

ONE HUNDRED FORTY- THIRD

ANNUAL REPORT

NORTH CAROLINA

BOARD OF PHARMACY

July 1, 2023 – June 30, 2024



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

July 1, 2023 – June 30, 2024

Available at: <https://www.ncbop.org/annual-reports.html>

MEMBERS AND ORGANIZATION

PER REQUIREMENTS OF N.C.G.S. § 93B-2

Christopher M. Sain, Hickory, President.....Term expires April 30, 2027
Mischelle J. Corbin, Raleigh, Vice President.....Term expires April 30, 2025
Wallace E. Nelson, Hertford.....Term expires April 30, 2025
Ashley H. Duggins, Asheboro.....Term expires April 30, 2025
Keith A. Vance, Lewisville.....Term expires April 30, 2027
Robert J. “Joey” McLaughlin, Jr, Trenton.....Term expires April 30, 2026

Executive Director
Jack W. Campbell IV

Associate Executive Director
Ellen Vick

General Counsel
Clinton R. Pinyan

Investigators/Inspectors

Gray Fullwood, Director of Investigations
Krystal Stefanyk, Director of Inspections
Chase Bissell
Christie Cutbush
Kristy Edmondson
James Fickling
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
Ariyelle Miller

Chapel Hill, North Carolina
October 24, 2024

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-Third 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: <https://www.ncbop.org/annual-reports.html>.

Respectfully yours,

NORTH CAROLINA BOARD OF PHARMACY

by:

Jack W. Campbell IV, Executive Director

Introduction

The Board of Pharmacy is pleased to present this summary of events and activities for FY2023-24. The below information, and much more, may be found on the Board's website, <https://www.ncbop.org>; in the Board's quarterly newsletters, <https://www.ncbop.org/newsletters.html>; and in the agendas for, and minutes of, the Board's regularly scheduled meetings, <https://www.ncbop.org/board-meetings.html>.

The Board's FY2023-24 Financial Audit Report is appended to this Annual Report.

The Board 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 on the second Tuesday of February, April, June, and October. The Board holds pre-hearing conferences on 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.

The North Carolina Association of Pharmacists presented Board member Wallace E. Nelson with the 2024 Bowl of Hygeia Award at its annual convention. Established in 1958, the Bowl of Hygeia Award is sponsored by the American Pharmacists Association Foundation and the National Alliance of State Pharmacy Associations. Participating state pharmacy associations recognize one pharmacist annually for an outstanding record of community civic leadership. NCAP Executive Director Penny Shelton praised Mr. Nelson, noting that he has "walked the talk his entire career finding ways to serve and give back at extraordinarily high levels."

Mr. Nelson is a native of Hertford. He began his post-secondary education at the College of the Albemarle and is a 1976 graduate of the UNC School of Pharmacy. His professional career began in retail pharmacy before joining Chowan Hospital in Edenton and Bertie Hospital in Windsor. He has served, and continues to serve, both hospitals at all levels for over forty years, thirty-six as Director of Pharmacy.

The state's pharmacists elected Mr. Nelson to serve on the North Carolina Board of Pharmacy in 2000. He served two five-year terms, through 2010, and was again

elected to the Board in 2020. Board members have selected him as President several times.

Mr. Nelson's record of community service outside of pharmacy is long and diverse. He is a member of the Perquimans County Board of Education and Board of County Commissioners, where he currently serves as Chairman. He is actively involved in the North Carolina Association of County Commissioners and will be installed as President Elect in August 2024 and as President in 2025. Past appointments by Governors Martin, Hunt, McCrory, and Cooper, include the College of the Albemarle Board of Trustees, North Carolina Marine Industrial Authority, as well as several Governor's Councils, Institutes and Legislative Study Commissions.

Mr. Nelson has been previously recognized for his community and state service. In 2010 Governor Perdue named him to the Order of the Long Leaf Pine, the state's highest honor for those who have made significant contributions to the state and their communities through exemplary service and exceptional accomplishments. In 2011 the North Carolina School Boards Association tapped Mr. Nelson to receive the Raleigh Dingman Award, the highest honor bestowed on a school board member.

Mr. Nelson and his wife Freda (a retired educator) are the parents of Ethan (a practicing dentist), Lauren (a human resources manager), and the grandparents of Reagan and Harrison.

In FY2023-24, Board members and staff thanked Andy Bowman for eight years of superlative service to the Board and the citizens of North Carolina. The state's pharmacists elected Dr. Bowman to the Board in 2016, and he became the first graduate of the Campbell University College of Pharmacy and Health Sciences to serve on the Board. The state's pharmacists returned Dr. Bowman to a second term on the Board in 2021. Dr. Bowman twice served as the Board's president.

Dr. Bowman has accepted an exciting personal and professional opportunity with the Appalachian College of Pharmacy, where he will serve as Assistant Dean for Strategic Partnerships and Engagement. This new opportunity required Dr. Bowman's relocation to Virginia.

Dr. Bowman's impact on the practice of pharmacy in North Carolina has been profound. In addition to serving on the Board, Dr. Bowman taught generations of students at the Campbell University College of Pharmacy and Health Sciences. He served in leadership positions at the North Carolina Association of Pharmacists, North Carolina Pharmacists Recovery Network and its successor the North Carolina Professionals Health Program, the American Society for Pharmacy Law, and the Harnett County Pharmaceutical Association.

With Dr. Bowman's departure, the Board was required to select a pharmacist to fulfill the remainder of his term of service. The pharmacist members of the Board solicited nominations from qualified pharmacists. After reviewing these pharmacists'

submissions, as well as holding a public interview and discussion session for all candidates at its May 21, 2024, business meeting, the pharmacist members elected Robert J. “Joey” McLaughlin Jr. to fulfill the unexpired term, which runs through April 30, 2026.

Mr. McLaughlin is from New Bern and is the President and CEO of Realo Drug, which operates several community retail pharmacies and a device and medical equipment facility. Mr. McLaughlin’s practice background is broad, and he is a well-liked and well-respected member of the North Carolina pharmacy community. Mr. McLaughlin previously served on the Board of Pharmacy from 2006-2016, and his service was exemplary.

Board members and staff also thank Jennifer Buxton, Jason Foil, Karen Harell-Tosto, Wes Hickman, Amanda Lingerfelt, Brian Moore, and Jack Pate for their candidacies.

The next Board member elections are scheduled to begin November 1, 2024. Two district seats will be up for election: the Northeastern District position presently held by Wallace Nelson, and the Central District position presently held by Ashley Duggins. The winners of this election will begin their terms on May 1, 2025.

Staff

Ariyelle Miller joined the Board’s staff in December 2023 as a Receptionist/Administrative Assistant. Ariyelle attended North Carolina A&T State University, then transferred to the Academy of Art University where she majored in Interior Architecture and Design. Since then, Ariyelle has gained administrative and human resources experience through several positions in a variety of industries, all while continuing to work towards her Bachelor of Arts degree.

Ariyelle’s superb communication skills and comfort level with various social media platforms have made her a particularly valuable addition to our team. Although her tenure here has been relatively brief, Ariyelle has increased the Board’s social media presence and widened our reach to a new generation of practitioners. Doing so sparked an interest in, and talent for, photography, and Ariyelle has become the Board’s in-house photographer.

Senior Inspector Christie Cutbush and Senior Investigator Holly Price Hunt were chosen to serve on the Board of Directors for the Carolinas Chapter of the National Association of Drug Diversion Investigators (NADDI). NADDI’s objective is to improve members’ ability to investigate, prosecute, and prevent pharmaceutical drug diversion. Holly was appointed as vice president, and Christy was appointed to oversee marketing efforts.

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.

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.

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).

Jay remains chair of 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. Jay's work on the Uniform Pharmacy Jurisprudence Examination has also led to his appointment to NABP's Steering Committee on Creating an Interstate Practice Credential.

Licensing Activity

Effective March 1, 2024, optometrists became eligible to register with the Board of Pharmacy to dispense certain prescription drugs. G.S. § 90-127.4. Dispensing optometrists may dispense prescription drugs to their own patients for the diagnosis and treatment of abnormal conditions of the eye and its adnexa. G.S. § 90-127.4(a) & (c). Dispensing optometrists may not compound medications, nor may they dispense controlled substances. G.S. § 90-127.4(a).

Dispensing optometrists must register with the Board of Pharmacy prior to beginning dispensing activities and must renew that registration annually. G.S. § 90-85.26B.

A dispensing optometrist must comply in all respects with relevant laws and regulations that apply to pharmacists governing the distribution of drugs, including packaging, labeling, and record keeping. G.S. § 90-85.26B. The Board of Pharmacy may discipline a dispensing optometrist's registration for violation of these laws and regulations. The Board of Optometry may discipline an optometrist's license to practice optometry. G.S. § 90-85.25B.

Board staff worked closely with the Board of Examiners in Optometry to establish clear instructions and guidance on this new authority. Board staff particularly thank the Optometry Board's executive director, Bill Rafferty, and its general counsel, Johnny Loper, for their professionalism and collegiality throughout the legislative and implementation phases of this new authority.

As noted in last year's report, 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 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 to ensure that a holder's 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.

This option remains popular. As of FY 2023-24, well over 5,000 pharmacists nationwide have registered a Verify credential with the Board. The success of this program continues to place the Board at the forefront of developing efficient regulatory models for interstate pharmacy practice that provide the safety and competency monitoring that the public deserves.

FY2023-24 saw the first renewal season for pharmacy interns. In 2022, the Board implemented revised Rule .1503 to clarify questions of who is eligible to serve as a pharmacy intern in North Carolina and to provide a readily available resource for pharmacies to ensure that an intern is in fact qualified.

Board licensing staff worked closely with stakeholders at the North Carolina-based schools of pharmacy to roll out clear communications and instructions to pharmacy interns required to renew their registrations. The Board now tracks over 1,600 pharmacy interns, providing reassurance to the public that pharmacy personnel practicing in an intern capacity – which includes all acts constituting the practice of pharmacy – are qualified and competent to do so.

Investigations and Inspections Activity

The Board's inspections and investigations docket continues to be full and productive. The Board received 498 public complaints. Board investigative staff took on 441 new cases, while at the same time working diligently to close 643 cases. The Board's inspections team inspected 828 facilities (685 pharmacies and 143 DME facilities).

In March 2024, the Board hosted its first annual Compounding Summit at the Friday Center in Chapel Hill. Spearheaded by Director of Inspections Krystal Stefanyk, the Summit brought together board of pharmacy inspectors and investigators from all over the country, as well as subject matter experts across a wide range of drug compounding fields. The Summit was the first of its kind for board of pharmacy regulators and provided cutting edge content on, among other things, technological advancements in drug compounding, compliance with revised United States Pharmacopeia standards, and effective inspection and investigation techniques. The Summit was widely, and uniformly, praised by attendees. Director Stefanyk is far along in planning for the second annual Summit in 2025.

Board staff has continued to maintain positive working relationships with colleagues at federal agencies including: Food and Drug Administration (FDA), Drug Enforcement Agency (DEA) and Department of Health and Human Services Office of Inspector General (OIG). Board staff also continues to maintain positive working relationships with several state agencies that include: North Carolina Department of Agriculture, State Bureau of Investigations Diversion and Environmental Crimes Unit, and North Carolina Department of Insurance.

The Board's strong working relationship with the North Carolina Professionals' Health Program (NCPHP) is also crucial to its enforcement efforts. NCPHP provides substance use disorder assessment and treatment options for pharmacists, pharmacy technicians and pharmacy students. In FY2023-24, 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

In FY 2023-24, the Board completed a rulemaking to authorize, and regulate, the use of direct-to-patient (DTP) dispensing systems. Board Rule .1821 provides that authorization and the standards that apply to the use of DTP systems. Board Rule .1616 authorizes limited-service permits to be issued for operation of a DTP system when the system is not located on-site at the home pharmacy. DTP dispensing systems present North Carolina pharmacy practices with another tool to both create flexible workflows and increase patient access to pharmacy services.

The Board initiated the following rulemakings in FY2023-24, and their completion is anticipated early in FY2024-25:

Amendments to Rule .1401, Health System Pharmacy Permits. These amendments clarify when a health-system “satellite” pharmacy location must hold a separate permit. Prior to the amendments, regulated entities expressed significant confusion in making this determination. The amendments make clear that separate dispensing areas for inpatient populations may operate under one permit as long as they are in the same building or in a building on property contiguous with the principal permitted location.

Amendments to Rule .1415, Emergency Department Dispensing. Rule .1415 has long allowed non-pharmacy-personnel in an emergency room to dispense a 24-hour supply of a medication to a patient at discharge when pharmacy services are not otherwise available at a health facility. The amendments extend the authorization to a 7-day supply and clarify that such dispensing is allowed when outpatient pharmacy services are not available, even if inpatient services are.

Amendments to Rule .2504, Patient Counseling. Rule .2504 has been amended to make clear that technological advances may be used to provide patient counseling and education. The rule has also been reorganized so that its requirements are listed in a way that tracks the typical dispensing process – making understanding and compliance easier.

Amendment to Rule .2201, Continuing Education. Rule .2201 has been amended to bring back a five-hour surplus CE hour carry-over. A pharmacist who obtains more than the 15 required CE hours in a year may carry those surplus hours (up to five) forward to the following license year.

New Rule .2516, Emergency Pharmacy Closures. New Rule .2516 sets forth requirements governing an unexpected closure of a pharmacy expected to last more than two hours. The pharmacy will be required to provide notice to patients (and the Board) and instructions for accessing pharmacy services during the closure. This new rule responds to a significant increase in complaints to the Board from patients who find their

pharmacy closed unexpectedly and are provided no information as to why, when service will resume, or how the patient may obtain their pharmacy care in the interim.

Other Board Activity

In June 2024, the Board completed a comprehensive redesign and reorganization of its website – www.ncbop.org. Improvements to the site include a cleaner, more user-friendly interface; reorganized and more easily searchable frequently asked questions sections; and modules for each type of license, permit, and registration that the Board issues. Reaction to the redesign has been uniformly positive.

Relatedly, the Board widened its social media reach to include Instagram, Facebook, Twitter/X, and YouTube. These expansions ensure that the Board effectively reaches its practitioners and the public it serves, who are increasingly reliant on these platforms for news and information.

On August 19, 2021, Governor Cooper signed S.L. 2021-110, which created an authority for immunizing pharmacists to dispense, deliver, and administer certain treatment and medications. These authorities – to dispense, deliver, and administer nicotine replacement therapy, self-administered oral or transdermal contraceptives, prenatal vitamins, post-exposure prophylaxis for the prevention of HIV infection, and glucagon to treat severe hypoglycemia – were previously implemented by standing orders issued by State Health Director Betsey Tilson. As required by the statute, the Medical and Pharmacy Boards have adopted protocols to replace the standing orders. Importantly, the protocols are substantively identical to the standing orders.

The United States Pharmacopeia (USP) published its chapter revisions for USP <795> and <797> governing non-sterile and sterile compounding. USP also published the newly developed chapter <825>, which sets standards for compounding radiopharmaceuticals. These chapters, along with USP Chapter <800> Handling of Hazardous Drugs, became enforceable for compounding operations on November 1, 2023. Board staff have updated their inspection forms and policies to reflect these revisions (compliance with which is mandated both by the federal Drug Quality and Security Act and Board rule).

* * *

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 2023-24. 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, 2024

PHARMACISTS

Total number of active pharmacists licensed	18,748
Total number of pharmacists residing in North Carolina.....	13,176
Inactive pharmacists residing in North Carolina.....	4,575
Active pharmacists residing outside of North Carolina	5,572
NABP Verify-Credentialed pharmacists registered to perform remote operations.....	5,894

IN-STATE PHARMACIST EMPLOYMENT SETTINGS*

Retail Pharmacy – Chain.....	3,155
Retail Pharmacy – Independent	1,606
Community Health Center	234
Free/Charitable Clinic	64
Other Outpatient Pharmacy.....	491
Hospital Pharmacies.....	3,072
Clinical Pharmacist Practitioners	463
Long Term Care/Hospice.....	434
Infusion	246
Nuclear Pharmacy	41
Government, Health Departments, and Teaching	428
Pharmaceutical Industry.....	654
Other Pharmacy Setting	830
Not employed in a pharmacy setting.....	962
No employment reported	485
Retired.....	559

IN-STATE PHARMACIST DEMOGRAPHICS

Under 30 years of age	959
30 – 39 years of age	3,852
40 – 49 years of age	3,275
50 – 59 years of age	2,830
60 – 65 years of age	1,079
Over 65 years of age	1,181
In-state Pharmacists – Female.....	8,521
In-state Pharmacists – Male	4,655

NON-PHARMACIST DISPENSERS

Dispensing Physicians.....	820
Physician Assistants	114
Nurse Practitioners.....	316
Optometrists.....	25

PHARMACY INTERNS

Total Pharmacy Interns registered	1,610
-----------------------------------------	-------

*Employment settings are self-reported by pharmacists.

PHARMACY TECHNICIANS

Total Pharmacy Technicians registered	22,259
Nationally Certified Technicians ⁺	11,553

PHARMACIES*

Total in-state Pharmacy permits.....	2,732
Retail Pharmacy – Chain.....	1,154
Retail Pharmacy – Independent	726
Hospital Pharmacies.....	179
Nursing Homes	21
Health Departments.....	87
Free/Charitable Clinics	44
Infusion	48
Limited Service Permits.....	437
Auxiliary Drug Inventory	19
Automated Medication System	169
Direct-to-Patient Dispensing System	0
NP/PA Dispensing Facility	135
County Health Department Pharmacist Dispensing Facility	14
County Health Department RN Dispensing Facility	59
Free/Charitable Clinic	39
Critical Access Hospital	2
Others	307
Total out-of-state Pharmacy permits	945

DEVICE AND MEDICAL EQUIPMENT FACILITIES

Total DME permits	807
-------------------------	-----

(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*

413 persons applied to the Board for licensure by examination in FY2023-24.

⁺11,553 certified by the Pharmacy Technician Certification Board; 279 certified by the National Healthcareer Association

*Some pharmacies fit into multiple categories.

(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*

490 candidates sat for examination in FY2023-24. Eighteen (18) 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 FY2023-24.

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

118 candidates failed one or more of the licensure examinations in FY2023-24. 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*

421 persons applied for licensure by reciprocity in FY2023-24.

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

404 persons were granted licensure by reciprocity in FY2023-24.

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

83 applicants (62 pharmacy technician registration applicants; 21 pharmacist licensure applicants) presented with a record of criminal conviction in FY2023-24.

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

68 applicants (49 pharmacy technician registration applicants; nineteen (19) pharmacist licensure applicants) were granted registration or licensure in FY2023-24. Thirteen (13) pharmacy technician registration applicants and two (2) pharmacist licensure applicants could not be approved by Board staff because of a criminal conviction that is a basis for non-registration or non-licensure under G.S. 90-85.15A (technicians) or G.S. 90-85.38 (pharmacists). Each were notified that they could request

a hearing before the Board to request approval of the licensure or registration application. None did so.

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

Three (3) pharmacist licensure applicants requested the military-training application fee waiver and temporary license in FY2023-24. All three (3) were eligible for fee waiver and temporary licensure.

25 pharmacy technician registration applicants requested the military-training fee waiver in FY2023-24. Two (2) 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. 23 applicants were not eligible for the fee waiver because they were not trained, and had not practiced, as pharmacy technicians in the military.

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

Eight (8) pharmacist licensure applicants requested the military-spouse application fee waiver and temporary license in FY2023-24. Seven (7) were eligible for, and received, the fee waiver and temporary license. One (1) applicant was not eligible for the fee waiver and temporary license because the applicant's spouse was not an active member of the armed forces.

79 pharmacy technician registration applicants requested the military-spouse fee waiver in FY2023-24. Six (6) 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. 73 applicants were not eligible for the fee waiver because they were not trained, and had not practiced, as pharmacy technicians.

Note: These numbers include applicants who sought temporary licensure under the federal Military Spouse Licensing Relief Act.

(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	441
Total number of inspections conducted	828
Total number of “no action” decisions after investigation (<i>i.e.</i> , investigation did not find any violation of law)	65
Total number of “no action” decisions due to Board having no jurisdiction over complained-of behavior	22
Total number of injunctions obtained to halt unlicensed practice	1
Total number of warning letters issued post pre-hearing conference or by administrative disposition	211
Total number of cases resulting in consent orders	9
Total number of cases resulting in full board hearings	4
Pharmacist license applications denied	2*
Pharmacist licenses revoked	1
Pharmacist licenses suspended	6
Pharmacist licenses surrendered	8
Pharmacy intern registration applications denied	1*
Pharmacy technician registration applications denied	17*
Pharmacy technician registrations revoked	0
Pharmacy technician licenses suspended	18
Pharmacy technicians surrendered	18
Pharmacy permit applications denied	1*
Pharmacy permits revoked	0
Pharmacy permits suspended	3
Pharmacy permits surrendered	3
DME permit applications denied	0
DME permits revoked	0
DME permits suspended	3
DME permits surrendered	0

*Each year, Board staff identifies deficiencies in pharmacist, technician, pharmacy, and DME license/registration/permit applications and notifies the applicant that staff cannot approve the application due to the deficiency. Board staff informs the applicant that it

may request a hearing before the Board to request approval of the application. This number is a “staff not approved” number. It is not a true “denial” because no final Board action was taken. Instead, in each case, the applicant abandoned or withdrew the application.

(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 a request to the General Assembly to amend the Pharmacy Practice Act in FY2024-25. The Board has previously stated its support for expansion of pharmacist-physician collaborative practice expansion, as well as granting pharmacists “test and treat” authority for certain minor illnesses. These were the subject of bills introduced during the 2023-24 legislative session. The Board would remain in support of similar efforts during the 2025-26 legislative session.

(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 FY2023-24:

Review and Modernization of Health-System Pharmacy Rules (21 NCAC 46. Section 1400). 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.

FY 2023-24 FINANCIAL AUDIT REPORT



September 24, 2024

Members of the Board
North Carolina Board of Pharmacy
Chapel Hill, North Carolina

We have audited the financial statements of the North Carolina Board of Pharmacy (the “Board”) for the year ended June 30, 2024 and have issued our report thereon dated September 24, 2024. Professional standards require we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 9, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Board solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

4700 Homewood Court, Suite 105
Raleigh, NC 27609

P: 919-862-0004 • F: 919-862-0009

brc.cpa

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Board is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions, and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of depreciation is based on the estimated useful lives of capitalized assets.
- Management's estimates of the right-to-use leased assets and related lease liabilities are based on the present value of the lease payments using a discount rate equal to the prime rate of interest when the lease was initiated.

We evaluated the key factors and assumptions used to develop these estimates in determining they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the Board's financial statements relates to:

- The fair value measurements in Note 3 of the financial statements, which requires judgment by management related to the valuation level withing the fair value hierarchy.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those we believe are trivial, and communicate them to the appropriate level of management.

Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. No such misstatements were noted. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. No such misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Board's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, dated September 24, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

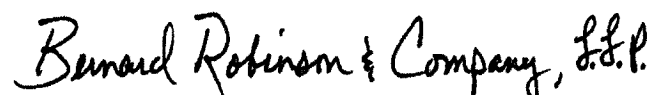
Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Board, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Board's auditors.

Other Matters

We applied certain limited procedures to the Management's Discussion & Analysis, which is required supplemental information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Sincerely,

A handwritten signature in black ink that reads "Bernard Robinson & Company, L.L.P." The signature is written in a cursive, flowing style.

BERNARD ROBINSON & COMPANY, L.L.P.

NORTH CAROLINA BOARD OF PHARMACY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022



NORTH CAROLINA BOARD OF PHARMACY
Table of Contents

	<u>Page No.</u>
Management's Discussion and Analysis	1
Independent Auditor's Report	4
<i>Financial Statements</i>	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	10
Notes to Financial Statements	11

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.



Bernard Robinson & Company, L.L.P.

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>\$ 12,653,132</u>	<u>\$ 12,194,913</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	<u>6,590,229</u>	<u>5,462,308</u>
	<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	<u>3,815,999</u>
	<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.