient (3-way)		5369PB	-	8,170,520
TCL Diversion		5369DN	-	841,000
TASC		536990	-	2,745,316
Adult MH/Adult SU Comprehensive Case Management Pilot Funds		536975	-	1,280,411
Total State Awards			-	93,837,505
Total Federal and State Awards			$ 31,870,041	$ 93,837,505

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

VAYA HEALTH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the Federal and state grant activity of Vaya Health 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-percent de minimis cost rate.