

NORTH CAROLINA BOARD OF PHARMACY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023



NORTH CAROLINA BOARD OF PHARMACY

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NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Year Ended June 30, 2024

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, 2024. 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, 2024, 2023, and 2022. 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,		
	2024	2023	2022
Assets:			
Current assets	\$ 5,976,448	\$ 7,228,140	\$ 5,179,746
Non-current assets	6,091,198	4,064,162	5,780,884
Net Right-to-use leased assets	2,985	6,963	8,530
Net capital assets	1,531,681	1,675,861	1,541,740
Total assets	<u>13,602,312</u>	<u>12,975,126</u>	<u>12,510,900</u>
Liabilities:			
Current liabilities	46,577	64,607	43,661
Non-current liabilities	273,802	257,387	272,326
Total liabilities	<u>320,379</u>	<u>321,994</u>	<u>315,987</u>
Net position:			
Invested in capital assets - net of related depreciation	1,531,529	1,675,706	1,541,593
Unrestricted	11,750,404	10,977,426	10,653,320
Total net position	<u>\$ 13,281,933</u>	<u>\$ 12,653,132</u>	<u>\$ 12,194,913</u>

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Year Ended June 30, 2024

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>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 4,944,883	\$ 4,844,140	\$ 4,733,786
Operating expenses	<u>4,804,949</u>	<u>4,491,313</u>	<u>4,146,745</u>
Operating income	<u>139,934</u>	<u>352,827</u>	<u>587,041</u>
Non-operating revenues (expenses)	<u>488,867</u>	<u>105,392</u>	<u>(268,577)</u>
Changes in net position	<u>628,801</u>	<u>458,219</u>	<u>318,464</u>
Net position - beginning of year	<u>12,653,132</u>	<u>12,194,913</u>	<u>11,876,449</u>
Net position - end of year	<u><u>\$ 13,281,933</u></u>	<u><u>\$ 12,653,132</u></u>	<u><u>\$ 12,194,913</u></u>

Operating revenues consisted primarily of pharmacist and pharmacy renewals. Operating revenues for the year ended June 30, 2024 were \$4,944,883 compared to \$4,844,140 for the year ended June 30, 2023. 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 \$175,968 and \$138,680, for the years ended June 30, 2024 and June, 30 2023, respectively. Non-operating revenues consisted primarily of net investment income and unrealized and realized gains (losses) on investments.

Events Affecting Future Operations

The Board has 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.

The Board signed a new agreement with North Carolina Professionals Health Program, effective July 1, 2024 to increase the annual fee from \$250,000 to \$350,000.

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, 2024 and 2023, 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, 2024 and 2023, 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, 2024, 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 24, 2024

NORTH CAROLINA BOARD OF PHARMACY
Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS:		
Current assets:		
Cash	\$ 2,953,570	\$ 2,556,624
Investments, current portion	2,853,348	4,536,467
Accrued interest	49,482	33,259
Prepaid expenses	120,048	101,790
Total current assets	<u>5,976,448</u>	<u>7,228,140</u>
Non-current assets:		
Investments, less current portion	5,843,035	3,815,999
Note receivable - officer life insurance	248,163	248,163
Total non-current assets	<u>6,091,198</u>	<u>4,064,162</u>
Capital assets:		
Right-to-use leased assets, net of amortization	2,985	6,963
Property and equipment, net of depreciation	1,531,681	1,675,861
Capital assets, net of depreciation	<u>1,534,666</u>	<u>1,682,824</u>
Total assets	<u>13,602,312</u>	<u>12,975,126</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	44,354	61,761
Current portion of lease liabilities	2,223	2,846
Total current liabilities	<u>46,577</u>	<u>64,607</u>
Non-current liabilities:		
Accrued vacation	272,888	253,115
Lease liabilities	914	4,272
Total non-current liabilities	<u>273,802</u>	<u>257,387</u>
Total liabilities	<u>320,379</u>	<u>321,994</u>
NET POSITION:		
Net investment in capital assets	1,531,529	1,675,706
Unrestricted	11,750,404	10,977,426
Total net position	<u><u>\$ 13,281,933</u></u>	<u><u>\$ 12,653,132</u></u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023
Operating revenues:		
Pharmacist renewals	\$ 2,467,665	\$ 2,402,865
Pharmacist reciprocity	246,600	290,400
Pharmacist exam fees	40,700	53,000
Pharmacist/manager changes	36,365	39,270
Pharmacist reinstatements	43,200	31,050
Pharmacy renewals	707,800	698,600
Pharmacy permits	215,500	173,500
Pharmacy reinstatements	-	2,400
Technician renewals	550,950	529,530
Technician registrations	141,630	149,940
Technician reinstatements	64,140	60,780
Device and DME permits and renewals	217,200	206,100
Dispensing physician renewals and permits	70,500	66,075
Dispensing PA/NP renewals and permits	37,650	32,700
Pharmacy/pharmacists, lists and labels	26,373	72,080
Miscellaneous	78,610	35,850
Total operating revenues	4,944,883	4,844,140
Operating expenses:		
Salaries	2,377,327	2,315,320
Payroll taxes	167,048	166,096
Retirement contributions	141,452	136,358
Employee benefits	280,752	257,497
Educational expense	1,980	2,528
Board meeting and election expenses	34,329	18,807
Meetings per diem	-	11,400
Professional meetings	47,419	26,059
Inspection expense	70,147	75,522
Building dues and maintenance	26,639	26,500
Office utilities	7,784	6,872
Janitorial service	13,500	12,000
Telephone	23,713	24,318
Auto expense	31,076	31,786
Supplies	12,232	10,661
Books, dues, and subscriptions	14,217	12,923
Postage	9,486	6,466
Printing	1,330	33,075

NORTH CAROLINA BOARD OF PHARMACY
Statement of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating expenses (Continued):		
Maintenance	\$ 251,966	\$ 164,649
Special meetings and projects	43,227	26,743
Insurance	37,327	33,721
Executive director's expense	20,702	18,833
Office staff travel	4,397	589
Consulting fees	66,198	61,162
Bank service charges	162,470	153,078
Depreciation	175,968	138,680
Legal fees	456,459	355,995
Pharmacist recovery programs	250,000	300,000
Sponsorship and advertising	40,500	43,891
Audit fee	16,200	15,400
Lease amortization expense	3,978	4,124
Interest expense on lease liabilities	291	260
Temporary office help	14,835	-
Total operating expenses	<u>4,804,949</u>	<u>4,491,313</u>
Operating income	<u>139,934</u>	<u>352,827</u>
Non-operating revenues (expense):		
Net investment income	250,621	126,143
Unrealized and realized gains (losses) on investments	236,027	(86,858)
Gain on sale of fixed assets	2,219	66,107
Total non-operating income (expenses)	<u>488,867</u>	<u>105,392</u>
Changes in net position	628,801	458,219
Net position - beginning of year	<u>12,653,132</u>	<u>12,194,913</u>
Net position - end of year	<u><u>\$ 13,281,933</u></u>	<u><u>\$ 12,653,132</u></u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from fees	\$ 4,866,273	\$ 4,808,290
Other cash received	78,610	35,850
Cash payments to employees for service	(2,357,554)	(2,329,842)
Cash payments to suppliers for goods and services	(1,922,078)	(1,616,718)
Cash payments for interest on leased assets	(291)	(260)
Cash payments for other operating expenses	(360,972)	(396,273)
Net cash provided by operating activities	<u>303,988</u>	<u>501,047</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(29,569)	(273,043)
Payments on lease liabilities	(3,981)	(5,153)
Proceeds from sale of capital assets	-	66,107
Net cash used in capital and related financing activities	<u>(33,550)</u>	<u>(212,089)</u>
Cash flows from investing activities:		
Purchase of investments	(4,251,821)	(6,368,738)
Proceeds from sales of investments	4,127,708	5,769,648
Net investment income	250,621	126,143
Net cash provided by (used in) investing activities	<u>126,508</u>	<u>(472,947)</u>
Net increase (decrease) in cash	396,946	(183,989)
Cash - beginning of year	2,556,624	2,740,613
Cash - end of year	<u>\$ 2,953,570</u>	<u>\$ 2,556,624</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 139,934	\$ 352,827
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	175,968	138,680
Amortization, leased assets	3,978	4,124
Changes in assets and liabilities:		
Prepaid expenses	(18,258)	(2,150)
Accounts payable	(17,407)	22,088
Accrued vacation	19,773	(14,522)
Total adjustments	<u>164,054</u>	<u>148,220</u>
Net cash provided by operating activities	<u>\$ 303,988</u>	<u>\$ 501,047</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, 2024 and 2023 consisted of the following:

	2024	2023
Money market funds	\$ 31,291	\$ 20,464
Traded certificates of deposit	1,607,308	1,741,773
Government securities	7,057,784	6,590,229
	<u>\$ 8,696,383</u>	<u>\$ 8,352,466</u>

Interest income totaled \$284,688 and \$158,309, for the years ended June 30, 2024 and 2023, respectively. Related investment fees totaled \$34,067 and \$32,166 for the years ended June 30, 2024 and 2023, 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, 2024 were as follows:

0 - 2 years	\$ 4,725,783
2 - 5 years	3,939,309
	<u>\$ 8,665,092</u>

The weighted average maturities of the certificates of deposit are 2.37 years at June 30, 2024.

The weighted average maturities of the government securities are 3.57 years at June 30, 2024.

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2024, 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, 2024, the Board had cash deposits and money market accounts that exceeded the Federal Deposit Insurance Corporation's (FDIC) limits of \$250,000 by \$2,703,571. In addition, government securities with a fair value of \$7,057,784 at June 30, 2024 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, 2024, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$7,710,993, which included multiple traded certificates of deposit investments totaling \$1,607,308 held in a brokerage account that were individually insured up to \$250,000 under FDIC at June 30, 2024.

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, 2024 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, 2024 and 2023.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 5 - ACCRUED VACATION

Changes to accrued vacation are as follows for the year ended June 30, 2024 and 2023:

	2024	2023
Beginning accrued vacation	\$ 253,115	\$ 267,637
Vacation earned	219,697	280,887
Vacation used	(199,924)	(295,409)
Ending accrued vacation	<u>\$ 272,888</u>	<u>\$ 253,115</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the Board for the year ended June 30, 2024, was as follows:

	Cost 6/30/2023	Additions	Disposals	Cost 6/30/2024
Capital Assets:				
Building	\$ 1,900,559	\$ -	\$ -	\$ 1,900,559
Building improvements	188,154	-	(2,556)	185,598
Furniture and fixtures	230,440	2,119	-	232,559
Equipment	309,667	5,648	(54,525)	260,790
Vehicles	300,472	-	-	300,472
Software	438,618	25,063	-	463,681
Total at historical cost	<u>3,367,910</u>	<u>32,830</u>	<u>(57,081)</u>	<u>3,343,659</u>
Less accumulated depreciation for:				
Building	973,608	48,820	-	1,022,428
Building improvements	55,069	6,843	(1,514)	60,398
Furniture and fixtures	221,496	2,929	-	224,425
Equipment	183,711	31,908	(54,525)	161,094
Vehicles	73,781	57,820	-	131,601
Software	184,384	27,648	-	212,032
Total accumulated depreciation	<u>1,692,049</u>	<u>175,968</u>	<u>(56,039)</u>	<u>1,811,978</u>
Total capital assets, net	<u>\$ 1,675,861</u>	<u>\$ (143,138)</u>	<u>\$ (1,042)</u>	<u>\$ 1,531,681</u>

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

Capital asset activity 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	222,447	93,680	(6,460)	309,667
Vehicles	265,078	142,924	(107,530)	300,472
Software	427,518	11,100	-	438,618
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	179,369	10,802	(6,460)	183,711
Vehicles	137,886	43,425	(107,530)	73,781
Software	158,009	26,375	-	184,384
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>

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 2025-2026.

Lease expenses were comprised of the following:

	2024	2023
Amortization expense by class of underlying asset:		
Office equipment	\$ 3,978	\$ 4,124
Interest on lease liabilities	291	260
Total lease expense	<u>\$ 4,269</u>	<u>\$ 4,384</u>

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 7 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES (Continued)

Right-to-use leased assets activity:

	<u>6/30/2023</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2024</u>
Office equipment	\$ 14,162	\$ -	\$ (4,010)	\$ 10,152
Less: Accumulated amortization	(7,199)	(3,978)	4,010	(7,167)
Right-to-use assets, net	<u>\$ 6,963</u>	<u>\$ (3,978)</u>	<u>\$ -</u>	<u>\$ 2,985</u>

	<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>

Lease liabilities were comprised of the following:

	<u>6/30/2023</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2024</u>
Total lease liabilities	<u>\$ 7,118</u>	<u>\$ -</u>	<u>\$ (3,981)</u>	<u>\$ 3,137</u>

	<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>

Future lease payments are comprised of the following:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2025	\$ 2,291	\$ 70	\$ 2,361
2026	846	14	860
	<u>\$ 3,137</u>	<u>\$ 84</u>	<u>\$ 3,221</u>

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.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 8 - RETIREMENT PLANS (Continued)

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, 2024 and 2023 totaled \$363,841 and \$344,827, which consisted of \$141,452 and \$136,358, respectively, from the Board and \$222,389 and \$208,469, respectively, from employees.

During the years ended June 30, 2024 and 2023, the Board used \$0 and \$3,504 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 began 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 renewed for successive one-year terms with an annual fee of \$250,000, until it was redone in June 2024 with an effective date of July 1, 2024. The new agreement includes a \$350,000 annual fee payable in quarterly installments. Payments to NCPHP for the year ended June 30, 2024 and 2023 totaled \$250,000 and \$300,000, respectively.

NOTE 11 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through September 24, 2024, which is the date the financial statements were available to be issued.

The audit was conducted in approximately 90 hours at a cost of \$17,000.