

ONE HUNDRED THIRTY-EIGHTH

ANNUAL REPORT

NORTH CAROLINA

BOARD OF PHARMACY

FY2018 - 19



ONE HUNDRED THIRTY-EIGHTH ANNUAL REPORT
NORTH CAROLINA BOARD OF PHARMACY

October 1, 2018 – June 30, 2019

Available at: <http://www.ncbop.org/about/about.htm>

MEMBERS AND ORGANIZATION

PER REQUIREMENTS OF N.C.G.S. § 93B-2

Keith A. Vance, Lewisville, President.....Term expires April 30, 2022
Ashley H. Duggins, Asheboro, Vice PresidentTerm expires April 30, 2020
J. Andrew Bowman, LillingtonTerm expires April 30, 2021
Robert A. Graves, Asheboro.....Term expires April 30, 2020
Gene Winston Minton, LittletonTerm expires April 30, 2020
William A. Mixon, HickoryTerm expires April 30, 2022

Executive Director

Jack W. Campbell IV, Hillsborough

Associate Executive Director

Ellen Vick, Durham

General Counsel

Clinton R. Pinyan, Greensboro

Investigators/Inspectors

Joshua Kohler, Director of Investigations, Raleigh
Krystal Stefanyk, Director of Inspections, Clayton
Cindy Parham, Coordinator, Mebane
Summer Canoy, Stem
Catherine Collier, Southern Pines
Christie Cutbush, Lumberton
Maria Fabiano, Wilmington
Holly Price Hunt, Lincolnton
Megan “Chase” Kauffman Bissell, Weaverville
Lisa Mendez, Raleigh
Kimberly Sims, Louisburg
Brent Slaughter, Mount Airy
Jason Smith, Monroe
Loretta Wiesner, Asheville

Licensing

Missy Betz, Director, Chapel Hill
Debbie Stump, Mebane
Wendy Watson, Durham
Stacie Mason, Pittsboro
Leslie Wilson, Durham

Financial and HR Services

Rhonda Jones, Director, Chapel Hill
JP Brown, Durham

Operations

Kristin Moore, Director, Durham
Antoine Pryor, Durham
Lisa Parker-Hawkins, Bahama

Chapel Hill, North Carolina
October 21, 2019

Governor Roy Cooper
Raleigh, North Carolina

Dear Governor Cooper:

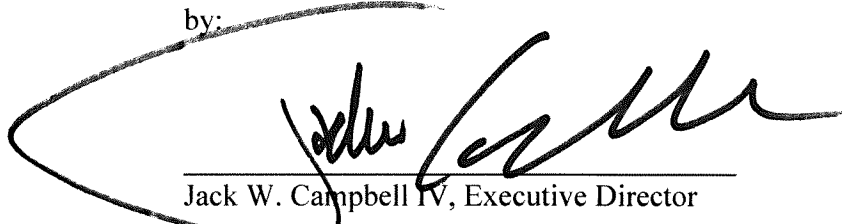
In compliance with N.C.G.S. § 93B-2, the Board of Pharmacy is pleased to submit to you the One Hundred Thirty-Eighth Annual Report of the North Carolina Board of Pharmacy.

Please note that this report and past annual reports are available to the public through the Board's website at this address: <http://www.ncbop.org/about/about.htm>

Respectfully yours,

NORTH CAROLINA BOARD OF PHARMACY

by:



Jack W. Campbell IV, Executive Director

Note Concerning the Time Frame of this Annual Report

The Board of Pharmacy formerly operated on a fiscal year running from October 1 through September 30. In 2018, the Board voted to alter its fiscal year to run July 1 through June 30. To accomplish that transition, FY 2018-19 was a short fiscal year, running October 1, 2018 through June 30, 2019. Accordingly, all data presented in this report span a nine-month period, as opposed to the usual twelve-month period.

Introduction

The Board of Pharmacy is pleased to present this summary of events and activities for FY 2018-19. The below information, and much more, may be found on the Board's website, www.ncbop.org; in the Board's quarterly newsletters, <http://www.ncbop.org/newsletters.htm>; and in the agendas for, and minutes of, the Board's regularly scheduled meetings, <http://www.ncbop.org/about/meetings.htm>.

The Board also broadcasts its regular business meetings via a streaming YouTube channel. Instructions for viewing Board meetings are found on the front page of the Board's website, www.ncbop.org. The Board meets the third Tuesday of every month, except in August and December.

Board Personnel

Members

All Board members received all training required by NCGS § 93B-5(g) in October 2018. All Board members are current in their ethics and lobbying training required by the State Government Ethics Act. All Board members timely filed their required Statements of Economic Interest.

In July 2019, Governor Cooper appointed Board member Gene Minton to a four-year term as the pharmacist member of the North Carolina Commission for Public Health. The Commission is charged to adopt rules to protect and promote the health of the public and adopt rules necessary to implement public health programs administered by the Division of Public Health. The Board is pleased that Mr. Minton will be able to bring his substantial expertise to that body.

In FY2019-2020, the Board will exercise its statutorily mandated authority to hold elections for the Northeastern and Central District member positions. The Central District is composed of Anson, Cabarrus, Chatham, Davidson, Davie, Iredell, Lee, Mecklenburg, Montgomery, Moore, Randolph, Richmond, Rowan, Stanly and Union Counties. The Northeastern District, which consists of Bertie, Camden, Chowan, Currituck, Dare, Durham, Edgecombe, Franklin, Gates, Granville, Halifax, Hertford, Hyde, Martin, Nash, Northampton, Pasquotank, Perquimans, Tyrell, Vance, Wake, Warren, Washington and Wilson Counties. All pharmacists actively licensed in North Carolina are eligible to vote for both positions. The winners of the elections will be commissioned by Governor Cooper to serve a five-year term commencing May 1, 2020.

Staff

Board Director of Inspections Krystal Stefanyk received NABP's John F. Atkinson Service Award at the association's annual meeting in Minneapolis this May. Ms. Stefanyk received the Atkinson Service Award for her dedication to protecting the public health and through her work in pharmacy and facility inspections.

Ms. Stefanyk has served the people of North Carolina as a Board inspector for 13 years and has, since 2014, served as director of inspections. She is recognized nationally as an expert in inspection processes and in United States Pharmacopeia standards governing compounded drug product preparation. She revamped the Board's inspection forms, training programs, and processes to ensure public health and safety are well protected. Her efforts led to North Carolina's recognition as an NABP Multistate Pharmacy Inspection Blueprint Program providing the highest level of public safety protection and ensuring other state boards of pharmacy that North Carolina pharmacies licensed in those states are operating lawfully and safely.

Ms. Stefanyk is a sought-after speaker on inspection and compliance topics at the local, state, regional, and national level. She has organized multistate workshops on inspecting nonsterile compounding facilities with speakers from USP and fellow state boards.

Jay Campbell, the Board's Executive Director, began serving a one-year term as president of the National Association of Boards of Pharmacy in May 2019. Mr. Campbell has focused on a presidential initiative to create enhancements to the NABP electronic licensure transfer program to further increase licensure mobility for pharmacists engaged in multi-state practice. At the conclusion of his term as president, Mr. Campbell will serve a one-year term as chairman of the NABP executive committee.

Investigations and Inspections Activity

The Board's inspections and investigations docket continues to be heavy and productive. The Board investigative staff were assigned three hundred thirty-seven (337) cases, an increase in one hundred (100) cases over the same time period a year before, while at the same time working diligently to close two hundred seventy (270) cases.

The Board's inspections continue to increase in quantity and quality. This year Board staff completed 755 inspections from October 1, 2018 to June 30, 2019, this has increased by approximately 10 inspections compared to the same time frame last year. As in past years, inspection activity continues to focus specifically (and critically) on pharmacies' ability to satisfy governing drug compounding standards for both sterile and non-sterile products.

Board staff has continued to maintain positive working relationships with colleagues at federal agencies including: Food and Drug Administration (FDA), Drug Enforcement Agency (DEA) and Department of Health and Human Services Office of Inspector General (OIG). Board staff also continues to maintain positive working relationships with several state agencies that include: North Carolina Department of Agriculture, State Bureau of Investigations Diversion and Environmental Crimes Unit, and North Carolina Department of Insurance.

Over the past fiscal year, Board investigative staff continued to expand their work into cases involving prescription drug fraud, which are typically complex and are often interstate in nature. The majority center on fraudulent billing of governmental and

private health insurers for prescription drugs that were not dispensed, were dispensed pursuant to illegitimate prescriptions, or a patient was dispensed a drug, but the insurer was billed for a different, more expensive drug. These fraud schemes also often include fraudulent billing for diabetic testing supplies such as glucometer test strips. Working closely with state and federal law enforcement agencies, Board staff was front and center in working investigations that have resulted in prison sentences for pharmacists engaged in fraud, recoupment of millions of dollars in fraudulent payments, and the suspension of numerous pharmacies' permits (within North Carolina and out-of-state).

The investigations and inspections staff continue to collaborate with the licensing staff to review applications and enhance the process of permitting pharmacies.

Additionally, Board investigative staff expanded into working cases that involve criminal charges and convictions against pharmacists and pharmacy technicians by conducting daily background checks through the Administrative Office of the Courts (AOC). These charges and convictions deal mainly with the illegal possession, manufacturing, sale of, or distribution of controlled substances. Furthermore, Board staff investigates charges and convictions of DWI offenses. A substantial component of Board investigative activity in this area is referral to the North Carolina Professionals Health Program (NCPHP) for an assessment of potential alcohol or substance abuse and, as clinically indicated, treatment for alcohol or other substance abuse.

Board investigative staff continue to make substantial contributions to combating the opioid abuse crisis. The investigations and inspections department has investigated multiple cases in which pharmacists or pharmacy technicians have diverted controlled substances for personal use or illegal distribution. Strong working relationships with local, county, state, and federal law enforcement agencies continue to help these efforts. The Board's strong working relationship with the North Carolina Professionals Health Program is also crucial to effective action by providing options for assessment and treatment for pharmacists, pharmacy technicians and pharmacy students faced with a substance use disorder. As noted in last year's report, the Board endowed the L. Stanley Haywood Recovery Fund, which provides funds to subsidize substance abuse assessment, treatment, and monitoring costs for qualifying pharmacists, pharmacy technicians, or other pharmacy personnel.

Director of Inspections Krystal Stefanyk led the Board's inspections team, along with contribution from Board Member Bill Mixon and R.Ph. Gigi Davidson, in diligently updating all the compounding inspection forms to reflect the revisions to the standards established by the United States Pharmacopeia (USP) Chapter <795> for non-sterile compounding and Chapter <797> for sterile compounding practices, as well as new USP Chapter <800> establishing minimum standards to protect patients, personnel and the environment in the compounding of hazardous drugs.

The same team developed educational resources for pharmacies wishing to implement best-practice USP Chapter <800> standards for non-compounding handling of hazardous drugs. Several other states have linked to these materials for use by

pharmacists in those states, describing them as the best, most practical guidance available on the subject.

Rulemaking Activity

Amendments to rules governing registered nurse dispensing at health departments and pharmacist-manager responsibilities went into effect on March 1, 2019.

First, an amendment to 21 NCAC 46.2403 added over-the-counter nicotine replacement therapies to the formulary of drugs and devices that registered nurses in local health department clinics may dispense. The Board promulgated this rule amendment at the request of State Health Director Betsy Tilson.

Second, an amendment to 21 NCAC 46.2502 added a new exception to the general rule that a pharmacist may only serve as pharmacist-manager at one pharmacy. A pharmacist may serve simultaneously as pharmacist-manager at two full-service pharmacies if one of the two is a newly permitted pharmacy that has not yet begun providing pharmacy services to patients. The pharmacist-manager may serve in this dual capacity until the newly permitted pharmacy begins providing pharmacy services to patients or six months from the issuance of the new pharmacy permit, whichever comes first. At that point, the pharmacist must relinquish the earlier pharmacist-manager position and may only serve as pharmacist-manager at the newly permitted pharmacy.

Other Notable Board Activities in FY2018-19

The Board partnered with More Powerful NC, a public private partnership formed to fight the opioid epidemic, to confront prescription opioid misuse. The Board printed one million auxiliary labels to place on opioid prescription vials encourage proper disposal of unused and unwanted medication and providing a link to MorePowerfulNC.org for more information. The Board of Pharmacy also provides bag stuffer handouts in several sizes that pharmacists, pharmacies, and North Carolinians can download for more information about how to prevent opioid misuse. Board Investigators and Inspectors are also distributing the auxiliary labels and bag stuffers to pharmacies throughout the state. The Board continues to provide other resources and information for inclusion on the MorePowerfulNC.org website.

The Board provided financial support to the North Carolina Association of Pharmacists to develop and host a series of educational programs to address opioid misuse and addiction. These programs, held in various locations around the state, educated pharmacists on pain management topics and best practices, harm reduction topics and service concepts, use of SBIRT (screening, brief intervention, and referral treatment) to identify potential opioid abuse, and fundamentals of medication assisted treatment for opioid misuse.

The Board worked with the North Carolina Association of Free and Charitable Clinics to support passage of an amendment to NCGS 90-85.44, which governs the

donation of drugs and devices in North Carolina. Prior to this amendment, North Carolina law required that a donated drug or device have at least six months remaining on its expiration date at the time of donation. As amended, the statute makes a drug eligible for donation if, among other things, the drug has not reached its expiration date at the time of donation. This amendment increases the pool of prescription drugs available for donation.

The Board supported passage of S.L. 2019-21, which increases pharmacists' authority to administer vaccines. This statute promises significant benefits to the public health and safety. Immediately after passage, the Board provided information and resources to assist pharmacies in preparing to exercise this new authority immediately upon its October 1, 2019 effective date.

The Board assisted the federal Food and Drug Administration, as well as the North Carolina Department of Agriculture, in communicating accurate information concerning the sale of cannabidiol (CBD)-containing "dietary supplements" and "foods."

On December 20, 2018, FDA Commissioner Scott Gottlieb issued a statement explaining that while the Farm Bill of 2018 removed hemp from the federal Controlled Substances Act, "Congress explicitly preserved the [FDA's] authority to regulate products containing cannabis or cannabis-derived compounds under the FD&C Act." Hence, the FDA "treat[s] products containing cannabis or cannabis-derived compounds as [it does] any other FDA-regulated products." Importantly, FDA reminded the regulated community that it is "unlawful under the FD&C Act . . . to market CBD or THC products as, or in, dietary supplements, regardless or whether the substances are hemp derived. This is because both CBD and THC are active ingredients in FDA-approved drugs and were the subject of substantial clinical investigations before they were marketed as . . . dietary supplements." The full text of Commissioner Gottlieb's statement may be found here: <http://www.ncbop.org/pdf/FDACAannabisStatement122018.pdf>.

In late February, the North Carolina Department of Agriculture -- which directly regulates industrial hemp products in North Carolina -- began sending letters to businesses that manufacture or sell CBD-containing products emphasizing that "North Carolina has routinely adopted by reference the federal Food, Drug & Cosmetic Act and implementing regulations. The violation of these federal laws and regulations would equally be a violation of state laws and regulations." The Department of Agriculture's letter -- like Commissioner Gottlieb's statement -- emphasizes that "CBD is the active ingredient in the approved drug product Epidiolex" and that "[s]ince CBD is the active ingredient in the approved drug product Epidiolex, it is currently excluded from being a dietary supplement under section 210(ff)(3)(B)(i) and (ii) of the FD&C Act."

The North Carolina Department of Agriculture further emphasized that "CBD products marketed with claims to prevent, mitigate, diagnose, treat or cure diseases" make those products "drugs under the FD&C Act." Accordingly, "CBD in products other than the approved drug Epidiolex and which make health claims would be a new drug that cannot legally be introduced into interstate commerce."

* * *

Again, the on-line and print resources noted above detail the wide scope of public health and safety activities undertaken by the Board. The statistics reported below further demonstrate the Board's active licensing, permitting, registration, and disciplinary docket.

N.C.G.S. § 93B-2 Report Contents

North Carolina Board of Pharmacy
Census of Licenses, Permits, and Registrations
As of June 30, 2019

These statistics, and statistics for previous years, may also be found here:
<http://www.ncbop.org/about/statistics.htm>

PHARMACISTS

Total number of active pharmacists licensed	17,009
Total number of pharmacists residing in North Carolina.....	12,328
Inactive pharmacists residing in North Carolina.....	3,291
Total number of active pharmacists residing outside of North Carolina.....	4,681

Breakdown of Employment Settings In-State

Retail Pharmacy – Chain.....	2,806
Retail Pharmacy – Independent	1,798
Hospital Pharmacies.....	2,534
Clinical Pharmacist Practitioners	289
Nursing Homes	118
Infusion	130
Free/Charitable Clinic.....	67
Government, Health Departments and Teaching	146
Other	2,728*
Unemployed.....	798
Retired.....	474

Age and Gender of Active Pharmacists in North Carolina

Under 30 years of age	1,492
30 – 39 years of age	2,832
40 – 49 years of age	3,073
50 – 59 years of age	2,494
60 – 65 years of age	1,096
Over 65 years of age	1,341
In-state Pharmacists – Female.....	7,579
In-state Pharmacists – Male	4,749

PHARMACIES

Total active in-state Pharmacy permits 2,739
Retail Pharmacy – Chain..... 1,183
Retail Pharmacy – Independent 743
Hospital Pharmacies..... 183
Nursing Homes 21
Health Departments..... 83
Free Clinics 40
IV Infusion..... 36
Automated Dispensing Systems..... 129
Others..... 321*
Total out-of-state Pharmacy permits on roster 727

DEVICE AND MEDICAL EQUIPMENT

Total DME permits on roster 785

DISPENSING PHYSICIANS

Total Physicians registered 773

PHYSICIAN ASSISTANTS AND NURSE PRACTITIONERS

Total PA’s and NP’s registered to dispense..... 314

PHARMACY TECHNICIANS

Total Pharmacy Technicians registered 18,687

* The number of pharmacists and pharmacies who indicate “other” as their practice setting reflects the broadening of pharmacy practice types and opportunities. Board staff are reviewing the types of practice settings falling within the “other” category to determine whether and how to break some of them into their own category.

(1) *The Address of the Board, and the Names of Its Members and Officers*

Board offices are located at 6015 Farrington Road, Suite 201, Chapel Hill, NC 27517.

The Board members and officers are noted on the cover page of this report.

(2) *The Number of Persons Who Applied to the Board for Examination*

568 persons applied to the Board for licensure by examination in FY2018-19. Readers are reminded that, as noted at the beginning of the report, this number reflects nine months of data because of the change in the Board’s fiscal year.

(3) *The Number of Persons Who Were Refused Examination*

No candidate was refused on the basis that the candidate did not possess the qualifications necessary to sit for examination.

(4) *The Number of Persons Who Took the Examination*

568 candidates sat for examination in FY2018-19. Two (2) candidates withdrew from examination.

(5) *The Number of Persons to Whom Initial Licenses Were Issued*

The Board issued 215 licenses by examination in FY2018-19. Readers are reminded that, as noted at the beginning of the report, this number reflects nine months of data because of the change in the Board's fiscal year. Moreover, FY2018-19 ended on June 30. On that date, many new pharmacy school graduates had sat for examination, but had not yet received their scores. So, this number must not be read as stating that only 215 of the 568 candidates who sat for examination successfully completed the exam. In fact, the overwhelming majority successfully completed the licensing examinations.

(6) *The Number of Persons Who Failed One or More Licensure Examinations*

104 candidates failed one or more of the licensure examinations in FY2018-19. Note that, by Board rule, a candidate is granted five (5) opportunities to pass each of the licensure examinations – the North American Pharmacy Licensure Exam (NAPLEX) and the Multistate Pharmacy Jurisprudence Exam (MPJE). The vast majority of applicants who fail one of these exams pass on a subsequent attempt.

(7) *The Number of Persons Who Applied for License by Reciprocity or Comity*

293 persons applied for licensure by reciprocity in FY2018-19. Readers are reminded that, as noted at the beginning of the report, this number reflects nine months of data because of the change in the Board's fiscal year.

(8) *The Number of Persons Who Were Granted Licenses by Reciprocity or Comity*

227 persons were granted licensure by reciprocity in FY2018-19.

(9) *The Number of Applicants With a Conviction Record and, Of That Number, the Number Granted a License, Denied a License For Any Reason, and Denied a License Because of a Conviction*

35 persons with a conviction record applied for a license or registration from the Board. 33 of these applicants were granted a license or registration. None of these applicants were denied a licensure or registration because of the conviction, or any other reason. Two (2) of these applicants withdrew their applications for a license or registration.

(10) The Number of Complaints Involving Licensed and Unlicensed Activities, The Number of Disciplinary Actions Taken Against Licensees and Nonlicensees (Including Injunctive Relief), The Number of Licenses Suspended or Revoked

Total number of complaints received involving licensee and unlicensed activities	226
Total number of inspections conducted	755
Total number of “no action” decisions after investigation (<i>i.e.</i> , investigation did not find any violation of law)	51
Total number of “no action” decisions due to Board having no jurisdiction over complained-of behavior	12
Total number of injunctions obtained to halt unlicensed practice	3
Total number of warning letters issued post pre-hearing conference or by administrative disposition	90
Total number of cases resulting in consent orders	7
Total number of cases resulting in full board hearings	15
Pharmacist license applications denied	*
Pharmacist licenses revoked	0
Pharmacist licenses suspended	8
Pharmacist licenses surrendered	8
Pharmacy technician registration applications denied	*
Pharmacy technician registrations revoked	1
Pharmacy technician licenses suspended	9
Pharmacy technicians surrendered	13
Pharmacy permit applications denied	*
Pharmacy permits revoked	0
Pharmacy permits suspended	3
Pharmacy permits surrendered	2
DME permit applications denied	*
DME permits revoked	0
DME permits suspended	0
DME permits surrendered	0

*Each year, Board staff identifies deficiencies in pharmacist, technician, pharmacy and DME license/registration/permit applications and notifies the applicant of them. In some cases, the applicant abandons the application. These “abandoned” applications, however, are not “denials” because no final Board action was taken.

- (11) *The Number of Licenses Terminated For Any Reason Other than Failure to Pay the Required Renewal Fee*

Beyond the number of licenses suspended or revoked for disciplinary reasons (see number 10 above), no licenses, permits, or registrations were terminated for reasons other than failure to pay the required renewal fee.

- (12) *The Substance of Any Anticipated Request by the Occupational Licensing Board to the General Assembly to Amend Statutes Related to the Occupational Licensing Board*

The Board does not anticipate making any request to the General Assembly to amend statutes.

- (13) *The Substance of Any Anticipated Adoption of New Rules By the Occupational Licensing Board*

The Board has created a Telepharmacy Committee to review various issues surrounding telepharmacy services and make recommendations to the full Board on rule amendment, creation, or repeal to address those issues. Those recommendations are likely to be acted upon in FY 2019-2020.

**BOARD OF PHARMACY
FINANCIAL AUDIT REPORT
FOR FY2018-19**

NORTH CAROLINA BOARD OF PHARMACY

FINANCIAL STATEMENTS

**NINE-MONTH PERIOD OCTOBER 1, 2018
THROUGH JUNE 30, 2019**



NORTH CAROLINA BOARD OF PHARMACY

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NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Nine-Month Period October 1, 2018 through June 30, 2019

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 nine-month period ended June 30, 2019. The Board changed its year-end from September 30 to June 30 effective October 1, 2018. 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 nine-month period and the previous two fiscal years are presented in the analysis.

Using the Financial Statements

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

The Statement of Net Position includes 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 Statement of Revenues, Expenses and Changes in Net Position presents information on how the Board's net position changed as a result of the years' operations.

The Statement of Cash Flows reports cash from operating activities, capital and related financing activities, and investing activities, and are presented using the direct method.

Statement of Net Position

The following Statements of Net Position presents a fiscal snapshot of the Board's financial position as of June 30, 2019, September 30, 2018 and September 30, 2017. 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:

	<u>June 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Assets:			
Current assets	\$ 3,495,994	\$ 2,499,272	\$ 4,594,330
Non-current assets	5,762,024	5,384,868	3,764,303
Net capital assets	<u>1,775,440</u>	<u>1,803,978</u>	<u>1,839,259</u>
Total assets	<u>11,033,458</u>	<u>9,688,118</u>	<u>10,197,892</u>
Liabilities:			
Current liabilities	46,793	82,871	74,532
Non-current liabilities	189,641	151,077	158,258
Total liabilities	<u>236,434</u>	<u>233,948</u>	<u>232,790</u>
Net position:			
Invested in capital assets - net of related depreciation	1,775,440	1,803,978	1,839,259
Unrestricted	<u>9,021,584</u>	<u>7,650,192</u>	<u>8,125,843</u>
Total net position	<u>\$ 10,797,024</u>	<u>\$ 9,454,170</u>	<u>\$ 9,965,102</u>

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Nine-Month Period October 1, 2018 through June 30, 2019

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position represents the Board's results of operations. The following presents condensed financial information for Board operations for the following periods:

	Nine-Month Period Ended, June 30, 2019	Year Ended, September 30, 2018	Year Ended, September 30, 2017
Operating revenues	\$ 4,288,337	\$ 4,538,005	\$ 4,340,239
Operating expenses	<u>3,153,932</u>	<u>5,052,735</u>	<u>3,860,678</u>
Operating income (loss)	1,134,405	(514,730)	479,561
Non-operating revenues	<u>208,449</u>	<u>3,798</u>	<u>26,236</u>
Changes in net position	1,342,854	(510,932)	505,797
Net position - beginning of year	<u>9,454,170</u>	<u>9,965,102</u>	<u>9,459,305</u>
Net position - end of year	<u>\$ 10,797,024</u>	<u>\$ 9,454,170</u>	<u>\$ 9,965,102</u>

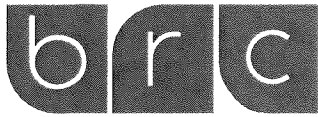
Operating revenues consisted primarily of pharmacists and pharmacy renewals. Operating revenues for the nine-month period ended June 30, 2019 were \$4,288,337 compared to \$4,538,005 for the twelve-month period ended September 30, 2018. Operating expenses are related to the operation of the Board and include personnel costs, investigative costs, professional fees, bank service charges and depreciation. Also included in operating expenses in the prior year was a \$1.1 million grant awarded to NC Professionals Health Program (NCPHP) to provide scholarships to pharmacists or other pharmacy personnel participating in the NCPHP programs. The Board recorded depreciation expense of \$110,741 and \$132,349, for the nine-month period and year ended June 30, 2019 and September 30, 2018, respectively. Non-operating revenues consisted primarily of net investment income and unrealized and realized gains (losses) on investments.

Events Affecting Future Operations

The Board entered into a five year agreement with Thoughtspan Technologies Inc. (Note 10), whereby Thoughtspan agrees to design, implement and support a new North Carolina Board of Pharmacy web-based licensing information and online renewal system software.

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 statement of net position as of June 30, 2019, and the related statement of revenues, expenses and changes in net position, and cash flows for the nine-month period October 1, 2018 through June 30, 2019, 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 June 30, 2019, and its changes in financial position and cash flows for the nine-month period October 1, 2018 through June 30, 2019 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 June 30, 2019, nor the changes in its financial position and its cash flows thereof for the nine-month period October 1, 2018 through June 30, 2019 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
October 8, 2019

NORTH CAROLINA BOARD OF PHARMACY
Statement of Net Position
June 30, 2019

ASSETS:

Current assets:

Cash	\$ 1,455,717
Investments, current portion	1,864,940
Accrued interest	33,657
Prepaid expenses	141,680
Total current assets	<u>3,495,994</u>

Non-current assets:

Investments, less current portion	5,513,861
Note receivable - officer life insurance	248,163
Total non-current assets	<u>5,762,024</u>

Capital assets, net of depreciation

1,775,440

Total assets

11,033,458

LIABILITIES:

Current liabilities:

Accounts payable	46,793
Total current liabilities	<u>46,793</u>

Noncurrent liabilities:

Accrued vacation	189,641
Total noncurrent liabilities	<u>189,641</u>

Total liabilities

236,434

NET POSITION:

Net investment in capital assets	1,775,440
Unrestricted	<u>9,021,584</u>
Total net position	<u>\$ 10,797,024</u>

NORTH CAROLINA BOARD OF PHARMACY
Statement of Revenues, Expenses and Changes in Net Position
Nine-Month Period October 1, 2018 through June 30, 2019

Operating revenues:	
Pharmacist renewals	\$ 2,229,660
Pharmacist reciprocity	169,800
Pharmacist exam fees	56,500
Pharmacist/manager changes	21,770
Pharmacist reinstatements	19,440
Pharmacy renewals	675,000
Pharmacy permits	177,500
Pharmacy reinstatements	800
Technician renewals	455,250
Technician registrations	85,620
Technician reinstatements	36,480
Device and DME permits and renewals	216,700
Dispensing physician renewals and permits	61,875
Dispensing PA/NP renewals and permits	25,050
Pharmacy/pharmacists, lists and labels	35,715
Miscellaneous	21,177
Total operating revenues	<u>4,288,337</u>
Operating expenses:	
Salaries	1,543,096
Payroll taxes	110,212
Retirement contributions	92,071
Employee benefits	218,036
Educational expense	597
Board meeting and election expenses	15,383
Meetings per diem	12,850
Professional meetings	19,543
Inspection expense	41,933
Building dues and maintenance	88,279
Office utilities	5,730
Janitorial service	9,000
Telephone	21,055
Auto expense	21,676
Supplies	5,576
Books, dues, and subscriptions	8,615
Postage	4,468
Printing	6,025

NORTH CAROLINA BOARD OF PHARMACY
Statement of Revenues, Expenses and Changes in Net Position (Continued)
Nine-Month Period October 1, 2018 through June 30, 2019

Operating expenses (Continued):	
Equipment lease	\$ 4,277
Maintenance	92,902
Special meetings and projects	11,220
Insurance	33,571
Executive director's expense	7,390
Office staff travel	3,761
Miscellaneous	177
Consulting fees	47,333
Bank service charges	122,959
Depreciation	110,741
Legal fees	258,913
Pharmacist recovery programs	187,500
Sponsorship and advertising	37,468
Audit fee	11,575
Total operating expenses	<u>3,153,932</u>
Operating income	<u>1,134,405</u>
Non-operating revenues (expense):	
Net investment income	72,941
Unrealized and realized gain on investments	141,596
Loss on sale of fixed assets	<u>(6,088)</u>
Total non-operating revenues	<u>208,449</u>
Changes in net position	1,342,854
Net position - beginning of year	<u>9,454,170</u>
Net position - end of year	<u><u>\$ 10,797,024</u></u>

NORTH CAROLINA BOARD OF PHARMACY
Statement of Cash Flows
Nine-Month Period October 1, 2018 through June 30, 2019

Cash flows from operating activities:	
Cash received from fees	\$ 4,267,538
Other cash received	21,177
Cash payments to employees for service	(1,504,532)
Cash payments to suppliers for goods and services	(1,313,061)
Cash payments for other operating expenses	(269,070)
Net cash provided by operating activities	<u>1,202,052</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(90,884)
Proceeds from sale of capital assets	2,593
Net cash used in capital and related financing activities	<u>(88,291)</u>
Cash flows from investing activities:	
Purchase of investments	(3,426,703)
Proceeds from sales of investments	3,356,265
Net investment income	72,941
Net cash provided by investing activities	<u>2,503</u>
Net increase in cash	1,116,264
Cash - beginning of year	<u>339,453</u>
Cash - end of year	<u><u>\$ 1,455,717</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 1,134,405</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	110,741
Changes in assets and liabilities:	
Accounts receivable	378
Prepaid expenses	(45,958)
Accounts payable and accrued liabilities	(36,078)
Accrued vacation	38,564
Total adjustments	<u>67,647</u>
Net cash provided by operating activities	<u><u>\$ 1,202,052</u></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. The Board elected to change its fiscal year end from September 30 to June 30, effective October 1, 2018. Therefore, the accompanying Statement of Revenues, Expenses and Changes in Net Position is presented for the nine-month period ended June 30, 2019.

Reporting Entity

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and may be 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 Statement 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 ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Board adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued in March 2018 by the Governmental Accounting Standards Board and effective for reporting periods beginning after June 15, 2018. The GASB had no effect on the amounts previously reported or disclosed in these financial statements.

Cash and Cash Equivalents

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

Investments

Investments consist of money market funds, certificates of deposit, and government securities invested through brokerage accounts and are reported at fair value. Investments maturing within the next fiscal year are shown as current. 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. The Board capitalizes assets that have a cost of \$2,000 or greater at the date of acquisition and an expected useful life in excess of one year. 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

The Board's net position is classified as follows:

Net Investment in Capital Assets - This classification represents the Board's total investment in capital assets, net of accumulated depreciation.

Unrestricted - This classification represents assets with no external restriction as to use or purpose. 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 \$500,000 of the unrestricted net position to cover potential litigation costs, \$560,159 to cover IT infrastructure, \$17,760 to cover funds for a substance abuse program, and \$1,075,000 to cover insurance deductibles.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

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

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Investments reported at fair value at June 30, 2019 consisted of the following:

Money market funds	\$ 36,351
Traded certificates of deposit	2,327,994
Government securities	<u>5,014,456</u>
	<u>\$7,378,801</u>

Interest income and related investment fees totaled \$100,049 and \$27,108, respectively, for the nine-month period ended June 30, 2019.

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 and government securities.

The anticipated maturities of the Board's fixed income investments as of June 30, 2019 were as follows:

0 - 2 years	\$4,171,566
2 - 5 years	<u>3,170,884</u>
	<u>\$7,342,450</u>

The weighted average maturities of the certificates of deposit are 1.99 years at June 30, 2019.

The weighted average maturities of the government securities are 2.00 years at June 30, 2019.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019, the Board's money market funds and the traded certificates of deposit were unrated and the government securities are fully backed by the United States government.

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.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2019, the Board had cash deposits and money market accounts that exceeded the Federal Deposit Insurance Corporation's (FDIC) limits of \$250,000 by \$1,244,765. In addition, government securities with a fair value of \$5,014,456 at June 30, 2019 are not insured by the FDIC. 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. At June 30, 2019, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$6,378,801, which included multiple traded certificates of deposit investments totaling \$2,327,994 held in a brokerage account that were individually insured up to \$250,000 under FDIC at June 30, 2019.

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Board's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The Board's investments at June 30, 2019 are all classified within the Level 2 fair value hierarchy.

NOTE 4 - OFFICER LIFE INSURANCE

The Board owns a life insurance policy jointly with the Executive Director. The amount recorded as note receivable - officer life insurance, represents the Board's equity in the policy, which totaled \$248,163 at June 30, 2019.

NOTE 5 - ACCRUED VACATION

Changes to accrued vacation are as follows for the nine-month period ended June 30, 2019:

Beginning accrued vacation	\$ 151,077
Vacation earned	154,651
Vacation used	<u>(116,087)</u>
Ending accrued vacation	<u>\$ 189,641</u>

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the Board for the nine-month period ended June 30, 2019, was as follows:

	Cost 9/30/2018	Additions	Disposals	Cost 6/30/2019
Capital Assets:				
Building	\$1,900,559	\$ -	\$ -	\$1,900,559
Building improvements	96,062	-	(1,160)	94,902
Furniture and fixtures	252,239	3,539	(20,427)	235,351
Equipment	335,751	59,215	(117,970)	276,996
Vehicles	197,789	22,930	-	220,719
Software	350,000	5,200	-	355,200
Total at historical cost	<u>3,132,400</u>	<u>90,884</u>	<u>(139,557)</u>	<u>3,083,727</u>
Less accumulated depreciation for:				
Building	743,488	36,615	-	780,103
Building improvements	24,434	4,284	(528)	28,190
Furniture and fixtures	241,432	2,536	(20,427)	223,541
Equipment	232,474	33,272	(109,921)	155,825
Vehicles	61,317	16,476	-	77,793
Software	25,277	17,558	-	42,835
Total accumulated depreciation	<u>1,328,422</u>	<u>110,741</u>	<u>(130,876)</u>	<u>1,308,287</u>
Total capital assets, net	<u>\$1,803,978</u>	<u>\$ (19,857)</u>	<u>\$ (8,681)</u>	<u>\$1,775,440</u>

NOTE 7 - OPERATING LEASES

The Board leases a copying machine under an agreement that calls for annual lease payments of \$2,661, ending in July 2022. The Board also leases a postage machine under an agreement that calls for annual lease payments of \$1,348 ending in May 2020.

Future annual lease payment requirements are as follows:

<u>Year Ending June 30:</u>	
2020	\$ 3,559
2021	2,661
2022	1,996
	<u>\$ 8,216</u>

The Board also leases other equipment on an as needed basis. Total equipment lease expense for the nine-month period ended June 30, 2019 was \$4,277.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 8 - 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.

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 nine-month period ended June 30, 2019 totaled \$215,906, which consisted of \$92,071 from the Board and \$123,835 from employees.

During the nine-month period ended June 30, 2019, the Board had no retirement forfeiture balances to offset retirement matching contributions.

NOTE 9 - 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.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 10 - COMMITMENTS

On April 25, 2016, the Board entered into a five-year agreement with Thoughtspan Technologies, Inc., whereby Thoughtspan agrees to design, implement and support a new North Carolina Board of Pharmacy web-based licensing information and online renewal system software. The total contract price of \$699,903 includes one time fees totaling \$366,000 for a perpetual license fee, configuration, implementation, conversion and training, and annual fees totaling \$333,903 for five years of support and maintenance after implementation. The annual fees are subject to an annual increase of 2%. The Board paid a total of \$553,499 related to the contract through June 30, 2019, of which \$350,000 has been capitalized and is included in capital assets in the accompanying statement of net position at June 30, 2019.

The Board entered into an agreement with North Carolina Professionals Health Program (NCPHP), a non-profit corporation, to offer recovery programs for pharmacists in North Carolina, effective January 15, 2016. This agreement replaced services previously obtained from the North Carolina Pharmacist Recovery Network. The agreement was renewed during the year ended September 30, 2017 and ran January 15, 2017 through September 30, 2018, after which it automatically renews for successive one-year terms unless either party provides written notice of termination at least six months prior to expiration. The contract includes a \$250,000 annual fee payable in quarterly installments. Payments to NCPHP for the nine-month period ended June 30, 2019 totaled \$187,500.

NOTE 11 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through October 8, 2019, which is the date the financial statements were available to be issued.

The audit was conducted in approximately 90 hours at a cost of \$13,000.