

**ONE HUNDRED FORTY-FIFTH ANNUAL REPORT
NORTH CAROLINA BOARD OF PHARMACY**

July 1, 2025 – June 30, 2026

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

MEMBERS AND ORGANIZATION

PER REQUIREMENTS OF N.C.G.S. § 93B-2

Ashley H. Duggins, Asheboro, President..... Term expires April 30, 2030
Wallace E. Nelson, Hertford, Vice President Term expires April 30, 2030
Mischelle J. Corbin, Raleigh Term expires April 30, 2030
Keith A. Vance, Lewisville..... Term expires April 30, 2027
Christopher M. Sain, Hickory..... Term expires April 30, 2027
William Wesley Hickman, Leland Term expires April 30, 2032

Executive Director
Jack W. Campbell IV

Associate Executive Director
Barbara 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
Dewey Galloway
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 23, 2026

Governor Josh Stein
Raleigh, North Carolina

Dear Governor Stein:

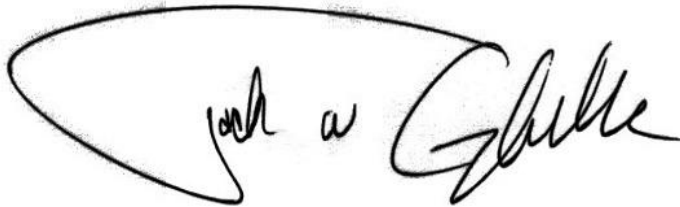
In compliance with N.C.G.S. § 93B-2, the Board of Pharmacy is pleased to submit to you the One Hundred Forty-Fifth Annual Report of the North Carolina Board of Pharmacy.

This report and past annual reports are available to the public at the Board's website: <https://www.ncbop.org/annual-reports.html>

Respectfully yours,

NORTH CAROLINA BOARD OF PHARMACY

by:

A handwritten signature in black ink, appearing to read "Jack W. Campbell IV". The signature is enclosed within a large, hand-drawn oval.

Jack W. Campbell IV
Executive Director

Introduction

The Board of Pharmacy is pleased to present this summary of events and activities for FY2025-26. The below information, and much more, may be found on the Board's website, 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 FY2025-26 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 disciplinary conferences 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.

North Carolina pharmacists elected William Wesley "Wes" Hickman of Leland, NC, from the Southeastern District to serve a five-year term on the Board. The Board certified the election results during its March 2, 2026, meeting. A total of 1,333 votes were cast between November 1, 2025, and March 1, 2026. Dr. Hickman began his term in May 2026, after being commissioned by Governor Stein.

The Board thanks Robert J. "Joey" McLaughlin, Jr. of Trenton, NC, for his superlative service as the Board's member from the Southeastern District. Mr. McLaughlin previously served two five-year terms on the Board and served as well from 2024 to 2026. Among Mr. McLaughlin's numerous accomplishments as a Board member, he spearheaded the creation and operation of the L. Stan Haywood Recovery Fund, which provides financial assistance to qualifying pharmacists, pharmacy personnel, and pharmacy students for substance use screening, treatment, and monitoring services. The Haywood Fund has provided immeasurable good to these pharmacy personnel and to the public.

The next Board election will begin on November 1, 2026, and will be for the Northern and Western District positions, presently held by Keith A. Vance and

Christopher M. Sain, respectively. Dr. Vance will complete his second consecutive term on the Board in 2027 and is term limited. The winners of this election will begin their term on May 1, 2027, after commissioning by Governor Stein. October 1, 2026, was the deadline for candidates to submit petitions to appear on the ballot. Board staff received the required petitions from Leigh Fritz of Lewisville, NC, John Kastanis of Winston-Salem, NC, Josh McDuffie of Clemmons, NC, and Charles Shanlever of Clemmons, NC, for the Northern District position. Board staff received the required petition from Chris Sain of Hickory, NC, for the Western District position.

In August 2025, the North Carolina Association of County Commissioners installed Board Vice-President Wallace Nelson as its 2025-2026 president. Mr. Nelson's presidential initiative focused on improving access to healthcare services across North Carolina, particularly in rural and underserved areas. It addresses pressing challenges counties face, such as hospital closures, the shrinking availability of primary care and the loss of local pharmacies and providers.

Staff

Throughout FY2025-26, Board staff planned for hosting the National Association of Boards of Pharmacy District 3 meeting, as well as the MALTAGON meeting. Both will be held in Asheville, NC.

The NABP District 3 meeting will bring together boards of pharmacy and schools of pharmacy from North Carolina, South Carolina, Kentucky, Tennessee, Georgia, Mississippi, Alabama, Florida, Puerto Rico, and the US Virgin Islands to discuss a broad range of pharmacy regulatory and educational topics, with particular focus on increasing pharmacy (and health care generally) access in rural areas.

The MALTAGON meeting will bring together members and staff from a broad coalition of boards of pharmacy from southeastern and midwestern states. This meeting will focus on ground-level inspection and investigation topics.

Enforcement Manager Cindy Parham continues to serve as the secretary-treasurer for the NABP District 3 corporation, as well as MALTAGON. She and Administrative Assistant to Licensing and Operations Leslie Wilson have spearheaded the planning and logistics for both meetings.

Associate Executive Director Ellen Vick received the John F. Atkinson Service Award from the National Association of Boards of Pharmacy ("NABP") at its annual meeting in May 2026. The Atkinson Service Award recognizes extraordinary service in protecting the public health, particularly through work in the areas of pharmacy law, inspections, and compliance. Its winners have provided NABP with exemplary service in protecting the public health and have made exceptional accomplishments related to pharmacy law and compliance.

Ellen was chosen after nominations from her peers around the country and a vote of the NABP Executive Committee. Ellen joins Krystal Stefanyk, the Board's Director of Inspections, as an Atkinson Service Award winner (in 2019). This is a singular, and well-deserved, award for Ellen.

Executive Director Jay Campbell remains chair of NABP's Working Group on Establishing a Uniform Pharmacy Jurisprudence Exam. NABP launched the Uniform Multistate Pharmacy Jurisprudence Examination ("UMPJE") in spring 2026. The North Carolina Board of Pharmacy was one of the first two states in the country to implement the UMPJE. Doing so more readily facilitates North Carolina pharmacists' ability to work in multiple jurisdictions, as well as making North Carolina an even more attractive state for licensure.

Mr. Campbell remains a member of NABP's Steering Committee on Creating an Interstate Practice Credential. He is heavily involved in policy considerations and legislative drafting for this potential licensure compact.

Mr. Campbell is also serving as a trustee for the North Carolina Association of Pharmacists' Foundation. He has been tasked with reviewing and amending the Foundation's corporate formation documents, articles, by-laws, and operational procedures.

Licensing Activity

As noted above, on April 1, 2026, the Board became the first in the country to require and recognized the Uniform Multistate Pharmacy Jurisprudence Examination ("UMPJE") for licensure. The Board's executive director chaired development of the examination, which, as of October 1, 2026, has been adopted by 17 states (and another six (6) states will adopt effective March 1, 2027).

Adoption and recognition of the UMPJE substantially simplifies the ability of pharmacists whose practice is multi-jurisdictional to obtain licensure. It eliminates the need for a state-specific jurisprudence examination as a condition of licensure among adopting states. As well, the UMPJE is key step toward the development of an Interstate Practice Credential for pharmacy practice – a project underway at the National Association of Boards of Pharmacy, and one in which the Board is playing a leadership role.

As discussed more below, statutory expansion of Clinical Pharmacist Practitioner authority on October 1, 2025, created opportunities for North Carolina pharmacists to provide more clinical services more comprehensively and more easily than previously allowed under state law. The Board's licensing department moved quickly to implement and operationalize this new authority.

Investigations and Inspections Activity

The Board's inspections and investigations docket remains full and productive. The Board received 564 public complaints in FY2025-26. Board investigative staff were assigned 497 new cases and closed 359 cases. The Board's inspections team visited 771 facilities (684 Pharmacies and 87 Durable Medical Equipment Facilities). A detailed breakdown of the Board's docket is found below.

In February 2026, the Board hosted its third 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 continues to provide 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 and is regarded as the best event of its type in the country. Director Stefanyk is far along in planning for the fourth annual summit in February 2027.

As noted above, Associate Executive Director, Ellen Vick, received the National Association of Boards of Pharmacy's John F. Atkinson Award recognizing her for significant and sustained contributions to the mission of NABP to protect public health and safety through her work in pharmacy law and compliance.

Director of Inspections Stefanyk is a nationally recognized expert on compounding practices and inspections, and she has presented at the United States Pharmacopeia workshop in September 2024, the American Pharmacists Association meeting in March 2025, and the Food and Drug Administration intergovernmental working meeting in June 2025. She continues to serve as a faculty member for the Kennedy Pharmacy Innovations Center and teaches courses training board of pharmacy inspectors from around the country on compounding requirements, standards, and inspection processes.

Director of Investigations Gray Fullwood presented at the IQVIA Controlled Substance and State Regulatory Conference and the International Association of Healthcare Safety and Security Education Day.

Senior Inspector Christie Cutbush serves as the Secretary for the Carolinas Chapter of the National Association of Drug Diversion Investigators (NADDI).

Board staff continues 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 continues to maintain positive working relationships with several state agencies: North Carolina Department of Agriculture, State Bureau of Investigations, 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 FY2025-26, 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

The Board completed the following rulemakings in FY2025-26:

Amendments to Validating Technician Rule. In 2011, the Board promulgated 21 NCAC 46.1418, which created a category of "Validating Technician," authorized in inpatient hospitals only, to validate certain tasks completed by other technicians. A stakeholder working group studied the history and operation of the validating technician credential for over a year. At the conclusion of that study, the working group recommended a number of amendments to Rule .1418 designed to make that credential more accessible and more responsive to pharmacy practice and patient needs. The amendments became effective May 1, 2026, and worked the following changes: (1) expanded the facilities in which validating technicians may practice; (2) created additional pathways to qualify as a validating technician; and (3) expanded validating technician authority.

Amendments to the Prescription Transfer Rule. Board Rule 21 NCAC46.1802 sets forth requirements for prescription transfers. The amendments accomplished two goals: (1) improving the language of the rule to reflect current pharmacy practices and communication; and (2) simplifying the rule to make its requirements more clear and limited to those necessary to ensure safe and accurate transfer of prescription information among pharmacies.

New Standardized Orders Rule. New Board Rule 21 NCAC46.1420 authorizes the pharmacist-manager at a health care facility to oversee development of standardized order sets that, owing to their safety and effectiveness for all patients who meet criteria established for such order sets, would allow dispensing without an individual review for that patient. The new rule allows pharmacists in health care facilities to more effectively allocate clinical services for patient care.

New Alternate Delivery Site Rule. New Board Rule 21 NCAC46.1822 authorizes community pharmacies, via a limited service permit mechanism, to establish an "alternate deliver site" located within 60 miles of a full service, overseeing pharmacy permit. An alternate delivery site provides final delivery of pharmacist-prepared and verified prescription drugs to patients, and may be staffed by either a pharmacist or a certified pharmacy technician who is an employee of the pharmacy. This new rule provides a means by which North Carolina pharmacies can extend their footprint – and thus patient

access – into areas (particularly rural areas) where operating a full-service pharmacy may be economically impossible.

New Test-to-Treat Influenza Rule. New Board Rule 21 NCAC 46.2517 fully implements authority granted pharmacists by SL 2025-37 to test for, and treat, influenza. This authority was initially implemented by statewide standing orders issued by State Health Director Larry Greenblatt. The Pharmacy and Medical Boards worked quickly and collaboratively to complete the required rulemaking, which (with minor modification) adopted Dr. Greenblatt’s standing orders as statewide protocols.

Other Board Activity

Effective October 1, 2025, changes to Clinical Pharmacist Practitioner (“CPP”) scope of practice enacted in SL 2025-37 became effective. These changes were well received by the pharmacy community – affording additional opportunities to practice at the top of their training, making it substantially less complicated for community pharmacists to provide CPP services, streamlining the provision of CPP services in health care facilities, and providing more access to clinical pharmacy services for all North Carolinians.

Implementation of the CPP changes required significant reworking of Board application and database processes. These were completed in mid-September 2025, resulting in a smooth transition to the new authority. As well, Board staff prepared comprehensive educational resources for pharmacists who are, or are contemplating becoming, CPPs.

The remaining implementation project is amendment of 21 NCAC 46.3101, the Board rule that regulates CPP practice. Toward the end of FY2025-26, the Joint CPP Committee (composed of three representatives from the Pharmacy and Medical Boards) agreed on a package of amendments intended to: (a) simplify the rule by eliminating provisions superseded by SL 2025-37 and/or found, after experience, to be unnecessary; and (b) simplifying and broadening the eligibility criteria for CPP status. These amendments have been published for public comment, and the rulemaking should be completed during FY2026-27.

SL 2025-37 has already resulted in a significant increase in the number of CPPs practicing in the state. The CPP census has grown over 25 percent since the October 1, 2025, effective date. And the data suggests this growth will be even greater in FY2026-2027.

During FY2025-26, the Drug Control Unit (“DCU”) of the North Carolina Department of Health and Human Services undertook rulemaking to provide greater administrative and operational flexibility in the disposal of control substances returned to a pharmacy from a long-term care facility. Board staff and members played a substantial role in exploring this issue, considering alternatives, and suggesting amending language to DCU’s rule. Stella Bailey, who heads the DCU, assembled an effective team and the

amendments became effective on November 1, 2025. Those amendments have reduced the administrative and economic costs of controlled substance disposal while maintaining appropriately high standards of accountability.

In late summer 2026, immunizing pharmacists expressed considerable – and understandable – confusion over their authority to administer seasonal vaccines pursuant to protocol. This confusion stems from ongoing controversy over the composition and operation of the federal Centers for Disease Control’s Advisory Committee on Immunization Practices (whose recommendations form the basis for some immunizing pharmacist authority in North Carolina law). Board staff worked closely with State Health Director Larry Greenblatt to assess the situation and provide clear, timely guidance reassuring pharmacists that they could continue to provide crucial access to seasonal vaccines under North Carolina law during the fall of 2026.

* * *

The on-line and print resources noted above detail the wide scope of public health and safety activities undertaken by the Board during FY2025-26. 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, 2026

Census figures for previous years are found in the Board's annual report archive here:

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

PHARMACISTS

Total number of active pharmacists licensed.....	19,312
Total number of pharmacists residing in North Carolina	13,548
Inactive pharmacists residing in North Carolina	5,112
Active pharmacists residing outside of North Carolina.....	5,764
NABP Verify-Credentialed pharmacists registered to perform remote operations	7,360

IN-STATE PHARMACIST EMPLOYMENT SETTINGS*

Retail Pharmacy – Chain	3,081
Retail Pharmacy – Independent	1,540
Community Health Center	267
Free/Charitable Clinic	63
Other Outpatient Pharmacy.....	549
Hospital Pharmacies.....	3,317
Clinical Pharmacist Practitioners	578
Long Term Care/Hospice.....	461
Infusion	305
Nuclear Pharmacy	38
Government, Health Departments, and Teaching.....	599
Pharmaceutical Industry.....	658
Other Pharmacy Setting	921
Not employed in a pharmacy setting	914
No employment reported	245
Retired.....	581

IN-STATE PHARMACIST DEMOGRAPHICS

Under 30 years of age	1,082
30 – 39 years of age	3,881
40 – 49 years of age	3,407
50 – 59 years of age	2,951
60 – 65 years of age	941
Over 65 years of age	1,286

*Employment settings are self-reported by pharmacists.

In-state Pharmacists – Female	8,848
In-state Pharmacists – Male	4,700

NON-PHARMACIST DISPENSERS

Dispensing Physicians	786
Physician Assistants.....	112
Nurse Practitioners.....	343
Optometrists.....	24

PHARMACY INTERNS

Total Pharmacy Interns registered	1,490
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PHARMACY TECHNICIANS

Total Pharmacy Technicians registered.....	23,702
Nationally Certified Technicians ⁺	12,852

PHARMACIES*

Total in-state Pharmacy permits	2,787
Retail Pharmacy – Chain	1,124
Retail Pharmacy – Independent	719
Hospital Pharmacies.....	182
Nursing Homes	23
Health Departments	85
Free/Charitable Clinics	42
Infusion	79
Limited Service Permits.....	490
Auxiliary Drug Inventory	16
Automated Medication System.....	217
Direct-to-Patient Dispensing System.....	3
NP/PA Dispensing Facility	146
County Health Department RN Dispensing Facility	63
Free/Charitable Clinic	35
Critical Access Hospital.....	2
Others	321
Total out-of-state Pharmacy permits.....	1,051

DEVICE AND MEDICAL EQUIPMENT FACILITIES

Total DME permits	846
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⁺12,346 certified by the Pharmacy Technician Certification Board; 506 certified by the National Healthcareer Association

*Some pharmacies fit into multiple categories.

(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*

461 persons applied to the Board for licensure by examination in FY2025-26.

(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*

487 candidates sat for examination in FY2025-26. Fourteen (14) 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 462 licenses by examination in FY2025-26.

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

92 candidates failed one or more of the licensure examinations in FY2025-26. 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 and the North Carolina Version of the Multistate Pharmacy Jurisprudence Examination. 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*

422 persons applied for licensure by reciprocity in FY2025-26.

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

421 persons were granted licensure by reciprocity in FY2025-26.

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

70 applicants (58 pharmacy technician registration applicants; 12 pharmacist licensure applicants) presented with a record of criminal conviction in FY2025-26.

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

62 applicants (50 pharmacy technician registration applicants; 12 pharmacist licensure applicants) with a record of conviction were granted registration or licensure in FY2025-26. Seven (7) pharmacy technician registration applicants could not be approved by Board staff because of a criminal conviction. One (1) pharmacy technician applicant could not be approved by Board staff because of a matter other than conviction. Each were notified that they could request a hearing before the Board concerning the registration application. None did so.

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

Four (4) pharmacist licensure applicants requested the military-training application fee waiver and temporary license in FY2025-26. All were eligible for fee waiver and temporary licensure.

25 pharmacy technician registration applicants requested the military-training fee waiver in FY2025-26. 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. Nineteen (19) applicants were not eligible for the fee waiver, in almost all cases because the applicant did not hold a pharmacy technician military occupational specialty.

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

Ten (10) military-spouse pharmacist licensure applications requested application fee waiver and temporary license in FY2025-26. Nine (9) were eligible for, and received, the fee waiver and temporary license.

85 pharmacy technician registration applicants requested the military-spouse fee waiver in FY2025-26. Eleven (11) 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. 74 applicants were not eligible for the fee waiver because they had never practiced as a pharmacy technician in another state.

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

(13) Number of Disciplinary Actions Taken Against Licensees and Nonlicensees
(Including Injunctive Relief), The Number of Licenses Suspended or Revoked

Total number of investigative cases opened	497
Total number of inspections conducted	771
Total number of “no action” decisions after investigation (<i>i.e.</i> , investigation did not find any violation of law)	52
Total number of “no action” decisions due to Board having no jurisdiction over complained-of behavior	285
Total number of injunctions obtained to halt unlicensed practice	0
Total number of warning letters issued post pre-hearing conference or by administrative disposition	153
Total number of cases resulting in consent orders	13
Total number of cases resulting in full board hearings	0
Pharmacist license applications denied	0*
Pharmacist licenses revoked	0
Pharmacist licenses suspended	6
Pharmacist licenses surrendered	14
Pharmacy intern registration applications denied	0
Pharmacy technician registration applications denied	14*
Pharmacy technician registrations revoked	0
Pharmacy technician licenses suspended	18
Pharmacy technicians surrendered	20
Pharmacy permit applications denied	8*
Pharmacy permits revoked	0
Pharmacy permits suspended	0
Pharmacy permits surrendered	1
DME permit applications denied	0*
DME permits revoked	0

* Each year, Board staff identify deficiencies in pharmacist, technician, pharmacy, and DME license/registration/permit applications and notify 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 data reflects a “staff not approved” number. It is not a true “denial” number because no final Board action was taken. Instead, in each case, the applicant abandoned or withdrew the application.

DME permits suspended	1
DME permits surrendered	0

(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 FY2025-26. The Board anticipates that the General Assembly will take up potential legislation concerning “medical spas” and compounding activities associated with those facilities. The Board will, as always, be available as a resource for members of the legislature and their staff on this or any other topic.

(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 FY2025-26:

Potential Amendments to Board Rules Governing Technicians. As noted above, the Board completed a rulemaking to provide new qualification pathways and authorities for “validating” technicians in health-care facility settings. The Board may take up similar rulemaking for technicians practicing in community pharmacy settings.

FINANCIAL AUDIT REPORT

FY 2025-26

NORTH CAROLINA BOARD OF PHARMACY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2026 AND 2025



NORTH CAROLINA BOARD OF PHARMACY

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NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Year Ended June 30, 2026

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, 2026. 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, 2026, 2025, and 2024. The statements provide information on current and noncurrent assets and liabilities. The data provides information on assets available to continue operations; amounts due to vendors and lending institutions; and the net position available for expenditure by the Board.

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

	<u>2026</u>	<u>2025</u>	<u>2024 Restated</u>
Assets:			
Current assets	\$ 5,671,894	\$ 5,514,825	\$ 5,976,448
Non-current assets	7,738,712	7,242,752	6,091,198
Net Right-to-use leased assets	10,773	7,164	2,985
Net capital assets	1,276,211	1,411,289	1,531,681
Total assets	<u>14,697,590</u>	<u>14,176,030</u>	<u>13,602,312</u>
Liabilities:			
Current liabilities	486,914	461,257	423,605
Non-current liabilities	83,092	92,855	83,283
Total liabilities	<u>570,006</u>	<u>554,112</u>	<u>506,888</u>
Net position:			
Invested in capital assets - net of related depreciation	1,276,344	1,411,192	1,531,529
Unrestricted	12,851,240	12,210,726	11,563,895
Total net position	<u>\$ 14,127,584</u>	<u>\$ 13,621,918</u>	<u>\$ 13,095,424</u>

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Year Ended June 30, 2026

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>2026</u>	<u>2025</u>	<u>2024 Restated</u>
Operating revenues	\$ 5,335,439	\$ 5,171,319	\$ 4,944,883
Operating expenses	<u>5,209,129</u>	<u>5,213,161</u>	<u>4,838,368</u>
Operating income	<u>126,310</u>	<u>(41,842)</u>	<u>106,515</u>
Non-operating revenues (expenses)	<u>379,356</u>	<u>568,336</u>	<u>488,867</u>
Changes in net position	<u>505,666</u>	<u>526,494</u>	<u>595,382</u>
Net position - beginning of year	<u>13,621,918</u>	<u>13,095,424</u>	<u>12,500,042</u>
Net position - end of year	<u><u>\$ 14,127,584</u></u>	<u><u>\$ 13,621,918</u></u>	<u><u>\$ 13,095,424</u></u>

Operating revenues consisted primarily of pharmacist and pharmacy renewals. Operating revenues for the year ended June 30, 2026 were \$5,335,439 compared to \$5,171,319 for the year ended June 30, 2025. 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 \$169,267 and \$170,132, for the years ended June 30, 2026 and June, 30 2025, 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, 2026 and 2025, 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, 2026 and 2025, 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, 2026, 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
October 13, 2026

NORTH CAROLINA BOARD OF PHARMACY
Statements of Net Position
June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,804,415	\$ 2,472,091
Investments, current portion	2,684,083	2,872,424
Accrued interest	61,396	55,576
Prepaid expenses	119,564	114,509
Employee advances	2,436	225
Total current assets	<u>5,671,894</u>	<u>5,514,825</u>
Non-current assets:		
Investments, less current portion	7,490,549	6,994,589
Note receivable - officer life insurance	248,163	248,163
Total non-current assets	<u>7,738,712</u>	<u>7,242,752</u>
Capital assets:		
Right-to-use leased assets, net of amortization	10,773	7,164
Property and equipment, net of depreciation	1,276,211	1,411,289
Capital assets, net of depreciation	<u>1,286,984</u>	<u>1,418,453</u>
Total assets	<u>14,697,590</u>	<u>14,176,030</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	49,774	40,959
Current portion of lease liabilities	3,863	2,755
Accrued compensation	433,277	417,543
Total current liabilities	<u>486,914</u>	<u>461,257</u>
Non-current liabilities:		
Accrued compensation	76,315	88,349
Lease liabilities	6,777	4,506
Total non-current liabilities	<u>83,092</u>	<u>92,855</u>
Total liabilities	<u>570,006</u>	<u>554,112</u>
NET POSITION:		
Net investment in capital assets	1,276,344	1,411,192
Unrestricted	<u>12,851,240</u>	<u>12,210,726</u>
Total net position	<u>\$ 14,127,584</u>	<u>\$ 13,621,918</u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Operating revenues:		
Pharmacist renewals	\$ 2,533,410	\$ 2,509,245
Pharmacist reciprocity	245,400	217,800
Pharmacist exam fees	96,200	67,300
Pharmacist/manager changes	34,510	37,205
Pharmacist reinstatements	44,680	44,820
Pharmacy renewals	738,400	728,000
Pharmacy permits	357,500	322,000
Technician renewals	602,940	575,520
Technician registrations	139,530	139,650
Technician reinstatements	66,600	67,860
Device and DME permits and renewals	225,800	231,800
Dispensing physician renewals and permits	70,950	71,775
Dispensing PA/NP renewals and permits	41,175	41,850
Pharmacy/pharmacists, lists and labels	16,186	13,465
Miscellaneous	122,158	103,029
Total operating revenues	<u>5,335,439</u>	<u>5,171,319</u>
Operating expenses:		
Salaries	2,655,207	2,567,693
Payroll taxes	186,788	177,483
Retirement contributions	159,089	151,270
Employee benefits	329,376	315,568
Unemployment Claims	-	104
Educational expense	2,488	1,787
Board meeting and election expenses	33,371	29,108
Professional meetings	30,399	35,129
Inspection expense	75,184	77,475
Building dues and maintenance	26,500	26,500
Office utilities	8,239	8,801
Janitorial service	13,500	13,500
Telephone	22,440	22,404
Auto expense	33,394	28,029
Supplies	8,280	9,586
Books, dues, and subscriptions	17,073	15,665
Postage	11,960	8,850
Printing	1,120	1,324

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Operating expenses (Continued):		
Maintenance	\$ 239,897	\$ 332,230
Special meetings and projects	89,202	89,656
Insurance	38,307	37,778
Executive director's expense	17,659	23,581
Office staff travel	4,816	1,308
Miscellaneous	5,000	-
Consulting fees	43,355	56,014
Bank service charges	176,336	166,476
Depreciation	169,267	170,132
Legal fees	446,412	466,772
Pharmacist recovery programs	350,000	350,000
Audit fee	10,000	27,000
Lease amortization expense	3,946	1,802
Interest expense on lease liabilities	524	136
Total operating expenses	<u>5,209,129</u>	<u>5,213,161</u>
Operating income (loss)	<u>126,310</u>	<u>(41,842)</u>
Non-operating revenues (expense):		
Net investment income	445,160	337,170
Unrealized and realized gains (losses) on investments	<u>(65,804)</u>	<u>231,166</u>
Total non-operating income	<u>379,356</u>	<u>568,336</u>
Changes in net position	505,666	526,494
Net position - beginning of year	<u>13,621,918</u>	<u>13,095,424</u>
Net position - end of year	<u><u>\$ 14,127,584</u></u>	<u><u>\$ 13,621,918</u></u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Cash received from fees	\$ 5,213,281	\$ 5,068,290
Other cash received	122,158	103,029
Cash payments to employees for service	(2,667,241)	(2,561,713)
Cash payments to suppliers for goods and services	(1,901,676)	(1,973,524)
Cash payments for interest on leased assets	(524)	(136)
Cash payments for other operating expenses	(461,226)	(457,440)
Net cash provided by operating activities	<u>304,772</u>	<u>178,506</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(34,189)	(49,740)
Payments on lease liabilities	(4,176)	(1,857)
Net cash used in capital and related financing activities	<u>(38,365)</u>	<u>(51,597)</u>
Cash flows from investing activities:		
Purchase of investments	(7,247,168)	(7,123,440)
Proceeds from sales of investments	6,879,178	6,177,882
Net investment income	433,907	337,170
Net cash provided by (used in) investing activities	<u>65,917</u>	<u>(608,388)</u>
Net increase (decrease) in cash and cash equivalent	332,324	(481,479)
Cash and cash equivalents- beginning of year	<u>2,472,091</u>	<u>2,953,570</u>
Cash and cash equivalents - end of year	<u>\$ 2,804,415</u>	<u>\$ 2,472,091</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 126,310	\$ (41,842)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	169,267	170,132
Amortization, leased assets	3,946	1,802
Changes in assets and liabilities:		
Prepaid expenses	(5,055)	5,539
Accounts payable	8,815	(3,395)
Employee Advances	(2,211)	(225)
Accrued vacation	3,700	46,495
Total adjustments	<u>178,462</u>	<u>220,348</u>
Net cash provided by operating activities	<u>\$ 304,772</u>	<u>\$ 178,506</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.

Licensing fee revenue is recognized when all significant requirements for licensure have been satisfied and the license is approved and issued by the Board. The licensing process generally includes evaluation of eligibility requirements, review of applications, and issuance or renewal of the license.

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

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

Basis of Accounting (Continued)

Upon issuance of the license, the Board's primary obligation associated with the licensing process has been fulfilled. Licensing fees are generally nonrefundable once a license has been issued. Although licenses may authorize practice for a specified future period, the Board recognizes licensing fee revenue upon issuance because the fee is assessed in connection with the review, approval, and issuance of the license rather than for the provision of ongoing services throughout the licensing period.

Cash and Cash Equivalents

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

Investments

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

Right-To-Use Leased Assets and Lease Liabilities

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

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

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

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

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

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.

A liability for compensated absences is recognized for both vacation and sick leave that is more likely than not to be used or paid out. This is determined based on historical usage patterns and the Board's policies regarding leave.

Net Position

The Board's net position is classified as follows:

Net Investment in Capital Assets - This classification represents the Board's total investment in capital assets, net of accumulated depreciation.

Unrestricted - This classification represents assets with no external restriction as to use or purpose. Unrestricted net position is used for the general operations of the Board and may be used at the discretion of the governing board to meet current expenses for any purpose. The Board has reserved \$500,000 of the unrestricted net position to cover potential litigation costs, \$539,559 to cover IT infrastructure, and \$1,075,000 to cover insurance deductibles.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

NOTE 2 - DEPOSITS AND INVESTMENTS

Investments reported at fair value at June 30, 2026 and 2025 consisted of the following:

	2026	2025
Money market mutual funds	\$ 35,794	\$ 51,712
Traded certificates of deposit	1,153,169	695,408
Government securities	8,985,669	9,119,893
	<u>\$ 10,174,632</u>	<u>\$ 9,867,013</u>

Interest income totaled \$485,403 and \$374,888, for the years ended June 30, 2026 and 2025, respectively. Related investment fees totaled \$40,243 and \$37,718 for the years ended June 30, 2026 and 2025, respectively.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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 investments as of June 30, 2026 were as follows:

0 - 1 years	\$ 2,684,083
1 - 5 years	5,252,469
6 - 10 years	2,136,194
10+ years	101,886
	<u>\$ 10,174,632</u>

The weighted average maturities of the certificates of deposit are 1.39 years at June 30, 2026.

The weighted average maturities of the government securities are 3.86 years at June 30, 2026.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2026, 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, 2026, the Board had cash deposits and money market accounts that exceeded the Federal Deposit Insurance Corporation's (FDIC) limits of \$250,000 by \$2,554,415. In addition, government securities with a fair value of \$8,985,669 at June 30, 2026 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, 2026, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$9,174,632, which included multiple traded certificates of deposit investments totaling \$1,153,169 held in a brokerage account that were individually insured up to \$250,000 under FDIC at June 30, 2026.

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.

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

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

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, 2026 are all classified within the Level 2 fair value hierarchy.

NOTE 4 - OFFICER LIFE INSURANCE

The Board has entered into a split dollar life insurance policy jointly owned with the Executive Director, the beneficiary of the policy. The amount recorded as note receivable - officer life insurance, represents the Board's equity in the policy. Policy premium payments made totaled \$248,163 at June 30, 2026 and 2025. The joint ownership agreement is scheduled to terminate in 2037 with the note receivable to be repaid by a partial surrender of the policy.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the Board for the year ended June 30, 2026, was as follows:

	Cost 06/30/25	Additions	Disposals	Cost 06/30/26
Capital Assets:				
Building	\$ 1,900,559	\$ -	\$ -	\$ 1,900,559
Building improvements	185,598	-	-	185,598
Furniture and fixtures	235,416	-	(665)	234,751
Equipment	270,110	34,189	-	304,299
Vehicles	300,472	-	-	300,472
Software	484,499	-	-	484,499
Total at historical cost	<u>3,376,654</u>	<u>34,189</u>	<u>(665)</u>	<u>3,410,178</u>
Less accumulated depreciation for:				
Building	1,071,248	48,820	-	1,120,068
Building improvements	67,147	6,749	-	73,896
Furniture and fixtures	226,995	2,724	(665)	229,054
Equipment	186,769	26,404	-	213,173
Vehicles	186,785	50,135	-	236,920
Software	226,421	34,435	-	260,856
Total accumulated depreciation	<u>1,965,365</u>	<u>169,267</u>	<u>(665)</u>	<u>2,133,967</u>
Total capital assets, net	<u>\$ 1,411,289</u>	<u>\$ (135,078)</u>	<u>\$ -</u>	<u>\$ 1,276,211</u>

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 5 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2025 was as follows:

	Cost 06/30/24	Additions	Disposals	Cost 06/30/25
Capital Assets:				
Building	\$ 1,900,559	\$ -	\$ -	\$ 1,900,559
Building improvements	185,598	-	-	185,598
Furniture and fixtures	232,559	2,857	-	235,416
Equipment	260,790	9,320	-	270,110
Vehicles	300,472	-	-	300,472
Software	463,681	37,563	(16,745)	484,499
Total at historical cost	<u>3,343,659</u>	<u>49,740</u>	<u>(16,745)</u>	<u>3,376,654</u>
Less accumulated depreciation for:				
Building	1,022,428	48,820	-	1,071,248
Building improvements	60,398	6,749	-	67,147
Furniture and fixtures	224,425	2,570	-	226,995
Equipment	161,094	25,675	-	186,769
Vehicles	131,601	55,184	-	186,785
Software	212,032	31,134	(16,745)	226,421
Total accumulated depreciation	<u>1,811,978</u>	<u>170,132</u>	<u>(16,745)</u>	<u>1,965,365</u>
Total capital assets, net	<u>\$ 1,531,681</u>	<u>\$ (120,392)</u>	<u>\$ -</u>	<u>\$ 1,411,289</u>

NOTE 6 - COMPENSATED ABSENCES

Changes to compensated absences are as follows for the year ended June 30, 2026 and 2025:

	2026	2025
Beginning compensated absences	\$ 505,892	\$ 459,397
Compensated absences earned	401,270	376,989
Compensated absences used	(397,570)	(330,494)
Ending accrued vacation	<u>\$ 509,592</u>	<u>\$ 505,892</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 2025-2029.

Lease expenses were comprised of the following:

	2026	2025
Amortization expense by class of underlying asset:		
Office equipment	\$ 3,946	\$ 1,802
Interest on lease liabilities	524	136
Total lease expense	<u>\$ 4,470</u>	<u>\$ 1,938</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:

	06/30/25	Additions	Subtractions	06/30/26
Office equipment	\$ 16,133	\$ 7,555	\$ (10,151)	\$ 13,537
Less: Accumulated amortization	(8,969)	(3,946)	10,151	(2,764)
Right-to-use assets, net	<u>\$ 7,164</u>	<u>\$ 3,609</u>	<u>\$ -</u>	<u>\$ 10,773</u>
	06/30/24	Additions	Subtractions	06/30/25
Office equipment	\$ 10,152	\$ 5,981	\$ -	\$ 16,133
Less: Accumulated amortization	(7,167)	(1,802)	-	(8,969)
Right-to-use assets, net	<u>\$ 2,985</u>	<u>\$ 4,179</u>	<u>\$ -</u>	<u>\$ 7,164</u>

Lease liabilities were comprised of the following:

	06/30/25	Additions	Subtractions	06/30/26
Total lease liabilities	<u>\$ 7,261</u>	<u>\$ 7,555</u>	<u>\$ (4,176)</u>	<u>\$ 10,640</u>
	06/30/24	Additions	Subtractions	06/30/25
Total lease liabilities	<u>\$ 3,137</u>	<u>\$ 7,715</u>	<u>\$ (3,591)</u>	<u>\$ 7,261</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>
2027	\$ 3,863	\$ 523	\$ 4,386
2028	3,674	291	3,965
2029	2,874	103	2,977
2030	229	2	231
	<u>\$ 10,640</u>	<u>\$ 919</u>	<u>\$ 11,559</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 6% of their gross compensation and the Board matches those contributions 100%. The employees' contributions are 100% vested immediately with the Board's matching contributions vesting 20% per Plan year until fully vested. For vesting purposes, an employee must complete 1,000 hours of service each Plan year. Participants may retire with fully vested benefits at age 65, or at age 55 after completing five years of service.

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Notes to Financial Statements

NOTE 8 - RETIREMENT PLANS (Continued)

Upon termination of service, participants receive the vested value of their account in a lump-sum distribution if their balance is less than \$7,000; otherwise they may keep their balance in the Plan.

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. Forfeitures, if any, may be used to fund employer contributions. 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. During the years ended June 30, 2026 and 2025, the Board used \$0 in retirement forfeiture balances to offset retirement matching contributions.

Contributions to the Plan for the years ended June 30, 2026 and 2025 totaled \$429,437 and \$377,840, which consisted of \$159,089 and \$151,270, respectively, from the Board and \$270,348 and \$226,570, respectively, from employees.

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, 2026 and 2025 totaled \$350,000 and \$350,000, respectively.

NOTE 11 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through October 13, 2026, which is the date the financial statements were available to be issued.

The audit was conducted in approximately 90 hours at a cost of \$21,000.