

ONE HUNDRED THIRTY-NINTH

ANNUAL REPORT

NORTH CAROLINA

BOARD OF PHARMACY

FY2019 - 2020



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

July 1, 2019 – June 30, 2020

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

MEMBERS AND ORGANIZATION

PER REQUIREMENTS OF N.C.G.S. § 93B-2

Ashley H. Duggins, Asheboro, President Term expires April 30, 2025
William A. Mixon, Hickory, Vice President Term expires April 30, 2022
J. Andrew Bowman, Lillington Term expires April 30, 2021
Keith A. Vance, Lewisville Term expires April 30, 2022
Wallace E. Nelson, Hertford Term expires April 30, 2025
Mischelle J. Corbin, Raleigh Term expires April 30, 2025

Executive Director
Jack W. Campbell IV

Associate Executive Director
Ellen Vick

General Counsel
Clinton R. Pinyan

Investigators/Inspectors

Joshua Kohler, Director of Investigations
Krystal Stefanyk, Director of Inspections
Cindy Parham, Coordinator
Summer Canoy
Christie Cutbush
Maria Fabiano
Holly Price Hunt
Megan “Chase” Kauffman Bissell
Kimberly Sims
Brent Slaughter
Jason Smith
Sacejewia White
Loretta Wiesner

Licensing

Missy Betz, Director
Debbie Stump
Wendy Watson
Stacie Mason
Leslie Wilson

Financial and HR Services

Rhonda Jones, Director
JP Brown

Operations

Kristin Moore, Director
Antoine Pryor
Lisa Parker-Hawkins

Chapel Hill, North Carolina
October 23, 2020

Governor Roy Cooper
Raleigh, North Carolina

Dear Governor Cooper:

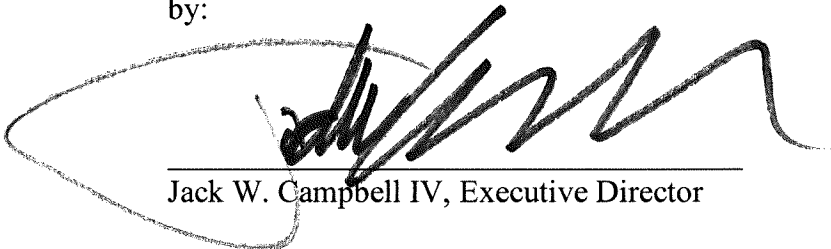
In compliance with N.C.G.S. § 93B-2, the Board of Pharmacy is pleased to submit the One Hundred Thirty-Ninth Annual Report of the North Carolina Board of Pharmacy.

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:

A handwritten signature in black ink, appearing to read "Jack W. Campbell IV", is written over a horizontal line. The signature is stylized with a large, sweeping initial "J" and "C".

Jack W. Campbell IV, Executive Director

****Note Concerning the Time Frame of this Annual Report****

As noted in the introduction to last year's 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, FY2018-19 was a short fiscal year, running October 1, 2018 through June 30, 2019. Accordingly, all data presented in last year's report spanned a nine-month period, as opposed to the usual twelve-month period.

The fiscal year transition is now complete, and this annual report presents data spanning a twelve-month period – July 1, 2019 through June 30, 2020.

Introduction

The Board of Pharmacy presents this summary of events and activities for FY2019-2020. 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 online. 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 due for training required by NCGS § 93B-5(g) received it in September 2020. All Board members are current in their ethics and lobbying training as required by the State Government Ethics Act. All Board members timely filed their required Statements of Economic Interest.

In FY2019-2020, the Board exercised its statutory authority to hold elections for the Northeastern and Central District member positions. The Northeastern District spans 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. The Central District spans Anson, Cabarrus, Chatham, Davidson, Davie, Iredell, Lee, Mecklenburg, Montgomery, Moore, Randolph, Richmond, Rowan, Stanly, and Union Counties. All pharmacists actively licensed and residing in North Carolina as of November 1, 2019 were eligible to vote for both positions.

From the Central District, the pharmacists of North Carolina elected, and Governor Cooper commissioned to a five-year term, Ashley H. Duggins. As faithful readers of the Board's annual reports will recall, in 2018 the Board selected, and Governor Cooper commissioned, Dr. Duggins to fulfill the remainder of L. Stan Haywood's term as a board member. As a result of the election, Dr. Duggins will continue to serve through April 30, 2025. Dr. Duggins is a 2002 graduate of the University of North Carolina Eshelman School of Pharmacy. She owns and operates Prevo Drug in Asheboro. Dr. Duggins presently serves as the Board's President.

The Board thanks Danielle Andreasen, Marshal Carter, Nicole Eastman, Angela Smith, and Tim Weber for their candidacies.

From the Northeastern District, the pharmacists of North Carolina elected, and Governor Cooper commissioned to a five-year term, Wallace E. Nelson. Mr. Nelson

hails from Hertford, and he is a graduate of the University of North Carolina Eshelman School of Pharmacy. Mr. Nelson previously served with distinction as a Board member from 2000-2010. Indeed, he received the Order of the Long Leaf Pine in recognition of that service.

The Board thanks Russell Boratko, David Catalano, Ned Clark, Chad Cobus, Tony Mitchum, Cornelius Toliver, and Tara Torrence for their candidacies.

In June 2020, Governor Cooper commissioned Mischelle Johnson Corbin to a five-year term as the Board's public member. Ms. Corbin is a graduate of South Carolina State University in Orangeburg, SC where she represented her school as a student-athlete on the conference champion women's tennis team. She earned a Bachelor of Science in Computer Science and worked for the State of North Carolina, Department of Cultural Resources as a programmer for a year. Ms. Corbin then enjoyed a 20-year career with Xerox Corporation, and she currently serves as the Vice President, Operations at an independent insurance agency. Ms. Corbin enjoys helping others and serving her community. She is a proud 28-year member of Delta Sigma Theta Sorority, Incorporated and is a member of Wilson Temple United Methodist Church. Ms. Corbin grew up working in her father's pharmacy, Hamlin Drug Company, in downtown Raleigh, NC.

The Board thanks Robert Graves, the public member from 2015-2020, for superlative service. Mr. Graves' law enforcement background proved an exceptional asset to the Board. He was instrumental in development and refinement of Board inspection and investigation policies, as well as a comprehensive office security program. His steady demeanor and incisive mind made him a capable hearing officer and contributor to the Board's policymaking work. Board members and staff will miss Mr. Graves and wish he and his wife, Donna, the best.

* * *

In FY2020-2021, the Board will hold an election for the Southeastern District member position. The Southeastern District is composed of Beaufort, Bladen, Brunswick, Carteret, Columbus, Craven, Cumberland, Duplin, Greene, Harnett, Hoke, Johnston, Jones, Lenoir, New Hanover, Onslow, Pamlico, Pender, Pitt, Robeson, Sampson, Scotland, and Wayne Counties. All pharmacists actively licensed and residing in North Carolina on November 1, 2020 will be eligible to vote.

The Southeastern District seat is held by Dr. Andrew Bowman, and he is eligible to run for a second term. The winner of the election, which will run from November 1, 2020 through March 1, 2021, will be commissioned for a five-year term of service beginning May 1, 2021.

Staff

In May 2020, a Board field investigator resigned to accept a position with the North Carolina Department of Insurance. As a result, Associate Executive Director Ellen Vick worked with her staff to analyze Inspections and Investigations Department needs and to determine how responsibilities among existing staff could be altered both to fill those needs and to create new opportunities for growth and advancement. Two new Enforcement Specialist positions combine investigative, administrative, and training responsibilities. Loretta Wiesner and Cindy Parham have accepted these new roles.

Board Executive Director Jay Campbell completed a one-year term as president of the National Association of Boards of Pharmacy in May 2019. Mr. Campbell immediately rotated to a one-year term as NABP chairman.

January 2020 saw the passing of Gail Brantley, who retired as the Board's Director of Financial Services in 2017 after 41 years of service. Gail had a strength and resilience that amazed us. It was evident in every challenge that Gail faced, and never more so than throughout her 30-year battle with breast cancer. She inspired Board staff daily. When Gail retired, the Board members and staff dedicated the Board's terrace and garden space to her: "May this space forever serve as a commemoration of Gail's immeasurable contributions and of her grace, strength, and beauty." We are thankful for our time with Gail, and we miss her terribly.

COVID-19 Response

The public health crisis wrought by the COVID-19 pandemic substantially impacted, and continues to substantially impact, the profession of pharmacy and the Board.

In late March 2020, the Board office was closed to the public and staff began working from home. Board services to licensees, permittees, registrants, and the public continue without interruption, however. Board IT Administrator Antoine Pryor's continuity-of-operations system, hardware, and software upgrades over the preceding two years proved up to the significant challenge of COVID-19. Board meetings continue to be held by teleconference.

The most significant COVID-19 impact on Board operations has been, and continues to be, field inspections. Prior to the COVID-caused halt on routine inspections on March 15, 2020, Board inspections were proceeding at the usual robust rate (646 completed from July 1, 2020 through the March 15, 2020 shutdown). Board field staff remain fully occupied with inspection and investigation reports and special projects. Complaint-based investigations have continued at a reduced rate, with field investigators conducting as much of their work as is reasonably possible through document review and telephone or teleconference interviews. In-person interviews and field investigative work continue with use of appropriate precautions.

In September 2020, the Board approved a modified routine inspection policy that extended inspection due dates for one year, subject to certain risk-based exceptions: the pharmacy's previous inspection revealed areas of concern that required correction; the pharmacy performs sterile compounding services; the pharmacy is the subject of a complaint-based investigation; or the pharmacy is newly permitted and requires an operational inspection.

Throughout the public health emergency, Board members and staff have continuously provided updates, links, waivers, and other services to pharmacists and the public. Updates appear on the front page of the Board's website – www.ncbop.org.

Board staff also consolidate and index these materials to a centralized COVID-19 Update and Resource page – <http://www.ncbop.org/COVID19.html>. That page includes information on emergency declarations, temporary pharmacy closures and relocations, emergency rules, BOP waivers and guidance documents, North Carolina Department of Health and Human Services resources, licensure/registration/volunteer resources, federal guidance, and guidance from other state and local agencies.

Some of the specific actions that the Board took as a result of the COVID-19 public health emergency include:

- Issued an emergency services waiver authorizing a pharmacist or nationally-certified pharmacy technician licensed or registered in good standing in another state to practice in North Carolina during the declared emergency without being licensed or registered with the North Carolina Board of Pharmacy. The Board operationalized this waiver using the National Association of Boards of Pharmacy Passport system (available without cost during the pandemic emergency).
- Issued an emergency services waiver authorizing the use of remote work technology for tasks such as prescription order entry and prescription data verification notwithstanding any provision of the Pharmacy Practice Act to the contrary. This waiver allowed pharmacies additional flexibility to maintain patient services while reducing risks of person-to-person coronavirus transmission.
- At the request of Secretary of Health and Human Services Mandy Cohen and State Health Director Betsey Tilson, and in cooperation with the North Carolina Medical Board and the North Carolina Board of Nursing, promulgated 21 NCAC 46.1819, the COVID-19 Drug Preservation Rule. The search for potential COVID-19 treatments caused shortages certain drugs. The COVID-19 Drug Preservation Rule placed a handful of prescription drugs on a restricted list. The rule specified that prescribing or dispensing any of the restricted drugs requires a documented diagnosis. If the documented diagnosis is COVID-19 infection, the prescription must be limited to a 14-day supply with no refills. The Pharmacy, Medical, and Nursing Board rules were first promulgated as emergency rules, then as temporary rules. As a result of this action,

documented shortages of prescription drugs – particularly hydroxychloroquine – caused by improper prescribing and hoarding behavior were alleviated, ensuring that patients who rely on these drugs for chronic disease management retained access. A permanent rulemaking is underway to ensure that these shortages will not recur once the temporary rule expires in March 2021.

- Waived enforcement of the requirement that an immunizing pharmacist hold a current provider level cardiopulmonary resuscitation certificate if the certification expires during the state of emergency. CPR courses have been, for obvious reasons, sparse during the pandemic. This waiver ensured that previously-certified immunizing pharmacists could continue to provide immunizations during the pandemic.

- Waived – for 2020 graduates of an ACPE-approved school of pharmacy who have applied for licensure in North Carolina – rule language limiting status as a “pharmacy intern” to students “enrolled in approved academic internship programs.” The waiver ensures that 2020 pharmacy school graduates retain intern status – and therefore the ability to perform all acts constituting the practice pharmacy while under supervision by a North Carolina licensed pharmacist – through the end of the year while completing licensure requirements.

Investigations and Inspections Activity

The Board’s inspections and investigations docket continues to be full and productive. Board investigative staff initiated three hundred fifty (350) cases and worked diligently to close three hundred sixty-eight (368) cases. As noted above, the COVID-19 public health emergency significantly impacted the Board’s routine inspection program.

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 continues to maintain positive working relationships with several state agencies: North Carolina Department of Agriculture, State Bureau of Investigations Diversion and Environmental Crimes Unit, and North Carolina Department of Insurance.

Board investigative staff continue 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. In cooperation 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 pharmacies' permits (within North Carolina and out-of-state).

Investigations and inspections staff continue to collaborate with the licensing staff to review and enhance the vetting process for pharmacy permit applications.

Additionally, Board investigative staff expanded into working cases that involve criminal charges and convictions against pharmacists and pharmacy technicians by conducting daily background checks of pharmacists and pharmacy technicians through the North Carolina Administrative Office of the Courts (AOC).

Board investigative staff continue to make substantial contributions to combating the opioid public health 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 (NCPHP) is also crucial to its enforcement efforts. NCPHP provides substance use disorder assessment and treatment options for pharmacists, pharmacy technicians and pharmacy students.

Rulemaking Activity

As noted above, the Board completed emergency and temporary rulemakings to implement the COVID-19 Drug Preservation Rule.

The Board completed a rulemaking to change selection method for its Device and Medical Equipment Committee from election to appointment. This change brought the selection method for the DME committee into line with all other Board committees. Further, it: (a) eliminated wasteful use of Board and candidate resources to hold elections with extremely low voter turnout; (b) potentially increased the interest in serving on the Device and Medical Equipment Committee, since interested persons will no longer have to run for election; and (c) eliminated term limits for committee members, allowing experienced and contributing members to continue to serve.

The Board also completed a thorough revision of its administrative hearing procedural rules in 21 NCAC Section .2000. These revisions: (1) brought the rules into compliance with the letter of the Administrative Procedures Act (“APA”); (2) removed rules that simply restate substantive law, provisions of the APA, or other board rules; (3) brought the rules into compliance with the Board’s practices; (4) provided clarity on procedural steps not previously covered (or covered inadequately); (5) notified the parties of certain provisions that are currently covered in Board orders, so that parties can be aware of those provisions from the outset; and (6) generally made the hearing process as efficient as it can be consistent with the APA.

* * *

Again, the on-line and print resources noted above detail the wide scope of public health and safety activities undertaken by the Board during FY2019-2020. 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, 2020

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.....	17,284
Total number of pharmacists residing in North Carolina	12,484
Inactive pharmacists residing in North Carolina	3,544
Total number of active pharmacists residing outside of North Carolina	4,800

Breakdown of Employment Settings In-State

Retail Pharmacy – Chain	3,150
Retail Pharmacy – Independent.....	1,846
Community Health Center.....	71
Free/Charitable Clinic.....	74
Other Outpatient Pharmacy	279
Hospital Pharmacies	3,485
Clinical Pharmacist Practitioners.....	311
Long Term Care/Hospice	261
Infusion.....	169
Nuclear Pharmacy	11
Government, Health Departments, and Teaching.....	210
Pharmaceutical Industry	258
Other Pharmacy Setting.....	109
Not employed in a pharmacy setting	804
No employment reported	762
Retired	478

Age and Gender of Active Pharmacists in North Carolina

Under 30 years of age.....	1,255
30 – 39 years of age.....	3,606
40 – 49 years of age.....	3,057
50 – 59 years of age.....	2,431
60 – 65 years of age.....	1,040
Over 65 years of age.....	1,095
In-state Pharmacists – Female	7,740
In-state Pharmacists – Male.....	4,744

PHARMACIES

Total in-state Pharmacy permits	2,722
Retail Pharmacy – Chain	1,179
Retail Pharmacy – Independent	737
Hospital Pharmacies	182
Nursing Homes	24
Health Departments	82
Free/Charitable Clinics	39
Infusion	36
Automated Dispensing Systems	131
Others	311
Total out-of-state Pharmacy permits	791

DEVICE AND MEDICAL EQUIPMENT

Total DME permits	801
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DISPENSING PHYSICIANS

Total Physicians registered	764
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DISPENSING PHYSICIAN ASSISTANTS AND NURSE PRACTITIONERS

Total PA's and NP's registered	318
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PHARMACY TECHNICIANS

Total Pharmacy Technicians registered	18,652
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(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*

664 persons applied to the Board for licensure by examination in FY2019-2020.

(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*

664 candidates were eligible to sit for examination in FY2019-2020. Fifteen (15) candidates withdrew from examination. Each of the fifteen (15) had erroneously filed an application for licensure by examination instead of an application for licensure by reciprocity. Fourteen (14) of them refiled a reciprocity application. No candidate failed to appear for examination. As noted above, no candidate was refused examination.

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

The Board issued 471 licenses by examination in FY2019-2020. Note: The Board's fiscal year ends on June 30. On that date, many new pharmacy school graduates had applied for licensure by examination, but had not yet sat for the examination. A number of new pharmacy school graduates had sat for the examination, but had not yet received score reports. Accordingly, this number cannot be read as suggesting that some 170 candidates failed to compete the licensure exam successfully. In fact, the overwhelming majority of candidates successfully completed the licensing examinations.

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

44 candidates failed one or more of the licensure examinations in FY2019-2020. Board Rule 21 NCAC 46.1505 affords a candidate for licensure five (5) opportunities to pass each of the licensure examinations – the North American Pharmacy Licensure Examination (NAPLEX) and the Multistate Pharmacy Jurisprudence Examination (MPJE). Most candidates who fail one of these exams pass on a subsequent attempt. Two (2) pharmacist licensure applications were denied in FY2019-2020 because the applicants did not achieve a passing score on one or more of these examinations after five attempts.

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

404 persons applied for licensure by reciprocity in FY2019-2020.

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

320 persons were granted licensure by reciprocity in FY2019-2020.

(9) *The Number of Applicants With a Record of Conviction*

69 applicants (62 pharmacy technician registration applicants; 7 pharmacist licensure applicants) presented with a record of criminal conviction in FY2019-2020.

(10) *The Number of Applicants With a Record of Conviction Who Were Granted Licensure or Registration*

65 applicants (58 pharmacy technician registration applicants; 7 pharmacist licensure applicants) were granted registration or licensure in FY2019-2020. Four (4) pharmacy technician registration applicants could not be approved by Board staff because of a criminal conviction. Each of the four (4) were notified that they could request a hearing before the Board concerning the registration application. None did so.

(11) *The Number of Military-Trained Applicants for Licensure or Registration*

Five (5) military-trained pharmacist licensure applicants requested application fee waiver and a temporary license in FY2019-2020. Four (4) were eligible for, and received, the fee waiver and a temporary license.

21 pharmacy technician registration applicants requested the military-training fee waiver in FY2019-2020. Eight (8) were eligible for, and received, the fee waiver. No temporary registrations issued because, once a pharmacy technician registration application is approved, the technician is immediately eligible to practice as a technician. There is no required examination.

(12) *The Number of Military Spouse Applicants for Licensure or Registration*

Thirteen military-spouse pharmacist licensure applications requested application fee waiver and a temporary license in FY2019-2020. Eleven were eligible for, and received, the fee waiver and a temporary license.

65 pharmacy technician registration applicants requested the military-spouse fee waiver in FY2019-2020. 31 were eligible for, and received, the fee waiver. No temporary registrations issued because, once a pharmacy technician registration application is approved, the technician is immediately eligible to practice as a technician. There is no required examination.

(13) 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 investigative cases opened	350
Total number of inspections conducted	646*
Total number of “no action” decisions after investigation (i.e., investigation did not find any violation of law)	43
Total number of “no action” decisions due to Board having no jurisdiction over complained-of behavior	16
Total number of injunctions obtained to halt unlicensed practice	1
Total number of warning letters issued post pre-hearing conference or by administrative disposition	115
Total number of cases resulting in consent orders	11
Total number of cases resulting in full board hearings	20
Pharmacist license applications denied	2**
Pharmacist licenses revoked	1
Pharmacist licenses suspended	2
Pharmacist licenses surrendered	8
Pharmacy technician registration applications denied	4**
Pharmacy technician registrations revoked	1
Pharmacy technician licenses suspended	13
Pharmacy technicians surrendered	25
Pharmacy permit applications denied	3**
Pharmacy permits revoked	0
Pharmacy permits suspended	2
Pharmacy permits surrendered	1
DME permit applications denied	0**
DME permits revoked	0
DME permits suspended	2
DME permits surrendered	1

*As noted above, the COVID-19 pandemic substantially impacted the Board inspection program in FY2019-2020.

****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.**

(14) *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, no licenses, permits, or registrations were terminated for reasons other than failure to pay the required renewal fee.

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

In August 2020, the United States Department of Health and Human Services exercised PREP Act preemptive authority and authorized pharmacists nationwide to order and administer pediatric vaccines and COVID-19 vaccines during the public health emergency. In significant respects, this authorization enlarged pharmacists’ vaccine administration authority beyond that presently allowed under North Carolina law. The General Assembly may wish to consider changes to pharmacists’ vaccination authority under North Carolina law so that these public health protective measures will not sunset once US DHHS declares the public health emergency ended. The Board would stand ready to provide information and input if the General Assembly moves forward.

(16) *The Substance of Any Anticipated Change in Rules Adopted by the Occupational Licensing Board or the Substance of Any Anticipated Adoption of New Rules By the Occupational Licensing Board*

The Board may be required to adopt new rules in FY2020-2021 requiring North Carolina pharmacies to report certain compounded prescription drug data either directly to the Board or into a database created and maintained by the National Association of Boards of Pharmacy. In May 2020, the federal Food and Drug Administration published its final proposed version of a Memorandum of Understanding (“MOU”) that state boards of pharmacy may join concerning shared responsibility for regulating interstate shipment of compounded prescription drugs. An MOU-signatory board of pharmacy commits, among other things, to collecting and sharing certain data about compounded prescription drug volume and interstate shipment. Compounding pharmacies in a signatory state have significantly more leeway to provide compounded prescription drug products in interstate commerce than would otherwise be permissible under the federal Drug Quality and Security Act.

The Board may propose amendments to its rules concerning “limited service permit” pharmacies. Any such amendments would seek to: (a) clarify the definition of a “limited service permit” pharmacy, thereby providing better guidance to the pharmacists

and pharmacies the Board regulates as to if and when a pharmacy may qualify as such;
and (b) clarify the specific pharmacist-manager responsibilities that obtain with a
“limited service permit” pharmacy, as opposed to a full-service permit pharmacy.

**FY2019-2020
FINANCIAL AUDIT REPORT**



Bernard Robinson & Company, L.L.P.

October 1, 2020

Members of the Board
North Carolina Board of Pharmacy
Chapel Hill, North Carolina

We have audited the financial statements of the North Carolina Board of Pharmacy (the “Board”) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 16, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the North Carolina Board of Pharmacy are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Board’s financial statements was:

- Management’s estimate of the depreciation is based on the estimated useful lives of capitalized assets.

We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statements was:

- The fair value measurements in Note 3 to the financial statements, which requires judgment by management related to the valuation level within the fair value hierarchy.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements noted during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 1, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Board's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion & Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

North Carolina Board of Pharmacy
October 1, 2020
Page 3

Restriction on Use

This information is intended solely for the information and use of the North Carolina Board of Pharmacy and management of the Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

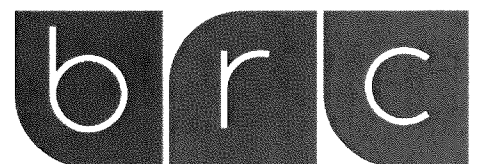
Bernard Robinson & Company, L.L.P.

BERNARD ROBINSON & COMPANY, L.L.P.

NORTH CAROLINA BOARD OF PHARMACY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020



NORTH CAROLINA BOARD OF PHARMACY
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NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

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 year ended June 30, 2020. 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 fiscal year and the previous nine-months ended June 30, 2019 and the year ended September 30, 2018 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, 2020, June 30, 2019, and September 30, 2018. 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:

	June 30, 2020	June 30, 2019	September 30, 2018
Assets:			
Current assets	\$ 5,141,883	\$ 3,495,994	\$ 2,499,272
Non-current assets	4,959,831	5,762,024	5,384,868
Net capital assets	1,676,142	1,775,440	1,803,978
Total assets	11,777,856	11,033,458	9,688,118
Liabilities:			
Current liabilities	28,443	46,793	82,871
Non-current liabilities	208,862	189,641	151,077
Total liabilities	237,305	236,434	233,948
Net position:			
Invested in capital assets - net of related depreciation	1,676,142	1,775,440	1,803,978
Unrestricted	9,864,409	9,021,584	7,650,192
Total net position	\$ 11,540,551	\$ 10,797,024	\$ 9,454,170

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

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:

	Year Ended, June 30, 2020	Nine-Month Period Ended, June 30, 2019	Year Ended, September 30, 2018
Operating revenues	\$ 4,524,521	\$ 4,288,337	\$ 4,538,005
Operating expenses	4,048,689	3,153,932	5,052,735
Operating income (loss)	475,832	1,134,405	(514,730)
Non-operating revenues	267,695	208,449	3,798
Changes in net position	743,527	1,342,854	(510,932)
Net position - beginning of year	10,797,024	9,454,170	9,965,102
Net position - end of year	\$ 11,540,551	\$ 10,797,024	\$ 9,454,170

Operating revenues consisted primarily of pharmacists and pharmacy renewals. Operating revenues for the year ended June 30, 2020 were \$4,524,521 compared to \$4,288,337 for the nine-month period ended June 30, 2019. Operating expenses are related to the operation of the Board and include personnel costs, investigative costs, professional fees, bank service charges and depreciation. The Board recorded depreciation expense of \$146,715 and \$110,741, for the year ended and nine-month period ended June 30, 2020 and June, 30 2019, 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.



Bernard Robinson & Company, L.L.P.

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, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the 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 audit. We conducted our audit 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, 2020, and its changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2020, nor the changes in its financial position and its cash flows thereof for the year then 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
October 1, 2020

NORTH CAROLINA BOARD OF PHARMACY
Statement of Net Position
June 30, 2020

ASSETS:

Current assets:

Cash	\$ 2,077,948
Investments, current portion	2,943,716
Accrued interest	28,165
Prepaid expenses	92,054
Total current assets	<u>5,141,883</u>

Non-current assets:

Investments, less current portion	4,711,668
Note receivable - officer life insurance	248,163
Total non-current assets	<u>4,959,831</u>

Capital assets, net of depreciation	<u>1,676,142</u>
Total assets	<u>11,777,856</u>

LIABILITIES:

Current liabilities:

Accounts payable	<u>28,443</u>
Total current liabilities	<u>28,443</u>

Noncurrent liabilities:

Accrued vacation	<u>208,862</u>
Total noncurrent liabilities	<u>208,862</u>
Total liabilities	<u>237,305</u>

NET POSITION:

Net investment in capital assets	1,676,142
Unrestricted	<u>9,864,409</u>
Total net position	<u>\$ 11,540,551</u>

NORTH CAROLINA BOARD OF PHARMACY
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

Operating revenues:

Pharmacist renewals	\$ 2,279,235
Pharmacist reciprocity	234,000
Pharmacist exam fees	66,300
Pharmacist/manager changes	30,275
Pharmacist reinstatements	21,060
Pharmacy renewals	678,000
Pharmacy permits	191,000
Pharmacy reinstatements	1,600
Technician renewals	468,000
Technician registrations	106,920
Technician reinstatements	46,860
Device and DME permits and renewals	237,800
Dispensing physician renewals and permits	63,450
Dispensing PA/NP renewals and permits	27,825
Pharmacy/pharmacists, lists and labels	50,568
Miscellaneous	21,628
Total operating revenues	<u>4,524,521</u>

Operating expenses:

Salaries	2,132,132
Payroll taxes	149,666
Retirement contributions	122,070
Employee benefits	266,771
Educational expense	2,272
Board meeting and election expenses	10,469
Meetings per diem	13,200
Professional meetings	18,669
Inspection expense	50,803
Building dues and maintenance	27,206
Office utilities	7,435
Janitorial service	12,875
Telephone	24,669
Auto expense	29,168
Supplies	11,287
Books, dues, and subscriptions	8,874
Postage	6,329
Printing	1,939

NORTH CAROLINA BOARD OF PHARMACY
Statement of Revenues, Expenses and Changes in Net Position (Continued)
For the Fiscal Year Ended June 30, 2020

Operating expenses (Continued):	
Equipment lease	\$ 5,825
Maintenance	142,859
Special meetings and projects	7,864
Insurance	43,492
Executive director's expense	10,245
Office staff travel	3,274
Consulting fees	46,021
Bank service charges	125,978
Depreciation	146,715
Legal fees	356,800
Pharmacist recovery programs	250,000
Sponsorship and advertising	782
Audit fee	13,000
Total operating expenses	<u>4,048,689</u>
Operating income	<u>475,832</u>
Non-operating revenues (expense):	
Net investment income	111,606
Unrealized and realized gain on investments	161,357
Loss on sale of fixed assets	<u>(5,268)</u>
Total non-operating revenues	<u>267,695</u>
Changes in net position	743,527
Net position - beginning of year	<u>10,797,024</u>
Net position - end of year	<u><u>\$ 11,540,551</u></u>

NORTH CAROLINA BOARD OF PHARMACY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

Cash flows from operating activities:	
Cash received from fees	\$ 4,502,893
Other cash received	21,628
Cash payments to employees for service	(2,112,911)
Cash payments to suppliers for goods and services	(1,399,012)
Cash payments for other operating expenses	(339,554)
Net cash provided by operating activities	<u>673,044</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(57,185)
Proceeds from sale of capital assets	4,500
Net cash used in capital and related financing activities	<u>(52,685)</u>
Cash flows from investing activities:	
Purchase of investments	(5,491,269)
Proceeds from sales of investments	5,381,535
Net investment income	111,606
Net cash provided by investing activities	<u>1,872</u>
Net increase in cash	622,231
Cash - beginning of year	<u>1,455,717</u>
Cash - end of year	<u><u>\$ 2,077,948</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 475,832</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	146,715
Changes in assets and liabilities:	
Prepaid expenses	49,626
Accounts payable and accrued liabilities	(18,350)
Accrued vacation	19,221
Total adjustments	<u>197,212</u>
Net cash provided by operating activities	<u><u>\$ 673,044</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.

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)

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, \$565,359 to cover IT infrastructure, and \$1,075,000 to cover insurance deductibles.

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 June 30, 2020 consisted of the following:

Money market funds	\$ 557,655
Traded certificates of deposit	3,580,871
Government securities	3,516,858
	<u>\$7,655,384</u>

Interest income and related investment fees totaled \$149,006 and \$37,400, respectively, for the year ended June 30, 2020.

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, 2020 were as follows:

0 - 2 years	\$4,630,193
2 - 5 years	2,467,536
	<u>\$7,097,729</u>

The weighted average maturities of the certificates of deposit are 2.09 years at June 30, 2020.

The weighted average maturities of the government securities are 1.37 years at June 30, 2020.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020, 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.

At June 30, 2020, the Board had cash deposits and money market accounts that exceeded the Federal Deposit Insurance Corporation's (FDIC) limits of \$250,000 by \$2,385,690. The Board also had certificates of deposit that exceeded the FDIC limits of \$250,000 by \$34,605. In addition, government securities with a fair value of \$3,516,858 at June 30, 2020 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, 2020, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$6,655,383, which included multiple traded certificates of deposit investments totaling \$3,580,871 held in a brokerage account that were individually insured up to \$250,000 under FDIC at June 30, 2020.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

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, 2020 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, 2020.

NOTE 5 - ACCRUED VACATION

Changes to accrued vacation are as follows for the year ended June 30, 2020:

Beginning accrued vacation	\$ 189,641
Vacation earned	157,162
Vacation used	(137,941)
Ending accrued vacation	<u>\$ 208,862</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the Board for the year ended June 30, 2020, was as follows:

	Cost 6/30/2019	Additions	Disposals	Cost 6/30/2020
Capital Assets:				
Building	\$1,900,559	\$ -	\$ -	\$1,900,559
Building improvements	94,902	-	-	94,902
Furniture and fixtures	235,351	-	-	235,351
Equipment	276,996	7,847	-	284,843
Vehicles	220,719	44,713	(35,141)	230,291
Software	355,200	4,625	-	359,825
Total at historical cost	<u>3,083,727</u>	<u>57,185</u>	<u>(35,141)</u>	<u>3,105,771</u>

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2020 (Continued):

	Cost 6/30/2019	Additions	Disposals	Cost 6/30/2020
Less accumulated depreciation for:				
Building	\$ 780,103	\$ 47,045	\$ -	\$ 827,148
Building improvements	28,190	5,670	-	33,860
Furniture and fixtures	223,541	2,438	-	225,979
Equipment	155,825	38,475	-	194,300
Vehicles	77,793	23,680	-	101,473
Software	42,835	29,407	(25,373)	46,869
Total accumulated depreciation	<u>1,308,287</u>	<u>146,715</u>	<u>(25,373)</u>	<u>1,429,629</u>
Total capital assets, net	<u>\$1,775,440</u>	<u>\$ (89,530)</u>	<u>\$ (9,768)</u>	<u>\$1,676,142</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 signed a new lease agreement for a postage machine in April 2020, that calls for annual lease payments of \$1,467, ending April 2024.

Future annual lease payment requirements are as follows:

Year Ending June 30:	
2021	\$ 4,127
2022	3,462
2023	1,467
2024	1,100
	<u>\$ 10,156</u>

The Board also leases other equipment on an as needed basis. Total equipment lease expense for the year ended June 30, 2020 was \$5,825.

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.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 8 - RETIREMENT PLANS (Continued)

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, 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 year ended June 30, 2020 totaled \$215,906, which consisted of \$122,070 from the Board and \$170,681 from employees.

During the year ended June 30, 2020, 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.

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 \$625,619 related to the contract through June 30, 2020, of which \$350,000 has been capitalized and is included in capital assets in the accompanying statement of net position at June 30, 2020.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 10 - COMMITMENTS (Continued)

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 year ended June 30, 2020 totaled \$250,000.

NOTE 11 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through October 1, 2020, which is the date the financial statements were available to be issued.

The audit was conducted in approximately 90 hours at a cost of \$13,500.