

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

	2021	2020
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	613,955	673,044
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	(107,099)	(52,685)
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	(499,316)	1,872
Net increase in cash	7,540	622,231
Cash - beginning of year	2,077,948	1,455,717
Cash - end of year	\$ 2,085,488	\$ 2,077,948
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 361,059	\$ 475,832
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	252,896	197,212
Net cash provided by operating activities	\$ 613,955	\$ 673,044

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
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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.

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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.