

NORTH CAROLINA BOARD OF PHARMACY

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013



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NORTH CAROLINA BOARD OF PHARMACY

Table of Contents

	<u>Page No.</u>
Management's Discussion and Analysis	1
Independent Auditor's Report	3
<i>Financial Statements</i>	
Statements of Net Position	5
Statements of Revenues, Expenses and Changes in Net Position	6
Statements of Cash Flows	8
Notes to Financial Statements	9

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2014

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the North Carolina Board of Pharmacy (the "Board"), for the fiscal year ended September 30, 2014. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous year are presented in the analysis.

Using the Financial Statements

The Board's financial report includes three financial statements: Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. These financial statements are prepared in accordance with the principles of the Governmental Accounting Standards Board ("GASB").

The Statements of Net Position include all Board current and noncurrent assets and liabilities. Current assets are those that are expected to be converted to cash within one year, and current liabilities are expected to be settled within one year.

The Statements of Revenues, Expenses and Changes in Net Position present the revenues collected and earned and expenses paid and incurred during the fiscal year.

The Statements of Cash Flows report cash from operating, investing activities, and capital financing, and is presented using the direct method.

Statements of Net Assets

The Statements of Net Position present a fiscal snapshot of the Board's financial position as of September 30, 2014 and 2013. The statements provide information on current and noncurrent assets and liabilities. The data provides information on assets available to continue operations; amounts due to vendors and lending institutions; and the net position available for expenditure by the Board.

The following table summarizes the Board's assets, liabilities and net position at September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current assets	\$ 3,948,298	\$ 4,504,803	\$ 2,975,718
Non-current assets	2,679,081	1,387,200	1,899,395
Net capital assets	<u>1,494,642</u>	<u>1,523,750</u>	<u>1,587,547</u>
Total assets	<u>8,122,021</u>	<u>7,415,753</u>	<u>6,462,660</u>
Liabilities and net position:			
Current liabilities	-	14,668	27,721
Non-current liabilities	<u>144,533</u>	<u>134,192</u>	<u>121,936</u>
Total liabilities	<u>144,533</u>	<u>148,860</u>	<u>149,657</u>
Net position:			
Invested in capital assets - net of related depreciation	<u>1,494,642</u>	1,523,749	1,587,547
Unrestricted	<u>6,482,846</u>	<u>5,743,144</u>	<u>4,725,456</u>
Total net position	<u>\$ 7,977,488</u>	<u>\$ 7,266,893</u>	<u>\$ 6,313,003</u>

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2014

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position represent the Board's results of operations. The condensed statements for the fiscal years ended September 30, 2014 and 2013, are presented as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 3,923,591	\$ 3,718,647	\$ 3,563,661
Operating expenses	<u>3,217,682</u>	<u>2,790,297</u>	<u>2,715,310</u>
Operating income	705,909	928,350	848,351
Non-operating revenues (expenses)	<u>4,686</u>	<u>25,540</u>	<u>28,837</u>
Changes in net position	710,595	953,890	877,188
Net position - beginning of year	<u>7,266,893</u>	<u>6,313,003</u>	<u>5,435,815</u>
Net position - end of year	<u>\$ 7,977,488</u>	<u>\$ 7,266,893</u>	<u>\$ 6,313,003</u>

Operating revenue consists primarily of pharmacists and pharmacy renewals for the years ended September 30, 2014 and 2013. The consistency of the operating revenue is attributable to the unchanged fees and no major industry changes during the 2014 fiscal year. Operating expenses are related to the operation of the Board, including personnel costs, investigative costs, professional fees, supplies, utilities, and depreciation. Operating expenses increased this year due to the Board adding two new investigator/inspector positions and the increase in the number of inspections conducted annually per the findings of the State Auditor's office. The Board recorded depreciation expense of \$91,175 and \$97,557, for the years ended September 30, 2014 and 2013 respectively. Non-operating revenue (expense) consists primarily of investment income and interest expense.

Events Affecting Future Operations

The Board entered into a three-year agreement in 2013 to re-design the web-based licensing information and online renewal system software, which will be completed in May 2016.

Contacting the Board's Management

This financial report is designed to provide our state, pharmacists, and creditors with a general overview of the Board's finances and demonstrate accountability of all funds received. Additional financial information may be obtained by contacting the Board at 919-246-1050.

Independent Auditor's Report

To the Board of Directors
North Carolina Board of Pharmacy
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Board of Pharmacy (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of September 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Board of Pharmacy as of September 30, 2014 and 2013, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, these financial statements are presented only for the North Carolina Board of Pharmacy and do not purport to and do not present fairly the financial position of the State of North Carolina as of September 30, 2014, nor the changes in its financial position and its cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 – 2, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
December 18, 2014

NORTH CAROLINA BOARD OF PHARMACY
Statements of Net Position
September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS:		
Current assets:		
Cash	\$ 1,191,433	\$ 1,550,862
Investments, current portion	2,608,706	2,867,397
Accrued interest	5,857	11,538
Accounts receivable	158	-
Prepaid expenses	142,144	75,006
Total current assets	<u>3,948,298</u>	<u>4,504,803</u>
Non-current assets:		
Investments, less current portion	2,522,270	1,254,827
Note receivable - officer life insurance	156,811	132,373
Total non-current assets	<u>2,679,081</u>	<u>1,387,200</u>
Capital assets, net of depreciation	<u>1,494,642</u>	<u>1,523,750</u>
Total assets	<u>8,122,021</u>	<u>7,415,753</u>
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	-	14,668
Total current liabilities	<u>-</u>	<u>14,668</u>
Noncurrent liabilities:		
Accrued vacation	144,533	134,192
Total noncurrent liabilities	<u>144,533</u>	<u>134,192</u>
Total liabilities	<u>144,533</u>	<u>148,860</u>
NET POSITION:		
Net investment in capital assets, net of related depreciation	1,494,642	1,523,749
Unrestricted	6,482,846	5,743,144
Total net position	<u>\$ 7,977,488</u>	<u>\$ 7,266,893</u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Pharmacist renewals	\$ 1,899,990	\$ 1,824,255
Pharmacist reciprocity	168,600	177,000
Pharmacist exam fees	65,400	61,000
Pharmacist/manager changes	23,975	27,160
Pharmacist reinstatements	21,060	18,360
Pharmacy renewals	612,800	630,400
Pharmacy permits	263,000	151,500
Pharmacy reinstatements	3,600	4,400
Technician renewals	389,460	370,710
Technician registrations	119,400	97,020
Technician reinstatements	36,660	31,200
Device and DME permits and renewals	222,300	230,100
Dispensing physician renewals and permits	63,750	65,100
Dispensing PA/NP renewals and permits	21,000	20,925
Pharmacy/pharmacists, lists and labels	11,026	8,578
Law books	20	14
Miscellaneous	1,550	925
Total operating revenues	<u>3,923,591</u>	<u>3,718,647</u>
Operating expenses:		
Salaries	1,582,092	1,404,360
Payroll taxes	113,667	100,493
Retirement contributions	94,304	83,526
Employee benefits	218,081	202,420
Unemployment claims	5,705	1,113
Educational expense	2,250	200
Board meeting and election expenses	16,391	14,994
Meetings per diem	8,900	10,550
Professional meetings	8,956	7,757
Inspection expense	102,831	59,752
Building dues and maintenance	27,340	21,944
Office utilities	9,341	8,566
Janitorial service	12,000	13,900
Telephone	19,747	14,948
Auto expense	40,814	30,142
Supplies	27,500	18,946
Books, dues, and subscriptions	10,436	9,849
Postage	5,079	6,648
Printing	4,650	5,996

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating expenses (Continued):		
Equipment lease	\$ 13,479	\$ 13,160
Maintenance	23,473	17,507
Special meetings and projects	11,151	13,417
Insurance	7,739	7,489
Executive director's expense	9,893	12,736
Office staff travel	7,945	7,304
Miscellaneous	1,235	1,970
Consulting fees	152,479	68,394
Bank service charges	111,377	104,803
Depreciation	91,175	97,557
Legal fees	278,752	226,256
Pharmacist recovery network	189,000	194,000
Audit fee	9,900	9,600
Total operating expenses	<u>3,217,682</u>	<u>2,790,297</u>
Operating income	<u>705,909</u>	<u>928,350</u>
Non-operating revenue (expense):		
Net investment income	19,157	45,203
Unrealized and realized loss on investments	(14,546)	(28,155)
Gain on sale of fixed assets	75	8,492
Total non-operating revenue (expense)	<u>4,686</u>	<u>25,540</u>
Change in net position	710,595	953,890
Net position - beginning	<u>7,266,893</u>	<u>6,313,003</u>
Net position - ending	<u>\$ 7,977,488</u>	<u>\$ 7,266,893</u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Cash Flows
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from fees	\$ 3,922,179	\$ 3,717,708
Other cash received	1,570	939
Cash payments to employees for service	(1,571,751)	(1,392,104)
Cash payments for operating expenses	<u>(1,483,291)</u>	<u>(1,300,228)</u>
Net cash provided by operating activities	<u>868,707</u>	<u>1,026,315</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(62,067)	(33,938)
Proceeds from sale of capital assets	-	8,670
Net cash used in capital and related financing activities	<u>(62,067)</u>	<u>(25,268)</u>
Cash flows from investing activities:		
Net purchases of investments	(1,165,805)	(48,124)
Issuance of note receivable	(24,438)	(24,438)
Net investment income	24,174	50,092
Net cash used in investing activities	<u>(1,166,069)</u>	<u>(22,470)</u>
Net increase (decrease) in cash	(359,429)	978,577
Cash - beginning of year	<u>1,550,862</u>	<u>572,285</u>
Cash - end of year	<u>\$ 1,191,433</u>	<u>\$ 1,550,862</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 705,909</u>	<u>\$ 928,350</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	91,175	97,557
Changes in assets and liabilities:		
Accounts receivable	158	-
Prepaid expenses	67,138	(389)
Accounts payable and accrued liabilities	14,668	3,723
Unemployment claims	-	9,330
Accrued vacation	<u>(10,341)</u>	<u>(12,256)</u>
Total adjustments	<u>162,798</u>	<u>97,965</u>
Net cash provided by operating activities	<u>\$ 868,707</u>	<u>\$ 1,026,315</u>

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina Board of Pharmacy (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 90 of the North Carolina General Statutes (NCGS). The Board is composed of six members who are appointed by the Governor, five after their election by North Carolina pharmacists, and one directly as the Board's public member. The Board is established to maintain minimum standards for the practice of pharmacy within the State of North Carolina. The Board's operations are funded primarily through license renewal and permit registration fees. The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees.

Basis of Presentation

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board ("GASB").

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Reporting Entity

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

Basis of Accounting

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows. The Board classifies its revenue and expenses as operating and non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license renewal fees and permits. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing types of activities and are classified as non-operating in the financial statements.

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

This classification includes cash on deposit and money market accounts with financial institutions. For purposes of reporting the statements of cash flows, the Board considers all highly liquid investments purchased with a maturity of three months or less as cash equivalents.

Investments

The Board reports investments at fair value as required by GASB Statement No. 31. Fair value is based on readily available published values. Money market funds invested through brokerage accounts are considered investments. Board investment policies are in line with the State Treasurer under N.C.G.S. §147-69.1 regarding investment options.

Capital Assets

Capital assets are recorded at cost. Property and equipment are capitalized if their life is expected to be greater than one year and their cost is \$500 or greater. Depreciation is computed over estimated useful asset lives ranging from three to thirty-nine years using the straight-line method.

Vacation and Sick Leave

Board employees may accumulate up to 320 hours of earned vacation which is fully vested when earned. On December 31, accrued vacation in excess of the limit is transferred and added to sick leave balances.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Unused sick leave is not paid upon termination of employment; therefore, no accrual for sick leave has been made.

Net Position

Net Investment in Capital Assets - Invested in capital assets, net of related debt represents the Board's total investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted - Unrestricted net position are not subject to externally imposed stipulations pertaining to their use. Unrestricted net position is used for the general operations of the Board and may be used at the discretion of the governing board to meet current expenses for any purpose. The Board has reserved \$200,000 of the unrestricted net position to cover potential litigation costs and \$180,000 to cover database upgrade costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS

Investments reported at fair value at September 30, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Traded certificates of deposit	\$4,137,265	\$3,766,949
Money market funds	993,711	355,275
	<u>\$5,130,976</u>	<u>\$4,122,224</u>

Investment income totaled \$37,113 and \$61,858, for the years ending September 30, 2014 and 2013 respectively. Related investment fees totaled \$17,956 and \$16,655, for the years ending September 30, 2014 and 2013, respectively.

Interest rate risk: Interest rate risk is the risk that the Board may face should interest rate variances affect the fair value of investments. The Board minimizes this risk by investing only in certificates of deposit.

The anticipated maturities of the Board's fixed income investments as of September 30, 2014 were as follows:

0 - 2 years	\$3,317,484
3 + years	819,781
	<u>\$4,137,265</u>

The weighted average maturities of the certificates of deposit is 1.66 years at September 30, 2014.

Credit Risk: Credit risk is the risk that an issuer other counterparty to an investment will not fulfill its obligations. At September 30, 2014, the Board's money market funds and the traded certificates of deposit were unrated.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

At September 30, 2014, the Board had cash deposits that exceeded the Federal Deposit Insurance Corporation's (FDIC) limits of \$250,000 by \$2,030,729. The Securities Investor Protection Corporation (SIPC) is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm. Also, at September 30, 2014, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$4,130,976. The Board had multiple traded certificates of deposit investments held in a brokerage account as well as a trust account that were fully insured under FDIC at September 30, 2014.

NOTE 3 - OFFICER LIFE INSURANCE

The Board owns a life insurance policy jointly with the Executive Director. The amounts recorded as note receivable - officer life insurance, represents the Board's equity in the policy, which totaled \$156,811 and \$132,373, at September 30, 2014 and 2013, respectively.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 4 - ACCRUED VACATION

Changes to accrued vacation are as follows:

	<u>2014</u>	<u>2013</u>
Beginning accrued vacation	\$ 134,192	\$ 121,936
Vacation earned	103,067	110,844
Vacation used	<u>(92,726)</u>	<u>(98,588)</u>
Ending accrued vacation	<u>\$ 144,533</u>	<u>\$ 134,192</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the Board for the year ended September 30, 2014, was as follows:

	<u>Cost</u> <u>9/30/2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Cost</u> <u>9/30/2014</u>
Capital Assets:				
Building	\$1,900,559	\$ -	\$ -	\$1,900,559
Building improvements	30,142	-	-	30,142
Furniture and Fixtures	241,562	-	-	241,562
Equipment	360,180	25,321	-	385,501
Vehicles	142,674	36,746	-	179,420
Total at historical cost	<u>2,675,117</u>	<u>62,067</u>	<u>-</u>	<u>2,737,184</u>
Less accumulated depreciation for:				
Building	\$ 499,388	\$ 48,820	\$ -	\$ 548,208
Building improvements	5,207	1,318	-	6,525
Furniture and Fixtures	220,410	6,551	-	226,961
Equipment	300,926	24,374	-	325,300
Vehicles	125,436	10,112	-	135,548
Total accumulated depreciation	<u>1,151,367</u>	<u>91,175</u>	<u>-</u>	<u>1,242,542</u>
Total capital assets, net	<u>\$1,523,750</u>	<u>\$ (29,108)</u>	<u>\$ -</u>	<u>\$1,494,642</u>

Capital asset activity for the Board for the year ended September 30, 2013, was as follows:

	<u>Cost</u> <u>9/30/2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Cost</u> <u>9/30/2013</u>
Capital Assets:				
Building	\$1,900,559	\$ -	\$ -	\$1,900,559
Building improvements	30,142	-	-	30,142
Furniture and Fixtures	238,031	3,531	-	241,562
Equipment	344,731	30,407	14,958	360,180
Vehicles	175,028	-	32,354	142,674
Total at historical cost	<u>2,688,491</u>	<u>33,938</u>	<u>47,312</u>	<u>2,675,117</u>

NORTH CAROLINA BOARD OF PHARMACY**Notes to Financial Statements**

NOTE 5 - CAPITAL ASSETS (Continued)

Less accumulated depreciation for:

Building	\$ 450,568	\$ 48,820	\$ -	\$ 499,388
Building improvements	3,889	1,318	-	5,207
Furniture and Fixtures	210,509	9,901	-	220,410
Equipment	292,346	23,360	14,780	300,926
Vehicles	143,632	14,158	32,354	125,436
Total accumulated depreciation	<u>1,100,944</u>	<u>97,557</u>	<u>47,134</u>	<u>1,151,367</u>
Total capital assets, net	<u>\$1,587,547</u>	<u>\$ (63,619)</u>	<u>\$ 178</u>	<u>\$1,523,750</u>

NOTE 6 - OPERATING LEASES

The Board leases a copying machine under an agreement that calls for lease payments of \$6,044 per year ending in October 2014. During the prior fiscal year, the Board entered into an agreement to lease a mailing machine for quarterly payments of \$1,557 ending in May 2016.

Total equipment lease expense for the years ended September 30, 2014 and 2013, was \$13,479 and \$13,160, respectively. Future annual lease payment requirements are as follows:

<u>Years Ending September 30:</u>	
2015	\$ 6,228
2016	4,152
	<u>\$ 10,380</u>

NOTE 7 - RETIREMENT PLANS

The Board contributes to the North Carolina Licensing Boards Retirement Savings Plan ("Plan"), a 401(k) defined contribution plan. The Plan has been established to provide retirement benefits for employees of State boards or agencies who have not elected by resolution to cause their employees to be eligible to become members of the Teachers' and State Employees' Retirement System and for employees hired after July 1, 1983, by an electing board or agency. The Plan is administered by an administrative committee comprised of the Executive Directors of the participating boards and agencies, with authority to amend the Plan.

Participating employees must contribute at least six percent of their gross compensation and the Board matches those contributions 100%. The employees' contributions are immediately 100% vested, and employees vest in the Board's matching contributions 20% per Plan year until they are fully vested. For vesting purposes, an employee must complete 1,000 hours of service each Plan year.

Each participant's account is credited with their individual contributions, the Board's matching contributions, and Plan earnings and forfeitures of terminated participants' non-vested accounts. Allocations are based on participant earnings and account balances, as defined. Each participant is entitled to the benefit which can be provided from the participant's account.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 7 - RETIREMENT PLANS (Continued)

Participants may retire with fully vested benefits at age 65, or at age 55 after completing five years of service. Upon termination of service, participants receive the vested value of their account in a lump-sum distribution.

Contributions to the Plan for the years ended September 30, 2014 and 2013, totaled \$235,162 and \$217,340, which consisted of \$94,304 and \$83,526 from the Board and \$140,858 and \$133,814 from employees, respectively.

NOTE 8 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board protects itself from exposures to loss through the purchase of commercial liability insurance. Tort claims against Board members are self-insured under the authority of the State Tort Claims Act. In addition, the State provides an additional coverage to the Board under the State's public officers' and employees' liability insurance contract.

NOTE 9 - COMMITMENTS

On September 1, 2013, the Board entered into a three-year agreement with MiraComp Technologies, Inc., whereby MiraComp agrees to re-design the current NCBOP web-based licensing information and online renewal system software. NCBOP has agreed to pay quarterly installments of \$30,000 commencing September 1, 2013 and ending March 1, 2016, for these services.

NOTE 10 - SUBSEQUENT EVENTS

Management of the board evaluated subsequent events through December 18, 2014, which is the date the financial statements were available to be issued.

The audit was conducted in approximately 70 hours at a cost of \$9,900.