

**NORTH CAROLINA BOARD OF PHARMACY**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**



# **NORTH CAROLINA BOARD OF PHARMACY**

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**NORTH CAROLINA BOARD OF PHARMACY**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2022**

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**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, 2022. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the two previous years are presented in the analysis.

**Using the Financial Statements**

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

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

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

The Statement of Cash Flows reports cash from operating activities, capital and related financing activities, and investing activities, and is 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, 2022, 2021, and 2020. The statements provide information on current and noncurrent assets and liabilities. The data provides information on assets available to continue operations; amounts due to vendors and lending institutions; and the net position available for expenditure by the Board.

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

	<u>Years Ended June 30,</u>		
	<u>2022</u>	<u>Restated 2021</u>	<u>2020</u>
Assets:			
Current assets	\$ 5,179,746	\$ 6,702,149	\$ 5,141,883
Non-current assets	5,780,884	3,876,469	4,959,831
Net Right-to-use leased assets	8,530	6,996	-
Net capital assets	1,541,740	1,585,291	1,676,142
Total assets	<u>12,510,900</u>	<u>12,170,905</u>	<u>11,777,856</u>
Liabilities:			
Current liabilities	43,661	29,644	28,443
Non-current liabilities	267,637	264,812	208,862
Total liabilities	<u>311,298</u>	<u>294,456</u>	<u>237,305</u>
Net position:			
Invested in capital assets - net of related depreciation	1,541,593	1,585,146	1,676,142
Unrestricted	10,653,320	10,291,303	9,864,342
Total net position	<u>\$ 12,194,913</u>	<u>\$ 11,876,449</u>	<u>\$ 11,540,484</u>

**NORTH CAROLINA BOARD OF PHARMACY**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2022**

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**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 years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 4,733,786	\$ 4,698,155	\$ 4,524,521
Operating expenses	<u>4,146,745</u>	<u>4,337,174</u>	<u>4,048,756</u>
Operating income	587,041	360,981	475,765
Non-operating revenues (expenses)	<u>(268,577)</u>	<u>(25,016)</u>	<u>267,695</u>
Changes in net position	318,464	335,965	743,460
Net position - beginning of year	<u>11,876,449</u>	<u>11,540,484</u>	<u>10,797,024</u>
Net position - end of year	<u>\$ 12,194,913</u>	<u>\$ 11,876,449</u>	<u>\$ 11,540,484</u>

Operating revenues consisted primarily of pharmacist and pharmacy renewals. Operating revenues for the year ended June 30, 2022 were \$4,733,786 compared to \$4,698,155 for the year ended June 30, 2021. 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 \$154,839 and \$195,468, for the years ended June 30, 2022 and June, 30 2021, 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 through December 2026.

**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

### ***Opinion***

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, 2022 and 2021, 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.

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, 2022 and 2021, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the North Carolina Board of Pharmacy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Carolina Board of Pharmacy's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters we identified during the audit.

### ***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, 2022, 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.

## ***Other Matters***

### ***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 27, 2022

**NORTH CAROLINA BOARD OF PHARMACY**  
**Statements of Net Position**  
**June 30, 2022 and 2021**

	<b>2022</b>	Restated 2021
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 2,740,613	\$ 2,085,488
Investments, current portion	2,322,159	4,512,882
Accrued interest	17,334	19,143
Prepaid expenses	99,640	84,636
Total current assets	<u>5,179,746</u>	<u>6,702,149</u>
Non-current assets:		
Investments, less current portion	5,532,721	3,628,306
Note receivable - officer life insurance	248,163	248,163
Total non-current assets	<u>5,780,884</u>	<u>3,876,469</u>
Capital assets:		
Right-to-use leased assets, net of amortization	8,530	6,996
Property and equipment, net of depreciation	1,541,740	1,585,291
Capital assets, net of depreciation	<u>1,550,270</u>	<u>1,592,287</u>
Total assets	<u>12,510,900</u>	<u>12,170,905</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	39,673	26,357
Current portion of lease liabilities	3,988	3,287
Total current liabilities	<u>43,661</u>	<u>29,644</u>
Non-current liabilities:		
Accrued vacation	267,637	260,958
Lease liabilities	4,689	3,854
Total non-current liabilities	<u>272,326</u>	<u>264,812</u>
Total liabilities	<u>315,987</u>	<u>294,456</u>
<b>NET POSITION:</b>		
Net investment in capital assets	1,541,593	1,585,146
Unrestricted	10,653,320	10,291,303
Total net position	<u>\$ 12,194,913</u>	<u>\$ 11,876,449</u>



**NORTH CAROLINA BOARD OF PHARMACY**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2022 and 2021**

	<b>2022</b>	Restated <b>2021</b>
Operating revenues:		
Pharmacist renewals	\$ 2,367,495	\$ 2,322,135
Pharmacist reciprocity	205,800	242,400
Pharmacist exam fees	38,400	62,800
Pharmacist/manager changes	41,790	31,185
Pharmacist reinstatements	25,110	31,050
Pharmacy renewals	695,000	682,000
Pharmacy permits	173,500	232,500
Pharmacy reinstatements	400	1,200
Technician renewals	507,720	480,960
Technician registrations	176,670	142,740
Technician reinstatements	57,060	48,060
Device and DME permits and renewals	228,400	245,600
Dispensing physician renewals and permits	63,675	64,425
Dispensing PA/NP renewals and permits	31,050	27,975
Pharmacy/pharmacists, lists and labels	66,036	61,350
Miscellaneous	55,680	21,775
Total operating revenues	<b>4,733,786</b>	<b>4,698,155</b>
Operating expenses:		
Salaries	2,179,973	2,170,622
Payroll taxes	154,674	150,836
Retirement contributions	129,994	115,110
Employee benefits	241,955	234,419
Educational expense	2,327	2,410
Board meeting and election expenses	12,080	33
Meetings per diem	14,775	12,850
Professional meetings	26,027	1,380
Inspection expense	64,248	25,494
Building dues and maintenance	27,301	27,463
Office utilities	6,729	6,457
Janitorial service	12,000	12,000
Telephone	14,475	24,382
Auto expense	29,993	16,579
Supplies	19,554	4,035
Books, dues, and subscriptions	12,782	11,283
Postage	6,640	4,895
Printing	1,583	946

**NORTH CAROLINA BOARD OF PHARMACY**  
**Statement of Revenues, Expenses and Changes in Net Position (Continued)**  
**Years Ended June 30, 2022 and 2021**

	<b>2022</b>	Restated 2021
Operating expenses (Continued):		
Maintenance	\$ 162,759	\$ 144,420
Special meetings and projects	15,014	3,485
Insurance	32,219	40,673
Executive director's expense	17,132	3,868
Office staff travel	7,163	7,075
Consulting fees	61,692	43,109
Bank service charges	143,911	131,594
Depreciation	154,839	195,468
Legal fees	311,663	383,606
Pharmacist recovery programs	250,000	500,000
Sponsorship and advertising	14,579	44,977
Audit fee	14,000	13,500
Lease amortization expense	4,420	3,905
Interest expense on lease liabilities	244	300
Total operating expenses	<u>4,146,745</u>	<u>4,337,174</u>
Operating income	<u>587,041</u>	<u>360,981</u>
Non-operating revenues (expense):		
Net investment income	93,605	102,188
Unrealized and realized losses on investments	(380,946)	(124,722)
Gain on sale of fixed assets	18,764	(2,482)
Total non-operating expenses	<u>(268,577)</u>	<u>(25,016)</u>
Changes in net position	318,464	335,965
Net position - beginning of year	<u>11,876,449</u>	<u>11,540,484</u>
Net position - end of year	<u><u>\$ 12,194,913</u></u>	<u><u>\$ 11,876,449</u></u>

**NORTH CAROLINA BOARD OF PHARMACY**  
**Statements of Cash Flows**  
**Years Ended June 30, 2022 and 2021**

	<b>2022</b>	Restated 2021
Cash flows from operating activities:		
Cash received from fees	\$ 4,678,106	\$ 4,676,380
Other cash received	55,680	21,775
Cash payments to employees for service	(2,173,294)	(2,118,526)
Cash payments to suppliers for goods and services	(1,462,806)	(1,385,765)
Cash payments for interest on leased assets	(244)	(300)
Cash payments for other operating expenses	(346,151)	(575,782)
Net cash provided by operating activities	<u>751,291</u>	<u>617,782</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(121,024)	(109,849)
Payments on lease liabilities	(4,418)	(3,827)
Proceeds from sale of capital assets	28,500	2,750
Net cash used in capital and related financing activities	<u>(96,942)</u>	<u>(110,926)</u>
Cash flows from investing activities:		
Purchase of investments	(8,496,746)	(8,203,645)
Proceeds from sales of investments	8,403,917	7,602,141
Net investment income	93,605	102,188
Net cash provided by (used in) investing activities	<u>776</u>	<u>(499,316)</u>
Net increase in cash	655,125	7,540
Cash - beginning of year	<u>2,085,488</u>	<u>2,077,948</u>
Cash - end of year	<u><u>\$ 2,740,613</u></u>	<u><u>\$ 2,085,488</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 587,041</u>	<u>\$ 360,981</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	154,839	195,468
Amortization, leased assets	4,420	3,905
Changes in assets and liabilities:		
Prepaid expenses	(15,004)	7,418
Accounts payable	13,316	(2,086)
Accrued vacation	6,679	52,096
Total adjustments	<u>164,250</u>	<u>256,801</u>
Net cash provided by operating activities	<u><u>\$ 751,291</u></u>	<u><u>\$ 617,782</u></u>

# **NORTH CAROLINA BOARD OF PHARMACY**

## **Notes to Financial Statements**

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### **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 *Annual Comprehensive Financial Report* (ACFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

#### **Basis of Accounting**

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

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

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

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

**Changes in Financial Accounting and Reporting**

For the fiscal year ended June 30, 2022, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

GASB Statement No. 87 increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

**Cash and Cash Equivalents**

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

**Investments**

Investments consist of money market funds, certificates of deposit, and government securities invested through brokerage accounts and are reported at fair value. Investments maturing within the next fiscal year are shown as current. Board investment policies are in line with the State Treasurer under N.C.G.S. §147-69.1 regarding investment options.

**Right-To-Use Leased Assets and Lease Liabilities**

Leases that provide the Board the right to use an asset for a period of more than one year are considered a capital asset. Right-to-use leased assets are recorded at the initial measurement of the lease liability which equals the present value of all payments expected to be made during the lease term. The right-to-use leased assets are amortized on a straight-line basis over the term of the lease(s).

Lease liabilities represent the Board's financial obligation to make lease payments during the term of the lease and is measured at the present value of future lease payments.

## NORTH CAROLINA BOARD OF PHARMACY

### Notes to Financial Statements

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

##### Capital Assets (Continued)

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 over the following useful lives:

Buildings and improvements	15 - 39 years
Furniture & fixtures	7 - 10 years
Equipment	3 - 5 years
Vehicles	5 years
Software	3 - 15 years

##### 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, \$539,559 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**

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**NOTE 2 - DEPOSITS AND INVESTMENTS**

Investments reported at fair value at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 40,227	\$ 843,526
Traded certificates of deposit	2,352,345	3,114,242
Government securities	5,462,308	4,183,420
	<u>\$ 7,854,880</u>	<u>\$8,141,188</u>

Interest income totaled \$126,145 and \$141,738, for the years ended June 30, 2022 and 2021, respectively. Related investment fees totaled \$32,540 and \$39,550 for the years ended June 30, 2022 and 2021, 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, 2022 were as follows:

0 - 2 years	\$ 4,069,689
2 - 5 years	3,744,964
	<u>\$ 7,814,653</u>

The weighted average maturities of the certificates of deposit are 1.91 years at June 30, 2022.

The weighted average maturities of the government securities are 3.03 years at June 30, 2022.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2022, 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, 2022, the Board had cash deposits and money market accounts that exceeded the Federal Deposit Insurance Corporation's (FDIC) limits of \$250,000 by \$2,537,124. The Board also had certificates of deposit that exceeded the FDIC limits of \$250,000 by \$383. In addition, government securities with a fair value of \$5,462,308 at June 30, 2022 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, 2022, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$6,854,879, which included multiple traded certificates of deposit investments totaling \$2,352,345 held in a brokerage account that were individually insured up to \$250,000 under FDIC at June 30, 2022.

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

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**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, 2022 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, 2022 and 2021.

**NOTE 5 - ACCRUED VACATION**

Changes to accrued vacation are as follows for the year ended June 30, 2022 and 2021:

	<u><b>2022</b></u>	<u><b>2021</b></u>
Beginning accrued vacation	\$ <b>260,958</b>	\$ 208,862
Vacation earned	<b>193,729</b>	173,347
Vacation used	<b>(187,050)</b>	(121,251)
Ending accrued vacation	<u><u><b>\$ 267,637</b></u></u>	<u><u>\$ 260,958</u></u>

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the Board for the year ended June 30, 2022, was as follows:

	Cost <u>6/30/2021</u>	<u>Additions</u>	<u>Disposals</u>	Cost <u><b>6/30/2022</b></u>
Capital Assets:				
Building	\$ <b>1,900,559</b>	\$ -	\$ -	\$ <b>1,900,559</b>
Building improvements	<b>156,830</b>	<b>6,227</b>	-	<b>163,057</b>
Furniture and fixtures	<b>232,840</b>	-	-	<b>232,840</b>
Equipment	<b>264,340</b>	-	-	<b>264,340</b>
Vehicles	<b>234,735</b>	<b>88,997</b>	<b>(58,654)</b>	<b>265,078</b>
Software	<b>359,825</b>	<b>25,800</b>	-	<b>385,625</b>
Total at historical cost	<u><u><b>3,149,129</b></u></u>	<u><u><b>121,024</b></u></u>	<u><u><b>(58,654)</b></u></u>	<u><u><b>3,211,499</b></u></u>



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

NOTE 6 - CAPITAL ASSETS (Continued)

Capital asset activity for the Board for the year ended June 30, 2022, was as follows (Continued):

	Cost 6/30/2021	Additions	Disposals	Cost 6/30/2022
Less accumulated depreciation for:				
Building	875,968	48,820	-	924,788
Building improvements	40,066	8,664	-	48,730
Furniture and fixtures	217,565	3,412	-	220,977
Equipment	189,644	31,618	-	221,262
Vehicles	149,475	37,329	(48,918)	137,886
Software	91,120	24,996	-	116,116
Total accumulated depreciation	1,563,838	154,839	(48,918)	1,669,759
Total capital assets, net	<u>\$ 1,585,291</u>	<u>\$ (33,815)</u>	<u>\$ (9,736)</u>	<u>\$ 1,541,740</u>

Capital asset activity 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	3,105,771	109,849	(66,491)	3,149,129
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>

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

**NOTE 7 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES**

The Board signed lease agreements for office equipment including copiers. The leases have varying expiration dates ranging from 2024-2025.

Lease expenses were comprised of the following:

	<b>2022</b>	<b>2021</b>
Amortization expense by class of underlying asset:		
Office equipment	\$ 4,420	\$ 3,905
Interest on lease liabilities	244	300
Total lease expense	<u>\$ 4,664</u>	<u>\$ 4,205</u>

Right-to-use leased assets activity:

	<b>6/30/2021</b>	<b>Additions</b>	<b>Subtractions</b>	<b>6/30/2022</b>
Office equipment	\$ 13,789	\$ 5,954	\$ (7,010)	\$ 12,733
Less: Accumulated amortization	(6,793)	(4,420)	7,010	(4,203)
Right-to-use assets, net	<u>\$ 6,996</u>	<u>\$ 1,534</u>	<u>\$ -</u>	<u>\$ 8,530</u>

	<b>6/30/2020</b>	<b>Additions</b>	<b>Subtractions</b>	<b>6/30/2021</b>
Office equipment	\$ 13,789	\$ -	\$ -	\$ 13,789
Less: Accumulated amortization	(2,888)	(3,905)	-	(6,793)
Right-to-use assets, net	<u>\$ 10,901</u>	<u>\$ (3,905)</u>	<u>\$ -</u>	<u>\$ 6,996</u>

Lease liabilities were comprised of the following:

	<b>6/30/2021</b>	<b>Additions</b>	<b>Subtractions</b>	<b>6/30/2022</b>
Total lease liabilities	<u>\$ 7,141</u>	<u>\$ 5,954</u>	<u>\$ (4,418)</u>	<u>\$ 8,677</u>
	<b>6/30/2020</b>	<b>Additions</b>	<b>Subtractions</b>	<b>6/30/2021</b>
Total lease liabilities	<u>\$ 10,969</u>	<u>\$ -</u>	<u>\$ (3,828)</u>	<u>\$ 7,141</u>

Future lease payments are comprised of the following:

<b>Years Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Payments</b>
2023	\$ 3,988	\$ 223	\$ 4,211
2024	3,603	93	3,696
2025	1,086	15	1,101
	<u>\$ 8,677</u>	<u>\$ 331</u>	<u>\$ 9,008</u>

## **NORTH CAROLINA BOARD OF PHARMACY**

### **Notes to Financial Statements**

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#### **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, 2022 and 2021 totaled \$320,156 and \$315,003, which consisted of \$129,994 and \$115,110, respectively, from the Board and \$190,162 and \$199,893, respectively, from employees.

During the years ended June 30, 2022 and 2021, the Board used \$0 and \$12,000 in retirement forfeiture balances to offset retirement matching contributions, respectively.

#### **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 - RESTATEMENT**

The adoption of GASB Statement No. 87 changed the manner in which the Board accounts for leases which provide the Board the right-to-use four copiers. Under GASB Statement No. 87, a lessee is required to recognize an intangible right-to-use lease asset and a lease liability.

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

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**NOTE 10 - RESTATEMENT (Continued)**

Right-to-use leased assets are recorded at the initial measurement of the lease liability which equals the present value of all payments expected to be made during the lease term. Right-to-use leased assets are amortized over the term of the lease contracts. Lease payments are separated into interest expense and a reduction of the lease liabilities.

The effects of the changes as of and for the year ended June 30, 2021 are as follows:

	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
Statement of Revenues, Expenses and Changes in Net Position:			
Equipment lease	\$ 5,910	\$ -	\$ (5,910)
Maintenance	142,637	144,420	1,783
Lease amortization expense	-	3,905	3,905
Interest expense on lease liabilities	-	300	300
Net position - beginning of year	11,540,551	11,540,484	(67)
Statement of Net Position:			
Right-to-use leased assets, net of amortization	\$ -	\$ 6,996	\$ 6,996
Current portion of lease liabilities	-	3,287	3,287
Lease liabilities	-	3,854	3,854

**NOTE 11 - COMMITMENTS**

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. The agreement automatically renews for successive one-year terms unless either party provides written notice of termination at least six months prior to expiration. The contract includes a \$250,000 annual fee payable in quarterly installments.

Payments to NCPHP for the year ended June 30, 2022 totaled \$250,000.

**NOTE 12 - SUBSEQUENT EVENTS**

Management of the Board evaluated subsequent events through September 27, 2022, 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.