

ONE HUNDRED FORTY-SECOND

ANNUAL REPORT

NORTH CAROLINA

BOARD OF PHARMACY

July 1, 2022 – June 30, 2023



ONE HUNDRED FORTY-SECOND ANNUAL REPORT
NORTH CAROLINA BOARD OF PHARMACY

July 1, 2022 – June 30, 2023

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

MEMBERS AND ORGANIZATION

PER REQUIREMENTS OF N.C.G.S. § 93B-2

J. Andrew Bowman, Lillington, President..... Term expires April 30, 2026
Christopher M. Sain, Hickory, Vice President..... Term expires April 30, 2027
Wallace E. Nelson, Hertford Term expires April 30, 2025
Ashley H. Duggins, Asheboro Term expires April 30, 2025
Mischelle J. Corbin, Raleigh Term expires April 30, 2025
Keith A. Vance, Lewisville Term expires April 30, 2027

Executive Director

Jack W. Campbell IV

Associate Executive Director

Ellen Vick

General Counsel

Clinton R. Pinyan

Investigators/Inspectors

Loretta Wiesner, Director of Investigations
Krystal Stefanyk, Director of Inspections
Chase Bissell
Christie Cutbush
Kristy Edmondson
Maria Fabiano
Lindsey Frederick
Holly Price Hunt
Ruben Junez
Joshua Kohler
Cindy Parham
Kimberly Sims
Brent Slaughter
Jason Smith

Licensing

Missy Betz, Director
Stacie Mason
Lisa Parker-Hawkins
Wendy Watson
Leslie Wilson

Financial and HR Services

Rhonda Jones, Director
JP Brown

Operations

Kristin Moore, Director
Antoine Pryor
Zhané Newton

Chapel Hill, North Carolina
October 27, 2023

Governor Roy Cooper
Raleigh, North Carolina

Dear Governor Cooper:

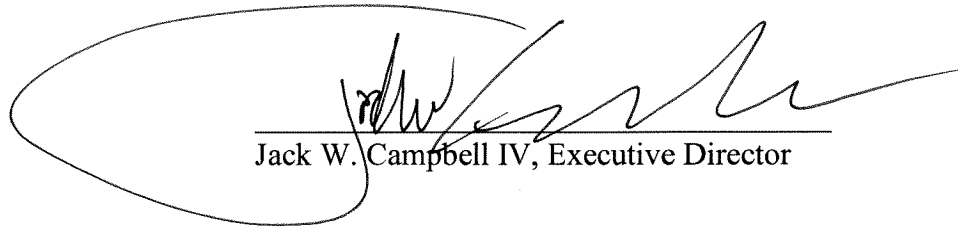
In compliance with N.C.G.S. § 93B-2, the Board of Pharmacy is pleased to submit to you the One Hundred Forty-Second Annual Report of the North Carolina Board of Pharmacy.

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", is written over a horizontal line. The signature is enclosed within a large, hand-drawn oval shape.

Jack W. Campbell IV, Executive Director

Introduction

The Board of Pharmacy is pleased to present this summary of events and activities for FY2022-23. 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's FY2022-23 Financial Audit Report is appended to this Annual Report.

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 second Tuesday of January, March, May, July, September, and November. The Board holds committee workdays the second Tuesday of February, April, June, and October. The Board holds pre-hearing conferences in disciplinary matters the second Monday of every month except August and December.

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 required Statements of Economic Interest.

In FY2024-25, the Board will hold elections for the Northeastern and Central district membership positions.

Staff

The Enforcement Team hired a new Investigator for District 5. James "Jimmy" Fickling, comes to the Board with 30 years' experience in law enforcement and investigations. The Enforcement Team hired a new Director of Investigations. Jennings Gray Fullwood comes to the Board with 20 years' experience at the North Carolina State Bureau of Investigations and five years' experience as an investigator at the North Carolina Board of Nursing.

Enforcement Specialist Cindy Parham continues to serve as the secretary-treasurer for the National Association of Boards of Pharmacy (NABP) District 3 and MALTAGON, a consortium of state Boards of Pharmacy focusing on pharmacy law enforcement efforts throughout the country.

Director of Inspections Krystal Stefanyk continues to share her knowledge of sterile compounding by speaking at national conferences for United States Pharmacopeia (USP) and the Food and Drug Administration (FDA). She also spearheaded the creation of a hands-on sterile compounding training for board of pharmacy inspectors with University of South Carolina's KPIC program. That program is emerging as the preeminent compounding training program for board of pharmacy inspectors nationally.

Associate Executive Director Ellen Vick continues to serve as a commissioner for the Accreditation Council for Pharmacy Education (ACPE) Continuing Education Commission. Ellen continues to serve as Vice President of MALTAGON, a consortium of state Boards of Pharmacy focusing on pharmacy law enforcement efforts throughout the country.

During FY2022-23, licensing specialist (and former Director of Licensing) Debbie Stump retired after 36 years of superlative service to the Board. Literally generations of pharmacists in North Carolina knew Debbie to be unfailingly helpful and kind. As Director of Licensing, Debbie shepherded the Board through its transition from a largely paper-based licensing, registration and permitting systems to the on-line, streamlined systems that operate today. Her patience and grace throughout that transition was much needed – and much appreciated. Debbie cared deeply about the Board, its mission, and the staff. Each of us could count on Debbie for an uplift when she sensed we were going through a rough patch. Debbie is deeply missed, but she continues to stop by from time to time to check on us.

Lisa Parker-Hawkins was promoted to licensing specialist and her principal responsibility is overseeing the pharmacy technician registration systems – an enormous job in scope and complexity. Lisa joined the Board several years ago as its receptionist. Her smarts, energy, and talents were apparent immediately, and we are pleased that she has taken on a larger role here.

Executive Director Jay Campbell continues to serve the NABP Advisory Committee on Examinations. That committee oversees the development, implementation and administration of the two pharmacist licensing examinations used nationwide – the North American Pharmacy Licensure Examination (NAPLEX) and the Multistate Pharmacy Jurisprudence Examination (MPJE).

In June 2023, Jay was appointed to chair NABP's Working Group on Establishing a Uniform Pharmacy Jurisprudence Exam. The Working Group's charge is to create the blueprint for a uniform pharmacy licensure jurisprudence examination that states could choose to recognize in lieu of a state-specific exam. This project is an outgrowth of NABP's continuing efforts to streamline and simplify multi-jurisdictional practice regulation.

Licensing Activity

FY2022-23 saw a continuation of the Board's efforts to make multi-jurisdictional practice easier to manage from a licensing perspective, and to provide authorization for additional drug delivery models that present pharmacies with patient-focused alternatives designed to streamline pharmacy services.

In June 2022, the Board completed a rulemaking to amend Rule .1816, now titled "Centralized Pharmacy Services," and create a new Rule .2515, titled "Remote Work By Pharmacy Personnel." The efforts broaden the availability of remote medication order processing (RMOP) arrangements among pharmacies to all pharmacy practice types (health-system pharmacies only previously had this authority).

As part of this rulemaking, North Carolina became the first board of pharmacy in the country to recognize NABP's Verify credential as an alternative to full licensure for out-of-state pharmacists who are only providing certain remote pharmacy services to North Carolina pharmacies (though such pharmacists do have the option to obtain a full North Carolina license to practice pharmacy). The credential provides the Board with *ex ante* confidence that an out-of-state pharmacist providing such services is properly licensed in the pharmacists' state of residence and free from any disciplinary action. The credential provides constant, real-time monitoring of Verify holders to ensure that their license and disciplinary status remains unblemished. On the user side, the credential is significantly less expensive to obtain and maintain for remote pharmacists than multiple individual state licenses, and more easily facilitates workload sharing.

The popularity of this alternative was born out quickly. Over 5,000 pharmacists nationwide have registered a Verify credential with the Board, making them eligible to perform certain remote pharmacy services. The unexpectedly large uptake of the Verify credential option challenged Board staff to quickly scale up on-line registration and renewal systems. Working with our partners at NABP, the Board was able to do so quickly and effectively.

Related to the Board's facilitation of broader inter-pharmacy remote work sharing arrangements, the Board amended its Rule .1607 governing pharmacist-managers to make clear that the designated pharmacist-manager on a North Carolina out-of-state pharmacy permit must be the same pharmacist-manager designated in the home state. This change helps ensure that pharmacist-managers are knowledgeable of, and responsible for, all aspects of multi-jurisdictional remote operations.

Effective September 1, 2022, the Board implemented revised Rule .1503 governing pharmacy interns. The revision brought needed clarity to questions of who is eligible to serve as a pharmacy intern in North Carolina and a readily available resource for pharmacies to ensure that an intern is in fact qualified.

Pharmacy interns may perform all acts constituting the practice of pharmacy under the supervision of pharmacist. Accordingly, the public health and safety demands assurance that interns are in fact qualified to serve in that role. The substantial majority of pharmacy interns are students currently enrolled in an accredited school of pharmacy. But there are other categories of qualified interns – including graduates of certain foreign schools of pharmacy who have obtained an equivalency certification, and pharmacists who have been out-of-practice for substantial periods of time and are working to reinstate their license.

Under the revised rule, any person who wishes to serve as a pharmacy intern and obtain practical experience in North Carolina must register with the Board. A person may not, and will not, receive credit for any practical experience required for licensure and obtained in North Carolina unless and until registered as a pharmacy intern. There is no fee for intern registration.

North Carolina pharmacists and pharmacies who host pharmacy interns as part of an academic experiential program or who host/employ pharmacy interns outside of an academic experiential program must verify that the would-be intern is, in fact, registered and eligible to serve as an intern.

Investigations and Inspections Activity

The Board's inspections and investigations docket continues to be full and productive. The Board investigative staff were assigned 543 new cases, while at the same time working diligently to close 491 cases.

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 rise of so-called "IV hydration clinics" in North Carolina and nationwide has raised substantial public health and safety concerns about the quality, purity, and potency of intravenous mixtures being compounded at such clinics. Board investigative staff have taken an active role in this area and are grateful to colleagues at the North Carolina Nursing Board who have worked closely with us to provide guidance to the regulated community and to share resources and expertise. This is an area, however, that is going to require more cooperation, particularly with colleagues who regulate the practice of medicine. The consequences of unsafe and unsanitary compounding practices are a

serious matter.

Compounding matters continue to consume a substantial part of the enforcement department's time and effort. In FY2022-23, the proliferation of semaglutide (marketed as Ozempic and Wegovy) compounding required coordination with the FDA to ensure that pharmacies who proposed to compound this product understood the regulatory landscape and significant limitations on compounding a commercially available drug. Enforcement staff also cooperated with colleagues in a number of states to ensure consistent messaging and enforcement activity.

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 FY2022-23, the Board further increased its 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 rulemaking and implemented revised Rule .1503 governing pharmacy intern registration.

In early 2023, the Board and the Medical Board cooperated to issue final rules governing the ability of immunizing pharmacists to administer certain long-acting injections (LAIs) – a new authority granted to pharmacists in 2021. The Boards issued a temporary rule in Fall 2021 governing the training and oversight of LAI administration. Experience proved that the temporary rule's requirements were properly tailored, and the Boards completed the process to make the temporary rule permanent.

During FY2022-23, the Board began rulemaking to authorize and govern direct-to-patient ("DTP") dispensing systems under proposed new Rule .1821. The proposed rule would authorize pharmacies to employ certain DTP systems, which are technologies that dispense drugs directly to patients. The proposed rule contains provisions to allow pharmacies to comply with the laws governing dispensing drugs, devices, or medical equipment while using these systems. The proposed rule further contains provisions that would ensure that the systems can be used safely and securely, that required records are maintained, that the home pharmacy can adequately supervise and service these systems, and that patients may use these systems while also receiving information, safeguards and counseling that they need to use their drugs, devices, and medical equipment safely. There is an accompanying proposed change to the Board's limited-service permit rules to provide for permitting of systems that a pharmacy may place in a location other than the home pharmacy's facility.

This proposed rule, which the Board anticipates finalizing in early FY2023-24, is of a piece with other recent efforts (*e.g.*, expansion of remote medication order entry authority) designed to provide pharmacies with more flexible options for meeting patient needs.

Other Board Activity

SL2021-110 granted immunizing pharmacists substantial new practice authority to initiate drug therapy for smoking cessation, hormonal contraception, pre-natal vitamins, post-exposure HIV prophylaxis, and glucagon for hypoglycemia. These authorities were implemented initially, and as required by the statute, via statewide standing orders issued by State Health Director Betsey Tilson in early 2022. In mid-2023, the Pharmacy and Medical Boards exercised the authority conferred in the statute to implement permanent protocols to implement these authorities. Board members and staff express their deep appreciation to Dr. Tilson, whose insightful and collaborative process for producing the statewide standing orders led to those orders being converted without change into permanent protocols.

Immunizing pharmacists wishing to exercise the protocol-based authority to initiate hormonal contraceptive therapy are required to complete the North Carolina Hormonal Contraception Training course. This course was developed collaboratively among North Carolina pharmacists and physicians and brought forward in 2022 when Dr. Tilson issued the statewide standing order. The course is hosted by the North Carolina Association of Pharmacists. To improve North Carolinians' access to this service, the Board has committed substantial resources to make the training course available without cost to North Carolina pharmacists through April 2024.

The federal COVID 19 emergency declaration expired in part on May 11, 2023. With it, a number of authorities granted to pharmacists and pharmacy technicians to order and administer vaccines expired. Some of these federally-granted authorities remain in effect until December 31, 2024. But efforts in North Carolina and nationally have turned to preserving those authorities, which produced markedly positive public health benefits. The General Assembly has passed, and Governor Cooper has signed into law, several amendments to immunizing pharmacists' ability to administer vaccines to adult and pediatric patients. The Board has been supportive of these efforts and worked throughout FY2022-23 to produce clear, timely guidance to pharmacists as these authorities changed.

* * *

Again, the on-line and print resources noted above detail the wide scope of public health and safety activities undertaken by the Board during FY 2022-23. The statistics reported below further demonstrate the Board's active licensing, permitting, registration, and disciplinary docket.

G.S. § 93B-2 Report Contents

North Carolina Board of Pharmacy Census of Licenses, Permits, and Registrations As of June 30, 2023

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.....	18,358
Total number of pharmacists residing in North Carolina	12,941
Inactive pharmacists residing in North Carolina	4,356
Total number of active pharmacists residing outside of North Carolina	5,404

Breakdown of Employment Settings In-State

Retail Pharmacy – Chain	3,362
Retail Pharmacy – Independent	1,888
Community Health Center	289
Free/Charitable Clinic.....	226
Other Outpatient Pharmacy	715
Hospital Pharmacies	3,320
Clinical Pharmacist Practitioners.....	403
Long Term Care/Hospice	618
Infusion.....	364
Nuclear Pharmacy	37
Government, Health Departments, and Teaching.....	1,439
Pharmaceutical Industry	722
Other Pharmacy Setting.....	941
Not employed in a pharmacy setting	1,157
No employment reported.....	79
Retired	595

Age and Gender of Active Pharmacists in North Carolina

Under 30 years of age.....	1,119
30 – 39 years of age.....	3,853
40 – 49 years of age.....	3,165
50 – 59 years of age.....	2,679
60 – 65 years of age.....	1,043
Over 65 years of age.....	1,082
In-state Pharmacists – Female	8,316
In-state Pharmacists – Male.....	4,625

PHARMACIES

Total in-state Pharmacy permits	2,694
Retail Pharmacy – Chain	1,165
Retail Pharmacy – Independent	716
Hospital Pharmacies	179
Nursing Homes	24
Health Departments	85
Free/Charitable Clinics	45
Infusion	46
Automated Dispensing Systems	138
Others	296
Total out-of-state Pharmacy permits	881

DEVICE AND MEDICAL EQUIPMENT

Total DME permits	799
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DISPENSING PHYSICIANS

Total Physicians registered	791
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DISPENSING PHYSICIAN ASSISTANTS AND NURSE PRACTITIONERS

Total PA's and NP's registered	377
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PHARMACY TECHNICIANS

Total Pharmacy Technicians registered	21,728
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Total Pharmacy Technicians who are nationally certified	11,266
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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

529 persons applied to the Board for licensure by examination in FY2022-23.

(3) The Number of Persons Who Were Refused Examination

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

(4) The Number of Persons Who Took the Examination

623 candidates sat for examination in FY2022-23. Ten (10) candidates withdrew from examination. No candidate failed to appear for examination. As noted above, no candidate was refused examination

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

The Board issued 415 licenses by examination in FY2022-23. **Note:** The Board's fiscal year ended June 30, 2023, which falls in the middle of the highest license testing period. The disparity between candidates who applied for licensure by exam in FY2022-23 and those granted licensure by exam in FY2022-23 is due to some candidates not sitting for the exam until after the conclusion of the fiscal year, and other candidates who failed one of the exams and did not complete the licensure process by the end of the fiscal year.

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

137 candidates failed one or more of the licensure examinations in FY2022-23. 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.

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

492 persons applied for licensure by reciprocity in FY2022-23.

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

493 persons were granted licensure by reciprocity in FY2022-23.

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

74 applicants (62 pharmacy technician registration applicants; 12 pharmacist licensure applicants) presented with a record of criminal conviction in FY2022-23.

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

62 applicants (52 pharmacy technician registration applicants; 10 pharmacist licensure applicants) were granted registration or licensure in FY 2022-23. Seven (7) pharmacy technician registration applicants and one (1) pharmacist licensure applicant could not be approved by Board staff because of a criminal conviction. Each were notified that they could request a hearing before the Board concerning the registration application. None did so. Two (2) pharmacy technician applicants and one (1) pharmacist licensure applicant withdrew their application because of a potentially

disqualifying criminal conviction. One (1) pharmacy technician applicant withdrew the application because he submitted the application erroneously.

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

Two (2) pharmacist licensure applicants requested the military-training application fee waiver and temporary license in FY2022-23. Neither applicant was eligible for fee waiver and temporary licensure.

Fifteen (15) pharmacy technician registration applicants requested the military-training fee waiver in FY2022-23. Four (4) 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. Eleven (11) applicants were not eligible for the fee waiver.

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

Five (5) military-spouse pharmacist licensure applications requested application fee waiver and temporary license in FY2022-23. Four (4) were eligible for, and received, the fee waiver and temporary license. One (1) applicant was not eligible for the fee waiver and temporary license.

45 pharmacy technician registration applicants requested the military-spouse fee waiver in FY2022-23. Ten (10) 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. 35 applicants were not eligible for the fee waiver.

Note: These numbers include applicants who sought temporary licensure under the federal Military Spouse Licensing Relief Act, which became effective in January 2023.

(13) 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	543
Total number of inspections conducted	943
Total number of “no action” decisions after investigation (<i>i.e.</i> , investigation did not find any violation of law)	74
Total number of “no action” decisions due to Board having no jurisdiction over complained-of behavior	28
Total number of injunctions obtained to halt unlicensed practice	1
Total number of warning letters issued post pre-hearing conference or by administrative disposition	158
Total number of cases resulting in consent orders	20
Total number of cases resulting in full board hearings	5
Pharmacist license applications denied	2*
Pharmacist licenses revoked	1
Pharmacist licenses suspended	12
Pharmacist licenses surrendered	14
Pharmacy technician registration applications denied	8*
Pharmacy technician registrations revoked	3
Pharmacy technician licenses suspended	12
Pharmacy technicians surrendered	21
Pharmacy permit applications denied	5*
Pharmacy permits revoked	0
Pharmacy permits suspended	2
Pharmacy permits surrendered	1
DME permit applications denied	0*
DME permits revoked	0
DME permits suspended	0
DME permits surrendered	0

*Each year, Board staff identifies deficiencies in pharmacist, technician, pharmacy and DME license/registration/permit applications and notifies the applicant of them. In some cases, the applicant abandons or withdraws the application. These abandoned or

withdrawn applications, however, are not “denials” because no final Board action was taken.

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

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

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

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

The Board has communicated to members of the General Assembly its support of expanded pharmacist-physician collaborative practice authority, which was contained in several versions of H.125 introduced in the 2023 long session. The Board understands that this subject will be the subject of further debate and potential action in the upcoming 2024 short session. The Board stands ready, as always, to serve as a resource on this or other legislative matters touching upon pharmacy regulation.

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

The following rulemaking activities are anticipated for FY2022-23:

Modernization of the Patient Counseling Rule. Provision of drug therapy counseling services is an integral part of ensuring appropriate, safe pharmaceutical care. It is also, under the OBRA 90 Act, a condition of state receipt of federal Medicaid funds. The Board continues to explore whether its patient counseling rule properly accounts for various methods of accomplishing effective pharmacist-patient communication.

Review and Modernization of Health-System Pharmacy Rules. The Board continues to conduct a comprehensive review of the practice rules governing health-system pharmacy practice with two primary goals in mind: (1) ensuring that the rules do not unintentionally impede the use of a patient-beneficial pharmacy technology; and (2) documentation and recordkeeping standards are sufficient to protect public health and safety, but do not unnecessarily retain “legacy” requirements.

FINANCIAL AUDIT REPORT

FY 2022-23

NORTH CAROLINA BOARD OF PHARMACY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022



NORTH CAROLINA BOARD OF PHARMACY

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NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Year Ended June 30, 2023

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, 2023. 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.

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Year Ended June 30, 2023

Statement of Net Position

The following Statements of Net Position presents a fiscal snapshot of the Board's financial position as of June 30, 2023, 2022, and 2021. 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:

	Years Ended June 30,		
	2023	2022	Restated 2021
Assets:			
Current assets	\$ 7,228,140	\$ 5,179,746	\$ 6,702,149
Non-current assets	4,064,162	5,780,884	3,876,469
Right-to-use leased assets, net	6,963	8,530	6,996
Capital assets, net	1,675,861	1,541,740	1,585,291
Total assets	<u>12,975,126</u>	<u>12,510,900</u>	<u>12,170,905</u>
Liabilities:			
Current liabilities	64,607	43,661	29,644
Non-current liabilities	257,387	272,326	264,812
Total liabilities	<u>321,994</u>	<u>315,987</u>	<u>294,456</u>
Net position:			
Invested in capital assets - net of related depreciation	1,675,706	1,541,593	1,585,146
Unrestricted	10,977,426	10,653,320	10,291,303
Total net position	<u>\$ 12,653,132</u>	<u>\$ 12,194,913</u>	<u>\$ 11,876,449</u>

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Year Ended June 30, 2023

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>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 4,844,140	\$ 4,733,786	\$ 4,698,155
Operating expenses	<u>4,491,313</u>	<u>4,146,745</u>	<u>4,337,174</u>
Operating income	352,827	587,041	360,981
Non-operating revenues (expenses)	<u>105,392</u>	<u>(268,577)</u>	<u>(25,016)</u>
Changes in net position	458,219	318,464	335,965
Net position - beginning of year	<u>12,194,913</u>	<u>11,876,449</u>	<u>11,540,484</u>
Net position - end of year	<u>\$ 12,653,132</u>	<u>\$ 12,194,913</u>	<u>\$ 11,876,449</u>

Operating revenues consisted primarily of pharmacist and pharmacy renewals. Operating revenues for the year ended June 30, 2023 were \$4,844,140 compared to \$4,733,786 for the year ended June 30, 2022. 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 \$138,680 and \$154,839, for the years ended June 30, 2023 and June, 30 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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 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, 2023, 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 – 3, 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 25, 2023

NORTH CAROLINA BOARD OF PHARMACY
Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS:		
Current assets:		
Cash	\$ 2,556,624	\$ 2,740,613
Investments, current portion	4,536,467	2,322,159
Accrued interest	33,259	17,334
Prepaid expenses	101,790	99,640
Total current assets	<u>7,228,140</u>	<u>5,179,746</u>
Non-current assets:		
Investments, less current portion	3,815,999	5,532,721
Note receivable - officer life insurance	248,163	248,163
Total non-current assets	<u>4,064,162</u>	<u>5,780,884</u>
Capital assets:		
Right-to-use leased assets, net of amortization	6,963	8,530
Property and equipment, net of depreciation	1,675,861	1,541,740
Capital assets, net of depreciation	<u>1,682,824</u>	<u>1,550,270</u>
Total assets	<u>12,975,126</u>	<u>12,510,900</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	61,761	39,673
Current portion of lease liabilities	2,846	3,988
Total current liabilities	<u>64,607</u>	<u>43,661</u>
Non-current liabilities:		
Accrued vacation	253,115	267,637
Lease liabilities	4,272	4,689
Total non-current liabilities	<u>257,387</u>	<u>272,326</u>
Total liabilities	<u>321,994</u>	<u>315,987</u>
NET POSITION:		
Net investment in capital assets	1,675,706	1,541,593
Unrestricted	10,977,426	10,653,320
Total net position	<u>\$ 12,653,132</u>	<u>\$ 12,194,913</u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Pharmacist renewals	\$ 2,402,865	\$ 2,367,495
Pharmacist reciprocity	290,400	205,800
Pharmacist exam fees	53,000	38,400
Pharmacist/manager changes	39,270	41,790
Pharmacist reinstatements	31,050	25,110
Pharmacy renewals	698,600	695,000
Pharmacy permits	173,500	173,500
Pharmacy reinstatements	2,400	400
Technician renewals	529,530	507,720
Technician registrations	149,940	176,670
Technician reinstatements	60,780	57,060
Device and DME permits and renewals	206,100	228,400
Dispensing physician renewals and permits	66,075	63,675
Dispensing PA/NP renewals and permits	32,700	31,050
Pharmacy/pharmacists, lists and labels	72,080	66,036
Miscellaneous	35,850	55,680
Total operating revenues	<u>4,844,140</u>	<u>4,733,786</u>
Operating expenses:		
Salaries	2,315,320	2,179,973
Payroll taxes	166,096	154,674
Retirement contributions	136,358	129,994
Employee benefits	257,497	241,955
Educational expense	2,528	2,327
Board meeting and election expenses	18,807	12,080
Meetings per diem	11,400	14,775
Professional meetings	26,059	26,027
Inspection expense	75,522	64,248
Building dues and maintenance	26,500	27,301
Office utilities	6,872	6,729
Janitorial service	12,000	12,000
Telephone	24,318	14,475
Auto expense	31,786	29,993
Supplies	10,661	19,554
Books, dues, and subscriptions	12,923	12,782
Postage	6,466	6,640
Printing	33,075	1,583

NORTH CAROLINA BOARD OF PHARMACY
Statement of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating expenses (Continued):		
Maintenance	\$ 164,649	\$ 162,759
Special meetings and projects	26,743	15,014
Insurance	33,721	32,219
Executive director's expense	18,833	17,132
Office staff travel	589	7,163
Consulting fees	61,162	61,692
Bank service charges	153,078	143,911
Depreciation	138,680	154,839
Legal fees	355,995	311,663
Pharmacist recovery programs	300,000	250,000
Sponsorship and advertising	43,891	14,579
Audit fee	15,400	14,000
Lease amortization expense	4,124	4,420
Interest expense on lease liabilities	260	244
Total operating expenses	<u>4,491,313</u>	<u>4,146,745</u>
Operating income	<u>352,827</u>	<u>587,041</u>
Non-operating revenues (expense):		
Net investment income	126,143	93,605
Unrealized and realized losses on investments	(86,858)	(380,946)
Gain on sale of fixed assets	66,107	18,764
Total non-operating expenses	<u>105,392</u>	<u>(268,577)</u>
Changes in net position	458,219	318,464
Net position - beginning of year	<u>12,194,913</u>	<u>11,876,449</u>
Net position - end of year	<u><u>\$ 12,653,132</u></u>	<u><u>\$ 12,194,913</u></u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from fees	\$ 4,808,290	\$ 4,678,106
Other cash received	35,850	55,680
Cash payments to employees for service	(2,329,842)	(2,173,294)
Cash payments to suppliers for goods and services	(1,616,718)	(1,462,806)
Cash payments for interest on leased assets	(260)	(244)
Cash payments for other operating expenses	(396,273)	(346,151)
Net cash provided by operating activities	<u>501,047</u>	<u>751,291</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(273,043)	(121,024)
Payments on lease liabilities	(5,153)	(4,418)
Proceeds from sale of capital assets	66,107	28,500
Net cash used in capital and related financing activities	<u>(212,089)</u>	<u>(96,942)</u>
Cash flows from investing activities:		
Purchase of investments	(6,368,738)	(8,496,746)
Proceeds from sales of investments	5,769,648	8,403,917
Net investment income	126,143	93,605
Net cash provided by (used in) investing activities	<u>(472,947)</u>	<u>776</u>
Net increase (decrease) in cash	(183,989)	655,125
Cash - beginning of year	<u>2,740,613</u>	<u>2,085,488</u>
Cash - end of year	<u><u>\$ 2,556,624</u></u>	<u><u>\$ 2,740,613</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 352,827	\$ 587,041
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	138,680	154,839
Amortization, leased assets	4,124	4,420
Changes in assets and liabilities:		
Prepaid expenses	(2,150)	(15,004)
Accounts payable	22,088	13,316
Accrued vacation	(14,522)	6,679
Total adjustments	<u>148,220</u>	<u>164,250</u>
Net cash provided by operating activities	<u><u>\$ 501,047</u></u>	<u><u>\$ 751,291</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 *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.

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.

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.

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 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.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

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

Net Position (Continued)

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Investments reported at fair value at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 20,464	\$ 40,227
Traded certificates of deposit	1,741,773	2,352,345
Government securities	6,590,229	5,462,308
	<u>\$ 8,352,466</u>	<u>\$ 7,854,880</u>

Interest income totaled \$158,309 and \$126,145, for the years ended June 30, 2023 and 2022, respectively. Related investment fees were \$32,166 and \$32,540 for the years ended June 30, 2023 and 2022, 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, 2023 were as follows:

0 - 2 years	\$ 4,516,003
2 - 5 years	3,815,999
	<u>\$ 8,332,002</u>

The weighted average maturities of the certificates of deposit are 1.85 years at June 30, 2023.

The weighted average maturities of the government securities are 3.30 years at June 30, 2023.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023, 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.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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, 2023, the Board had cash deposits and money market accounts that exceeded the Federal Deposit Insurance Corporation's (FDIC) limits of \$250,000 by \$2,391,098. In addition, government securities with a fair value of \$6,590,229 at June 30, 2023 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, 2023, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$7,352,466, which included multiple traded certificates of deposit investments totaling \$1,741,773 held in a brokerage account that were individually insured up to \$250,000 under FDIC at June 30, 2023.

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 are: 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, 2023 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, 2023 and 2022.

NOTE 5 - ACCRUED VACATION

Changes to accrued vacation are as follows for the year ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Beginning accrued vacation	\$ 267,637	\$ 260,958
Vacation earned	280,887	193,729
Vacation used	(295,409)	(187,050)
Ending accrued vacation	<u>\$ 253,115</u>	<u>\$ 267,637</u>

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the Board for the year ended June 30, 2023, was as follows:

	Cost 6/30/2022	Additions	Disposals	Cost 6/30/2023
Capital Assets:				
Building	\$ 1,900,559	\$ -	\$ -	\$ 1,900,559
Building improvements	163,057	25,097	-	188,154
Furniture and fixtures	232,840	-	(2,400)	230,440
Equipment	264,340	93,680	-	358,020
Vehicles	265,078	142,924	(107,530)	300,472
Software	385,625	11,100	(6,460)	390,265
Total at historical cost	<u>3,211,499</u>	<u>272,801</u>	<u>(116,390)</u>	<u>3,367,910</u>
Less accumulated depreciation for:				
Building	924,788	48,820	-	973,608
Building improvements	48,730	6,339	-	55,069
Furniture and fixtures	220,977	2,919	(2,400)	221,496
Equipment	221,262	10,802	-	232,064
Vehicles	137,886	43,425	(107,530)	73,781
Software	116,116	26,375	(6,460)	136,031
Total accumulated depreciation	<u>1,669,759</u>	<u>138,680</u>	<u>(116,390)</u>	<u>1,692,049</u>
Total capital assets, net	<u>\$ 1,541,740</u>	<u>\$ 134,121</u>	<u>\$ -</u>	<u>\$ 1,675,861</u>

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

	Cost 6/30/2021	Additions	Disposals	Cost 6/30/2022
Capital Assets:				
Building	\$ 1,900,559	\$ -	\$ -	\$ 1,900,559
Building improvements	156,830	6,227	-	163,057
Furniture and fixtures	232,840	-	-	232,840
Equipment	264,340	-	-	264,340
Vehicles	234,735	88,997	(58,654)	265,078
Software	359,825	25,800	-	385,625
Total at historical cost	<u>3,149,129</u>	<u>121,024</u>	<u>(58,654)</u>	<u>3,211,499</u>
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	<u>1,563,838</u>	<u>154,839</u>	<u>(48,918)</u>	<u>1,669,759</u>
Total capital assets, net	<u>\$ 1,585,291</u>	<u>\$ (33,815)</u>	<u>\$ (9,736)</u>	<u>\$ 1,541,740</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:

	<u>2023</u>	<u>2022</u>
Amortization expense by class of underlying asset:		
Office equipment	\$ 4,124	\$ 4,420
Interest on lease liabilities	260	244
Total lease expense	<u>\$ 4,384</u>	<u>\$ 4,664</u>

Right-to-use leased assets activity:

	<u>6/30/2022</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2023</u>
Office equipment	\$ 12,733	\$ 3,594	\$ (2,165)	\$ 14,162
Less: Accumulated amortization	(4,203)	(4,138)	1,142	(7,199)
Right-to-use assets, net	<u>\$ 8,530</u>	<u>\$ (544)</u>	<u>\$ (1,023)</u>	<u>\$ 6,963</u>

	<u>6/30/2021</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2022</u>
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>

Lease liabilities were comprised of the following:

	<u>6/30/2022</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2023</u>
Total lease liabilities	<u>\$ 8,677</u>	<u>\$ 3,594</u>	<u>\$ (5,153)</u>	<u>\$ 7,118</u>
	<u>6/30/2021</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2022</u>
Total lease liabilities	<u>\$ 7,141</u>	<u>\$ 5,954</u>	<u>\$ (4,418)</u>	<u>\$ 8,677</u>

Future lease payments are comprised of the following:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2024	\$ 4,093	\$ 179	\$ 4,272
2025	2,291	70	2,361
2026	734	14	748
	<u>\$ 7,118</u>	<u>\$ 263</u>	<u>\$ 7,381</u>

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 8 - RETIREMENT PLANS

The Board contributes to the North Carolina Licensing Boards Retirement Savings Plan ("Plan"), a 401(k) defined contribution plan. The Plan was 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, 2023 and 2022 totaled \$344,827 and \$320,156, which consisted of \$136,358 and \$129,994, respectively, from the Board and \$208,469 and \$190,162, respectively, from employees.

During the years ended June 30, 2023 and 2022, the Board used \$3,504 and \$0 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 - 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.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 10 - COMMITMENTS (Continued)

The Board entered into an agreement with North Carolina Professionals Health Program (NCPHP), a non-profit corporation, to offer recovery programs for pharmacists in North Carolina, effective January 15, 2016. 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.

During the year ended June 30, 2023, the Board approved an additional \$50,000 payment to NCPHP to support operations. Payments to NCPHP for the year ended June 30, 2023 totaled \$300,000.

NOTE 11 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through September 25, 2023, which is the date the financial statements were available to be issued.

The audit was conducted in approximately 85 hours at a cost of \$16,200.