

ONE HUNDRED FORTIETH

ANNUAL REPORT

NORTH CAROLINA

BOARD OF PHARMACY

FY2020 - 2021



**ONE HUNDRED FORTIETH ANNUAL REPORT
NORTH CAROLINA BOARD OF PHARMACY**

July 1, 2020 – June 30, 2021

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

MEMBERS AND ORGANIZATION

PER REQUIREMENTS OF N.C.G.S. § 93B-2

William A. Mixon, Hickory, President Term expires April 30, 2022
Wallace E. Nelson, Hertford, Vice President Term expires April 30, 2025
Keith A. Vance, Lewisville Term expires April 30, 2022
Ashley H. Duggins, Asheboro Term expires April 30, 2025
Mischelle J. Corbin, Raleigh Term expires April 30, 2025
J. Andrew Bowman, Lillington Term expires April 30, 2026

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
Summer Canoy
Christie Cutbush
Kristy Edmondson
Maria Fabiano
Holly Price Hunt
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 29, 2021

Governor Roy Cooper
Raleigh, North Carolina

Dear Governor Cooper:

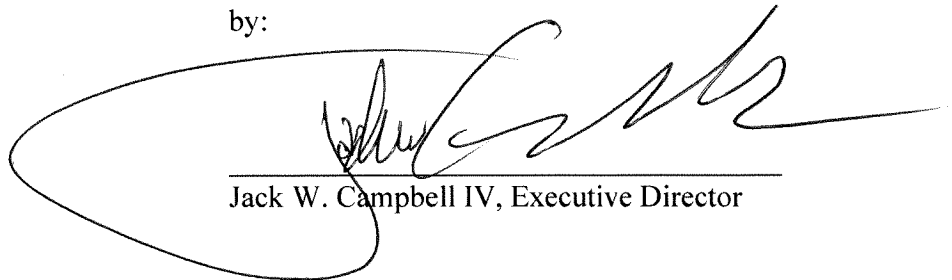
In compliance with N.C.G.S. § 93B-2, the Board of Pharmacy is pleased to submit to you the One Hundred Fortieth Annual Report of the North Carolina Board of Pharmacy.

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 large, stylized handwritten signature in black ink, which appears to read "Jack W. Campbell IV". The signature is written over a horizontal line.

Jack W. Campbell IV, Executive Director

Introduction

The Board of Pharmacy presents this summary of events and activities for FY2020-21. 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 January, March, May, July, September, and November.

The Board's FY2020-21 Financial Audit Report is appended to this Annual Report.

Board Personnel

Members

All Board members are current in training required by NCGS § 93B-5(g). 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 annual Statements of Economic Interest.

In FY2020-21, the Board exercised its statutorily mandated authority to hold elections 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.

The state's pharmacists selected, and Governor Cooper commissioned, J. Andrew "Andy" Bowman to a second five-year term running through April 30, 2026. 2,304 votes were cast between November 1, 2020 and March 1, 2021. Dr. Bowman garnered a substantial plurality of the votes.

The Board expresses its appreciation to the other candidates for Board membership – Wesley Hickman, Eric Lee, Bronson Lowery, Joey McLaughlin, Justin Sparrow, and Irv Trust. Their commitment to public service is evident by their candidacy and the showing of support that each garnered during the election.

In FY2021-22, the Board will hold elections for the Northern and Western District membership positions.

The Northern District spans Alamance, Caswell, Forsyth, Guilford, Orange, Person, Rockingham, Stokes, Surry, and Yadkin Counties. The Northern District position is presently held by Keith Vance, who is eligible to run for a second five-year term.

The Western District spans Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Catawba, Cherokee, Clay, Cleveland, Gaston, Graham, Haywood, Henderson, Jackson, Lincoln, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Watauga, Wilkes, and Yancey Counties. The Western District seat is presently held by Bill Mixon, who will complete his second consecutive five-year term on April 30, 2021 and is therefore term limited.

All pharmacists actively licensed and residing in North Carolina as of November 1, 2021 will be eligible to vote for both positions. The election winners will be submitted to the Governor's office for commissioning to five-year terms commencing May 1, 2022.

Staff

The Enforcement Department welcomed Kristy Edmondson to serve as an investigator and inspector in western North Carolina. Ms. Edmondson replaces Megan Chase Kaufman-Bissell, who relocated with her family out-of-state. The Board thanks Ms. Kaufman-Bissell for her four years' service as a thorough investigator and consummate professional.

Cindy Parham and Loretta Wiesner have successfully completed their first year serving in the new Enforcement Specialist positions described in last year's annual report.

Director of Inspections Krystal Stefanyk and Enforcement Specialist Cindy Parham were interviewed and featured in the August edition of the National Association of Boards of Pharmacy's *Innovations* magazine.

Associate Executive Director Ellen Vick is serving as a commissioner for the Accreditation Council for Pharmacy Education (ACPE) Continuing Education Commission.

Enforcement Specialist Cindy Parham continues to serve as secretary/treasurer for NABP District 3 and as secretary/treasurer for MALTAGON, both multi-state organizations focused on the educational and resource needs of boards of pharmacy.

Board Executive Director Jay Campbell completed a one-year term as chairman of the National Association of Boards of Pharmacy in May 2021. Mr. Campbell served for seven years on NABP's executive committee – three years as the District 3 member, one year as Treasurer, one year as President Elect, one year as President, and one year as Chairman.

COVID-19 Response

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

In late March 2020, the Board office closed to the public and staff began working from home. Board services to licensees, permittees, registrants, and the public continue without interruption, however. As was true last year, Board meetings continued on normal schedule, but most were held using on-line platforms. The Board returned to a full, in-person meeting in July 2021, but was forced by COVID delta-variant precautions to return to on-line meeting in September 2021.

The most significant COVID-19 impact on Board operations continues to be field inspections. Public health protection needs required that field inspection activity be curtailed substantially throughout FY2020-21. Field inspection work ramped up briefly in late spring 2021 before the surge in COVID delta-variant cases forced another scale back. Board staff continue to operate under a modified routine inspection policy implemented in September 2020, focusing efforts where risk factors are most acute: the pharmacy's previous inspection revealed areas of concern that required correction; the pharmacy performs sterile compounding services; the pharmacy became the subject of a complaint-based investigation; or the pharmacy is a newly permitted and requires an operational inspection.

Board field staff remain fully occupied with inspection and investigation reports and special projects. Complaint-based investigations have continued, 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 work continue with use of appropriate precautions.

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. Many Board actions taken to mitigate the COVID-19 crisis are described in the FY2019-20 annual report: http://www.ncbop.org/about/AnnualReport2019_20.pdf

Additional Board actions taken as a result of the COVID-19 public health emergency in FY2020-21 include:

- Funded and developed a comprehensive continuing education program to train pharmacists on COVID vaccination in advance of FDA's first emergency use authorizations. The programming was carried out by the Campbell University College of Pharmacy and Health Sciences. It prepared several thousand pharmacists and pharmacy technicians to begin administering these vaccinations immediately upon EUA issuance, and did so without cost to those pharmacists and pharmacy technicians.
 - Completed – along with the Medical and Nursing Boards – permanent rulemaking to ensure that supplies of certain prescription drugs remain available during the COVID-19 public emergency. The search for potential COVID-19 treatments caused shortages of certain prescription drugs. The final rule removed oseltamivir and azithromycin from the list of restricted drugs as fears of potential shortage did not materialize.
 - Provided continual information and resources to support implementation of PREP Act declarations issued by the United States Department of Health and Human Services to expand pharmacist and pharmacy technician authority to administer COVID vaccines, administer pediatric vaccines, administer COVID therapeutics, and perform COVID testing.
 - Worked with the State Health Director and other North Carolina Department of Health and Human Services personnel to update and implement standing orders authorizing pharmacists to administer COVID vaccines (including third doses and boosters) and administer COVID therapeutics such as monoclonal antibody therapy. The Board especially thanks State Health Director Betsey Tilson and NC DHHS pharmacist Amanda Fuller Moore for their expertise, collegiality, and effectiveness in protecting the public.
 - Worked with NC DHHS Secretary Cohen and other North Carolina Department of Health and Human Services personnel to communicate consistent messaging about the state's vaccination priority plan, and to provide options to enforce the plan against "those who flagrantly violate the vaccination prioritization plan and who attempt to profit financially." As expected, pharmacies and pharmacists provided hundreds of thousands of COVID-19 vaccinations within the framework of that plan, substantially contributing to the reduction of COVID-related mortality and morbidity in North Carolina.
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Investigations and Inspections Activity

The Board's inspections and investigations docket continues to be full and productive. The Board investigative staff were assigned 358 new cases, while at the same time working diligently to close 403 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 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.

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. In FY2020-21, the Board increased its already substantial commitment to the L. Stanley Haywood Fund. The Haywood Fund provides financial support for qualifying pharmacists and pharmacy personnel in need of substance use assessment, treatment, and monitoring services through NCPHP.

Rulemaking Activity

As noted above, the Board completed permanent rulemaking to implement the COVID-19 Drug Preservation Rule.

The Board completed a temporary rulemaking to implement S.L. 2021-3's authority for immunizing pharmacists to administer long-acting injectables. Administration of long-acting injectables by pharmacists is a promising means of promoting public health through adherence to chronic medication therapy. This rule sets forth the training, recordkeeping, and other requirements needed to exercise the new authority. A permanent rulemaking, in cooperation with the North Carolina Medical Board, will be completed in FY2021-22.

The Board completed a rulemaking to simplify and clarify which pharmacies are eligible to obtain a "limited service permit," as well as the pharmacist-manager responsibilities that attach to a limited service permit.

The Board completed a rulemaking to amend 21 NCAC 46.2801 and require that compounding pharmacies annually report certain data to the National Association of Boards of Pharmacy Information Sharing Network. This rulemaking was a necessary prerequisite to the Board's signing on to the federal Food and Drug Administration's memorandum of understanding concerning interstate distribution of compounded human drug product (more detail below).

Other Board Activity

On October 27, 2020, the FDA published the final version of its "Memorandum of Understanding Addressing Certain Distributions of Compounded Human Drug Products" in the Federal Register. As required by the 2013 federal Drug Quality and Security Act, the MOU sets forth a framework for joint state-federal investigation and reporting of human drug compounding-related events.

Originally, state boards of pharmacy were given until October 26, 2021 to sign the MOU, after which compounding pharmacies in states that opt not to sign will be subject to the Drug Quality and Security Act's five-percent limitation on the interstate distribution of compounded human drug product. FDA subsequently extended that deadline to October 2022.

The Board held a lengthy open comment period on the MOU and the pros and cons of the Board's signing on. After considering the commentary, the Board voted in February 2021 to enter into the MOU. In September 2021, after completing a rulemaking to require certain human drug product compounding data be reported annually to the NABP's Information Sharing Network (see above), the Board authorized its executive director to sign on behalf of the Board at the appropriate time.

A litigation in the United States District Court for the District of Columbia has, however, paused the MOU's implementation. If and when that litigation is resolved in the FDA's favor, the Board will enter into the MOU.

* * *

Again, the on-line and print resources noted above detail the wide scope of public health and safety activities undertaken by the Board during FY2020-21. 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, 2021

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	17,617
Total number of pharmacists residing in North Carolina.....	12,616
Inactive pharmacists residing in North Carolina.....	3,916
Total number of active pharmacists residing outside of North Carolina.....	5,001

Breakdown of Employment Settings In-State

Retail Pharmacy – Chain.....	3,454
Retail Pharmacy – Independent	1,903
Community Health Center	250
Free/Charitable Clinic.....	209
Other Outpatient Pharmacy.....	631
Hospital Pharmacies.....	3,166
Clinical Pharmacist Practitioners	330
Long Term Care/Hospice.....	614
Infusion	313
Nuclear Pharmacy	38
Government, Health Departments, and Teaching	991
Pharmaceutical Industry.....	640
Other Pharmacy Setting	808
Not employed in a pharmacy setting.....	1,089
No employment reported	71
Retired.....	583

Age and Gender of Active Pharmacists in North Carolina

Under 30 years of age	1,192
30 – 39 years of age	3,695
40 – 49 years of age	3,096
50 – 59 years of age	2,508
60 – 65 years of age	1,035
Over 65 years of age	1,090
In-state Pharmacists – Female.....	7,902
In-state Pharmacists – Male	4,714

PHARMACIES

Total in-state Pharmacy permits.....	2,730
Retail Pharmacy – Chain.....	1,177
Retail Pharmacy – Independent	740
Hospital Pharmacies.....	174
Nursing Homes	26
Health Departments.....	82
Free/Charitable Clinics	38
Infusion	36
Automated Dispensing Systems.....	140
Others.....	313
Total out-of-state Pharmacy permits.....	822

DEVICE AND MEDICAL EQUIPMENT

Total DME permits	831
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DISPENSING PHYSICIANS

Total Physicians registered	768
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DISPENSING PHYSICIAN ASSISTANTS AND NURSE PRACTITIONERS

Total PA's and NP's registered.....	330
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PHARMACY TECHNICIANS

Total Pharmacy Technicians registered	20,220
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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*

628 persons applied to the Board for licensure by examination in FY2020-21.

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

One (1) candidate was refused examination on the basis that the candidate did not possess the necessary qualifications. See item 6 below.

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

362 candidates sat for examination in FY2020-2021. Twelve (12) candidates withdrew from examination. No candidate failed to appear for examination. As noted above and below, one (1) candidate was refused examination. Note: The Board's fiscal year ends on June 30. At that date, a number of new pharmacy school graduates had applied for licensure, but had not yet sat for examination. 232 licensure applicants sat for examination between July 1, 2021 and September 28, 2021. That period that is outside of FY2020-21, but its inclusion gives a more accurate picture of licensure candidate examinations.

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

The Board issued 468 licenses by examination in FY2020-21. 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 examination. A number of new pharmacy school graduates had sat for examination, but had not yet received score reports. Accordingly, this number cannot be read as suggesting that a large number of candidates failed to compete the licensure exam successfully. In fact, the overwhelming majority of candidates successfully completed the licensing examinations. See the note accompanying item 4 above.

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

44 candidates failed one or more of the licensure examinations in FY2020-21. 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. One (1) pharmacist licensure application was denied in FY2020-21 because the applicant 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*

410 persons applied for licensure by reciprocity in FY2020-21.

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

367 persons were granted licensure by reciprocity in FY2020-21.

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

66 applicants (57 pharmacy technician registration applicants; 9 pharmacist licensure applicants) presented with a record of criminal conviction in FY2020-21.

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

62 applicants (53 pharmacy technician registration applicants; nine (9) pharmacist licensure applicants) with a record of conviction were granted registration or licensure in FY 2020-21. Three (3) pharmacy technician registration applicants could not be approved by Board staff because of a criminal conviction. Each of the three were notified that they could request a hearing before the Board concerning the registration application. None did so. One (1) pharmacy technician applicant withdrew the application.

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

One (1) pharmacist licensure applicant requested the military-training application fee waiver and temporary license in FY2020-21. That applicant was not, however, eligible for fee waiver and temporary licensure.

Sixteen (16) pharmacy technician registration applicants requested the military-training fee waiver in FY2020-21. Three (3) 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*

Six (6) military-spouse pharmacist licensure applications requested application fee waiver and temporary license in FY2020-21. Five (5) were eligible for, and received, the fee waiver and temporary license.

66 pharmacy technician registration applicants requested the military-spouse fee waiver in FY2020-21. 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.

(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	358
Total number of inspections conducted	250*
Total number of “no action” decisions after investigation (<i>i.e.</i> , investigation did not find any violation of law)	143
Total number of “no action” decisions due to Board having no jurisdiction over complained-of behavior	14
Total number of injunctions obtained to halt unlicensed practice	3
Total number of warning letters issued post pre-hearing conference or by administrative disposition	205
Total number of cases resulting in consent orders	4
Total number of cases resulting in full board hearings	0
Pharmacist license applications denied	0**
Pharmacist licenses revoked	0
Pharmacist licenses suspended	4
Pharmacist licenses surrendered	5
Pharmacy technician registration applications denied	0**
Pharmacy technician registrations revoked	0
Pharmacy technician licenses suspended	14
Pharmacy technicians surrendered	11
Pharmacy permit applications denied	0**
Pharmacy permits revoked	0
Pharmacy permits suspended	0
Pharmacy permits surrendered	0
DME permit applications denied	0**
DME permits revoked	0
DME permits suspended	0
DME permits surrendered	0

*As noted above, the COVID-19 pandemic continued to substantially impact the Board inspection program in FY2020-21.

**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 or withdraws the application. These abandoned or withdrawn applications, however, are not “denials” because no final Board action was taken.

(10) *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.

(11) *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.

(12) *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 following rulemaking activities are anticipated for FY2021-22:

Creation of a pharmacy intern registration system. The Board will undertake rulemaking and other measures (e.g., staff training, IT development, outreach to the regulated community) necessary to implement a pharmacy intern registration system that will be operative by August 1, 2022. The system will also replace the current, paper-based method of logging and verifying non-curricular experiential hours for licensure with an integrated online reporting method.

Implementation of S.L. 2021-110. S.L. 2021-110 granted pharmacists and pharmacy technicians certain new authorities. The Board must, in cooperation with the Medical Board, implement rules governing pharmacy technician administration of COVID-19 and influenza vaccines, as well as rules governing the approval of immunizing pharmacists to exercise authority to dispense, deliver, or administer certain drug therapies under protocol.

Streamlining of pharmacy permit issuance process. The Board will undertake amendments to 21 NCAC 46.1606 to: (a) eliminate the requirement that a pharmacist-manager appear personally at the Board office to obtain a new pharmacy permit; and (b) require instead an on-line viewing of educational materials by the applicant pharmacist-manager prior to issuance of a new pharmacy permit.

Completion of remote medication order entry expansion. In FY2020-21, the Board noticed a proposed repeal of 21 NCAC 46.1417, which authorizes and regulates remote medication order entry services among health care facility pharmacies. The Board also noticed substantial amendments to 21 NCAC 46.1816, which authorizes and regulates “central fill” operations among pharmacies. These amendments would consolidate Rules .1417 and .1816 into a single rule governing situations where two pharmacies provide services with respect to a prescription. The Board received substantial commentary on the proposals and anticipates publishing a revised version of these rules for a second round of notice and comment in FY2021-22.

Permanent rulemaking to implement pharmacist authority to administer long-acting injectables. As noted above, the Board completed temporary rulemaking to implement the long-acting injectable administration authority granted by S.L. 2021-3. The Board will complete permanent rulemaking in FY2021-22.

FINANCIAL AUDIT REPORT

FY 2020-21

NORTH CAROLINA BOARD OF PHARMACY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020



NORTH CAROLINA BOARD OF PHARMACY

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NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Year Ended June 30, 2021

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, 2021. 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, the previous year ended June 30, 2020, and the nine-months ended June 30, 2019 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, 2021, June 30, 2020, and June 30, 2019. 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, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Assets:			
Current assets	\$ 6,702,149	\$ 5,141,883	\$ 3,495,994
Non-current assets	3,876,469	4,959,831	5,762,024
Net capital assets	1,585,291	1,676,142	1,775,440
Total assets	<u>12,163,909</u>	<u>11,777,856</u>	<u>11,033,458</u>
Liabilities:			
Current liabilities	26,357	28,443	46,793
Non-current liabilities	260,958	208,862	189,641
Total liabilities	<u>287,315</u>	<u>237,305</u>	<u>236,434</u>
Net position:			
Invested in capital assets - net of related depreciation	1,585,291	1,676,142	1,775,440
Unrestricted	10,291,303	9,864,409	9,021,584
Total net position	<u>\$ 11,876,594</u>	<u>\$ 11,540,551</u>	<u>\$ 10,797,024</u>

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Year Ended June 30, 2021

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, 2021	Year Ended, June 30, 2020	Nine-Month Period Ended, June 30, 2019
Operating revenues	\$ 4,698,155	\$ 4,524,521	\$ 4,288,337
Operating expenses	4,337,096	4,048,689	3,153,932
Operating income	361,059	475,832	1,134,405
Non-operating revenues (expenses)	(25,016)	267,695	208,449
Changes in net position	336,043	743,527	1,342,854
Net position - beginning of year	11,540,551	10,797,024	9,454,170
Net position - end of year	\$ 11,876,594	\$ 11,540,551	\$ 10,797,024

Operating revenues consisted primarily of pharmacists and pharmacy renewals. Operating revenues for the year ended June 30, 2021 were \$4,698,155 compared to \$4,524,521 for the year ended June 30, 2020. 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 \$195,468 and \$146,715, for the years ended June 30, 2021 and June 30 2020, 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 for continued support of the 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 statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Board of Pharmacy as of June 30, 2021 and 2020, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, these financial statements are presented only for the North Carolina Board of Pharmacy and do not purport to and do not present fairly the financial position of the State of North Carolina as of June 30, 2021, 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
September 20, 2021

NORTH CAROLINA BOARD OF PHARMACY
Statements of Net Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS:		
Current assets:		
Cash	\$ 2,085,488	\$ 2,077,948
Investments, current portion	4,512,882	2,943,716
Accrued interest	19,143	28,165
Prepaid expenses	84,636	92,054
Total current assets	<u>6,702,149</u>	<u>5,141,883</u>
Non-current assets:		
Investments, less current portion	3,628,306	4,711,668
Note receivable - officer life insurance	248,163	248,163
Total non-current assets	<u>3,876,469</u>	<u>4,959,831</u>
Capital assets, net of depreciation	<u>1,585,291</u>	<u>1,676,142</u>
Total assets	<u>12,163,909</u>	<u>11,777,856</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	26,357	28,443
Total current liabilities	<u>26,357</u>	<u>28,443</u>
Noncurrent liabilities:		
Accrued vacation	260,958	208,862
Total noncurrent liabilities	<u>260,958</u>	<u>208,862</u>
Total liabilities	<u>287,315</u>	<u>237,305</u>
NET POSITION:		
Net investment in capital assets	1,585,291	1,676,142
Unrestricted	<u>10,291,303</u>	<u>9,864,409</u>
Total net position	<u>\$ 11,876,594</u>	<u>\$ 11,540,551</u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenues:		
Pharmacist renewals	\$ 2,322,135	\$ 2,279,235
Pharmacist reciprocity	242,400	234,000
Pharmacist exam fees	62,800	66,300
Pharmacist/manager changes	31,185	30,275
Pharmacist reinstatements	31,050	21,060
Pharmacy renewals	682,000	678,000
Pharmacy permits	232,500	191,000
Pharmacy reinstatements	1,200	1,600
Technician renewals	480,960	468,000
Technician registrations	142,740	106,920
Technician reinstatements	48,060	46,860
Device and DME permits and renewals	245,600	237,800
Dispensing physician renewals and permits	64,425	63,450
Dispensing PA/NP renewals and permits	27,975	27,825
Pharmacy/pharmacists, lists and labels	61,350	50,568
Miscellaneous	21,775	21,628
Total operating revenues	4,698,155	4,524,521
Operating expenses:		
Salaries	2,170,622	2,132,132
Payroll taxes	150,836	149,666
Retirement contributions	115,110	122,070
Employee benefits	234,419	266,771
Educational expense	2,410	2,272
Board meeting and election expenses	33	10,469
Meetings per diem	12,850	13,200
Professional meetings	1,380	18,669
Inspection expense	25,494	50,803
Building dues and maintenance	27,463	27,206
Office utilities	6,457	7,435
Janitorial service	12,000	12,875
Telephone	24,382	24,669
Auto expense	16,579	29,168
Supplies	4,035	11,287
Books, dues, and subscriptions	11,283	8,874
Postage	4,895	6,329
Printing	946	1,939

NORTH CAROLINA BOARD OF PHARMACY
Statement of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended June 30, 2021 and 2020

Operating expenses (Continued):

Equipment lease	\$ 5,910	\$ 5,825
Maintenance	142,637	142,859
Special meetings and projects	3,485	7,864
Insurance	40,673	43,492
Executive director's expense	3,868	10,245
Office staff travel	7,075	3,274
Consulting fees	43,109	46,021
Bank service charges	131,594	125,978
Depreciation	195,468	146,715
Legal fees	383,606	356,800
Pharmacist recovery programs	500,000	250,000
Sponsorship and advertising	44,977	782
Audit fee	13,500	13,000
Total operating expenses	<u>4,337,096</u>	<u>4,048,689</u>
Operating income	<u>361,059</u>	<u>475,832</u>
Non-operating revenues (expense):		
Net investment income	102,188	111,606
Unrealized and realized gain (loss) on investments	(124,722)	161,357
Loss on sale of fixed assets	<u>(2,482)</u>	<u>(5,268)</u>
Total non-operating revenues (expenses)	<u>(25,016)</u>	<u>267,695</u>
Changes in net position	336,043	743,527
Net position - beginning of year	<u>11,540,551</u>	<u>10,797,024</u>
Net position - end of year	<u><u>\$ 11,876,594</u></u>	<u><u>\$ 11,540,551</u></u>

NORTH CAROLINA BOARD OF PHARMACY
Statement of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from fees	\$ 4,676,380	\$ 4,502,893
Other cash received	21,775	21,628
Cash payments to employees for service	(2,118,526)	(2,112,911)
Cash payments to suppliers for goods and services	(1,389,892)	(1,399,012)
Cash payments for other operating expenses	(575,782)	(339,554)
Net cash provided by operating activities	<u>613,955</u>	<u>673,044</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(109,849)	(57,185)
Proceeds from sale of capital assets	2,750	4,500
Net cash used in capital and related financing activities	<u>(107,099)</u>	<u>(52,685)</u>
Cash flows from investing activities:		
Purchase of investments	(8,203,645)	(5,491,269)
Proceeds from sales of investments	7,602,141	5,381,535
Net investment income	102,188	111,606
Net cash provided by (used in) investing activities	<u>(499,316)</u>	<u>1,872</u>
Net increase in cash	7,540	622,231
Cash - beginning of year	<u>2,077,948</u>	<u>1,455,717</u>
Cash - end of year	<u><u>\$ 2,085,488</u></u>	<u><u>\$ 2,077,948</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 361,059</u>	<u>\$ 475,832</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	195,468	146,715
Changes in assets and liabilities:		
Prepaid expenses	7,418	49,626
Accounts payable and accrued liabilities	(2,086)	(18,350)
Accrued vacation	52,096	19,221
Total adjustments	<u>252,896</u>	<u>197,212</u>
Net cash provided by operating activities	<u><u>\$ 613,955</u></u>	<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 Statements of Revenues, Expenses, and Changes in Net Position.

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

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.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

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

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, 2021 and 2020 consisted of the following:

	2021	2020
Money market funds	\$ 843,526	\$ 557,655
Traded certificates of deposit	3,114,242	3,580,871
Government securities	4,183,420	3,516,858
	<u>\$ 8,141,188</u>	<u>\$7,655,384</u>

Interest income and related investment fees totaled \$141,738 and \$149,006, respectively, for the years ended June 30, 2021 and 2020, respectively. Related investment fees totaled \$39,550 and \$37,400 for the years ended June 30, 2021 and 2020, respectively.

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

The anticipated maturities of the Board's fixed income investments as of June 30, 2021 were as follows:

0 - 2 years	\$ 4,970,133
2 - 5 years	2,327,529
	<u>\$ 7,297,662</u>

The weighted average maturities of the certificates of deposit are 1.82 years at June 30, 2021.

The weighted average maturities of the government securities are 2.55 years at June 30, 2021.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021, 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, 2021, the Board had cash deposits and money market accounts that exceeded the Federal Deposit Insurance Corporation's (FDIC) limits of \$250,000 by \$2,680,848. The Board also had certificates of deposit that exceeded the FDIC limits of \$250,000 by \$20,073. In addition, government securities with a fair value of \$4,183,420 at June 30, 2021 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, 2021, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$7,141,188, which included multiple traded certificates of deposit investments totaling \$3,114,242 held in a brokerage account that were individually insured up to \$250,000 under FDIC at June 30, 2021.

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, 2021 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, 2021 and 2020.

NOTE 5 - ACCRUED VACATION

Changes to accrued vacation are as follows for the year ended June 30, 2021 and 2020:

	2021	2020
Beginning accrued vacation	\$ 208,862	\$ 189,641
Vacation earned	173,347	157,162
Vacation used	(121,251)	(137,941)
Ending accrued vacation	<u>\$ 260,958</u>	<u>\$ 208,862</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the Board for the year ended June 30, 2021, was as follows:

	Cost 6/30/2020	Additions	Disposals	Cost 6/30/2021
Capital Assets:				
Building	\$ 1,900,559	\$ -	\$ -	\$ 1,900,559
Building improvements	94,902	61,928	-	156,830
Furniture and fixtures	235,351	8,450	(10,961)	232,840
Equipment	284,843	16,654	(37,157)	264,340
Vehicles	230,291	22,817	(18,373)	234,735
Software	359,825	-	-	359,825
Total at historical cost	<u>3,105,771</u>	<u>109,849</u>	<u>(66,491)</u>	<u>3,149,129</u>

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2021 (Continued):

	Cost 6/30/2020	Additions	Disposals	Cost 6/30/2021
Less accumulated depreciation for:				
Building	\$ 827,148	\$ 48,820	\$ -	\$ 875,968
Building improvements	33,860	6,206	-	40,066
Furniture and fixtures	225,979	2,547	(10,961)	217,565
Equipment	194,300	32,501	(37,157)	189,644
Vehicles	81,827	80,789	(13,141)	149,475
Software	66,515	24,605	-	91,120
Total accumulated depreciation	1,429,629	195,468	(61,259)	1,563,838
Total capital assets, net	<u>\$ 1,676,142</u>	<u>\$ (85,619)</u>	<u>\$ (5,232)</u>	<u>\$ 1,585,291</u>

Capital asset activity 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	(35,141)	249,702
Vehicles	220,719	44,713	-	265,432
Software	355,200	4,625	-	359,825
Total at historical cost	3,083,727	57,185	(35,141)	3,105,771
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	1,308,287	146,715	(25,373)	1,429,629
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.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 7 - OPERATING LEASES (Continued)

Future annual lease payment requirements are as follows:

<u>Year Ending June 30:</u>	
2022	\$ 4,127
2023	1,467
2024	1,467
2025	1,100
	<u>\$ 8,161</u>

The Board also leases other equipment on an as needed basis. Total equipment lease expense for the years ended June 30, 2021 and 2020 was \$5,910 and \$5,825, respectively.

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, 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 years ended June 30, 2021 and 2020 totaled \$315,003 and \$215,906, which consisted of \$115,110 and \$122,070 from the Board and \$199,893 and \$170,681 from employees respectively.

During the years ended June 30, 2021 and 2020, the Board used \$12,000 and \$0 in retirement forfeiture balances to offset retirement matching contributions, respectively.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

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

In 2016, the Board entered into a five-year agreement with Thoughtspan Technologies, Inc., whereby Thoughtspan agreed 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 included 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 were subject to an annual increase of 2%. The original contract was completed as of June 30, 2021. The Board paid a total of \$699,903 over the life of the contract, of which \$350,000 was capitalized and included in capital assets in the accompanying statement of net position at June 30, 2021.

The Board entered into a five-year renewal agreement with Thoughtspan Technologies for continued support of the Board's web-based licensing information and online renewal system software. The total contract price of \$394,286 covers the annual fees for five years of support and maintenance. The fees are subject to an annual increase of 2%. The contract is effective January 2022 with the first annual fee totaling \$75,765.

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.

In addition to the agreement above, the Board amended a grant agreement with NCPHP from 2018, which established the Stan Haywood Recovery Fund. The purpose of the grant is to administer a program to provide scholarships to pharmacists or other pharmacy personnel participating in NCPHP's programs. The Board granted a total of \$1,100,000 to NCPHP through September 30, 2018. The amendment includes an additional \$250,000 grant to NCPHP which was paid during the year ended June 30, 2021.

Payments to NCPHP for the year ended June 30, 2021 totaled \$500,000.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 11 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through September 20, 2021, which is the date the financial statements were available to be issued.

The audit was conducted in approximately 90 hours at a cost of \$14,000.