

ONE HUNDRED THIRTY-SEVENTH

ANNUAL REPORT

NORTH CAROLINA

BOARD OF PHARMACY

FY2017 - 18



ONE HUNDRED THIRTY-SEVENTH ANNUAL REPORT
NORTH CAROLINA BOARD OF PHARMACY

October 1, 2017 – September 30, 2018

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

MEMBERS AND ORGANIZATION

PER REQUIREMENTS OF N.C.G.S. § 93B-2

J. Andrew Bowman, Lillington, President..... Term expires April 30, 2021
Robert A. Graves, Asheboro, Vice President Term expires April 30, 2020
Gene Winston Minton, Littleton..... Term expires April 30, 2020
William A. Mixon, Hickory Term expires April 30, 2022
Keith A. Vance, Lewisville Term expires April 30, 2022
Ashley H. Duggins, Asheboro Term expires April 30, 2020*

*Dr. Duggins succeeded L. Stanley Haywood of Asheboro, who passed away on May 22, 2018.

Executive Director

Jack W. Campbell IV, Hillsborough

Associate Executive Director

Ellen Vick, Durham

General Counsel

Clinton R. Pinyan, Greensboro

Investigators/Inspectors

Joshua Kohler, Director of Investigations, Raleigh
Krystal Stefanyk, Director of Inspections, Clayton
Cindy Parham, Coordinator, Mebane
Summer Canoy, Stem
Catherine Collier, Aberdeen
Christie Cutbush, Lumberton
Maria Fabiano, Wilmington
Holly Price Hunt, Lincolnton
Megan “Chase” Kauffman Bissell, Asheville
Lisa Mendez, Raleigh
Kimberly Sims, Youngsville
Jason Smith, Monroe
Loretta Wiesner, Asheville

Licensing

Missy Betz, Director, Chapel Hill
Debbie Stump, Mebane
Wendy Watson, Durham
Stacie Mason, Pittsboro
Leslie Wilson, Durham

Financial and HR Services

Rhonda Jones, Director, Chapel Hill
JP Brown, Durham

Operations

Kristin Moore, Director, Durham
Antoine Pryor, Durham
Lisa Parker-Hawkins, Bahama

Chapel Hill, North Carolina
October 19, 2018

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 Thirty-Seventh Annual Report of the North Carolina Board of Pharmacy.

Please note that this report and past annual reports are available to the public through the Board's website at this address: <http://www.ncbop.org/about/about.htm>

Respectfully yours,

NORTH CAROLINA BOARD OF PHARMACY

by:

A large, stylized handwritten signature in black ink, appearing to read "Jack W. Campbell IV", is written over a horizontal line. The signature is highly cursive and extends to the right beyond the line.

Jack W. Campbell IV, Executive Director

Note Concerning the Timing of this Annual Report and the Board's Financial Statement and Audit Report

The Board of Pharmacy's fiscal year runs from October 1 through September 30. Accordingly, the Board cannot submit its audited FY2017-18 financial statement contemporaneously with this report. The Board's annual financial audit will occur November 12-16, 2018. Board staff anticipates receipt of its financial audit report in December 2018. Board staff further anticipates that, consistent with prior years, the Board members will review and approve the audit report at its regularly scheduled business meeting in January 2019.

Per instructions from the Office of State Budget and Management ("OSBM"), Board staff has informed OSBM of its fiscal year end date and will submit the audited financial report no later than four months after fiscal year end.

Please note that the Board submitted its audited FY2016-17 financial report in January 2018 to the appropriate agencies as required by Chapter 93B. The Board resubmits that financial report as an attachment to this report.

Note further that the Board will operate on a nine-month fiscal year from October 1, 2018 through June 30, 2019. The Board will then switch to a July 1 to June 30 fiscal year in 2019, bringing it into line with the overall State fiscal year. Doing so will eliminate the need for piecemeal annual report submissions.

Introduction

The Board of Pharmacy is pleased to present this summary of events and activities for FY 2017-18. The below information, and much more, may be found on the Board's website, www.ncbop.org; in the Board's quarterly newsletters, <http://www.ncbop.org/newsletters.htm>; and in the agendas for, and minutes of, the Board's regularly scheduled meetings, <http://www.ncbop.org/about/meetings.htm>.

The Board also broadcasts its regular business meetings via a streaming YouTube channel. Instructions for viewing Board meetings are found on the front page of the Board's website, www.ncbop.org. The Board meets the third Tuesday of every month, except in August and December.

Board Personnel

Members

All Board members received all training required by NCGS § 93B-5(g) in October 2018. 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 Board lost member Stan Haywood on May 22, 2018. Stan was serving his third term as a Board member and was the first Board member to have ever served his statutorily allowed two consecutive terms, sit out a term, and then be chosen again by the state's pharmacists to resume a post as guardian of the public health.

The trust and confidence that the pharmacists of this state placed in Stan demonstrated that he was, above all things, a servant leader throughout his life. Stan's commitments to his family, his church, scouting, Randolph County (through long service as a member of the school board and as a county commissioner), and the state were deep and abiding. Those commitments were matched by a sense of humility and self-deprecation that proved Stan's focus ever remained on service to others, not service to self. Stan also possessed the rare gifts of having a mind open to positions different than his own and an ability to disagree on policy matters in a respectful way. The Board mourns his loss.

As prescribed by G.S. 90-85.7, in July 2018, the Board members selected Dr. Ashley Duggins to fill the central district seat for the remainder of Mr. Haywood's term. Dr. Duggins is a 2002 graduate of the University of North Carolina Eshelman School of Pharmacy. She owns and operates Prevo Drug in Asheboro, NC. Dr. Duggins' many professional and community memberships and activities show a deep commitment to public service. The Board members and staff welcome Dr. Duggins.

The Board members and staff also thank all of the candidates who applied to fill the central district seat. Coming from a broad spectrum of practice backgrounds and

experience, all were impressive. They are: Ismail Badjie, Jay Brown, Duke Calfas, Wes Cowell, Nicole Eastman, Jeff Eudy, Sam Forrester, Jennifer Funkhouser, Catherine Huemmer, Abdul Kader, Max Reece, Scott Romesburg, Angela Smith, Richard Sterling, Greg Vassie, Tim Weber, and Doug Yoch.

Board staff thanks Cole Jordan, Director of Board and Commissions, Office of the Governor, for her superb and timely work to ensure that Dr. Duggins' commissioning occurred seamlessly, avoiding any significant period in which the Board was understrength. Likewise, Board staff thanks staff at the North Carolina State Board of Elections and Ethics Enforcement for their timely review of Dr. Duggins' statement of economic interest, ensuring that the commissioning process moved rapidly.

Staff

In April 2018, Deborah Stump stepped down as the Board's Director of Licensing after 10 years of superlative service in that role. Ms. Stump remains at the Board as a licensing specialist. Missy Betz was promoted to Director of Licensing. Ms. Betz has 10 years' experience at the Board as a licensing specialist.

In June 2018, the Board welcomed JP Brown as its new accounting manager. JP is a Certified Public Accountant and holds a Master of Accounting Degree from the University of North Carolina. The Board bid farewell to Krystal Smith, the Board's previous accounting manager, who moved to Colorado so her family could take advantage of an unexpected career opportunity.

Our dear friend Nellie Taylor Jones passed away on November 17, 2017. Nellie was the Board's receptionist from 2011 to 2016 – and she was so much more than that. Nellie lived a life of compassion, service, and inspiration to others. Anyone who called the Board office or visited during Nellie's tenure was greeted with a warm smile and a kind welcome. We were amazed every day by her strength, her love of others, her contagious laughter and sense of humor, and her beautiful, positive spirit. We were fortunate to have her for a short while, and we are grateful to her family for sharing her with us for those five years. We miss her terribly.

Investigations and Inspections Activity

The Board's inspections and investigations docket continues to be heavy and productive. The Board investigative staff were assigned three hundred and twenty-six (326) cases, an increase in fifty (50) cases over the previous fiscal year, while at the same time working diligently to close three hundred and fifty-six (356) cases.

The Board's inspections continue to increase in quantity and quality. This year Board staff completed 1,015 inspections, an increase of approximately 200 inspections over the previous fiscal year. As in past years, inspection activity continues to focus specifically (and critically) on pharmacies' ability to satisfy governing drug compounding standards for both sterile and non-sterile products.

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. Board staff also continues to maintain positive working relationships with several state agencies, including: North Carolina Department of Agriculture, State Bureau of Investigations Diversion and Environmental Crimes Unit, and North Carolina Department of Insurance.

Over the past fiscal year, Board investigative staff continued to expand their work into cases involving prescription drug fraud, which are typically complex and are often interstate in nature. The majority center on fraudulent billing of governmental and private health insurers for prescription drugs that were not dispensed, were dispensed pursuant to illegitimate prescriptions, or a patient was dispensed a drug but the insurer was billed for a different, more expensive drug. These fraud schemes also often include fraudulent billing for diabetic testing supplies such as glucometer test strips. Working closely with state and federal law enforcement agencies, Board staff was front and center in working investigations that have resulted in prison sentences for pharmacists engaged in fraud, recoupment of millions of dollars in fraudulent payments, and the suspension of a number of pharmacy permits (within North Carolina and out-of-state).

The investigations and inspections staff continue to collaborate with the licensing staff to review the applications and enhance the process of permitting pharmacies.

Additionally, Board investigative staff expanded into working cases that involve criminal charges and convictions against pharmacists and pharmacy technicians by conducting daily background checks through the Administrative Office of the Courts (AOC). These charges and convictions deal mainly with the illegal possession, manufacturing, sale of, or distribution of controlled substances. Furthermore, Board staff investigates charges and convictions of two (2) or more DWI offenses within a seven (7) year period, or if the DWI involved a blood alcohol content (BAC) of .15 or higher – circumstances that signal a possible substance abuse disorder. Working in conjunction with the North Carolina Physicians Health Program (NCPHP), Board staff make recommendations to individuals about seeking an interview and assessment at NCPHP where signs of potential substance abuse are present.

Board investigative staff continue to make substantial contributions to combating the opioid abuse crisis gripping the country. The investigations and inspections department has investigated multiple cases in which pharmacists or pharmacy technicians have diverted controlled substances for personal use or illegal distribution. Strong working relationships with local, county, state, and federal law enforcement agencies continue to help these efforts. The Board's strong working relationship with the North Carolina Physicians Health Program is also crucial to effective action by providing options for assessment and treatment for pharmacists, pharmacy technicians and pharmacy students faced with a substance use disorder.

Following the impacts of Hurricanes Florence and Michael on the southeastern and south central parts of North Carolina, a team of Board investigators/inspectors mobilized to visit and offer assistance to many pharmacies in these areas. Based upon the number of pharmacies in these sections of the State, a small percentage sustained major damage, while the majority experienced minor damage such as power outages, water in the pharmacy, and loss of temperature-sensitive medications. The investigators/inspectors handed out an information sheet listing various websites to visit to file loss and/or disposal reports, check for damaged drugs, and inquired as to the overall well-being of the pharmacy staff. Approximately twenty (20) counties were covered, including: Lee, Moore, Hoke, Harnett, Cumberland, Robeson, Bladen, Columbus, Brunswick, New Hanover, Pender, Sampson, Duplin, Onslow, Wayne, Pitt, Craven, Pamlico, Jones and Carteret.

As well, during the Hurricane Florence aftermath, Board staff coordinated with Amanda Fuller Moore, Division Pharmacist, North Carolina Public Health, to ensure that information and resources for pharmacists were shared quickly and comprehensively. Dr. Moore remains an essential resource for pharmacists in the State in time of crisis, and Board staff are grateful for her support and professionalism.

Rulemaking Activity

January 1, 2018 saw the effective date of amended rules governing continuing education (CE) for pharmacist license renewal. The CE rule amendments are the most comprehensive issued by the Board in some years. Among the changes effected were a reduction in the number of “live” CE hours required for renewal, a simplification of the types of CE that satisfy license renewal requirements, clarification of circumstances under which CE requirements are waived, and a much simplified process of reporting CE for renewal.

Other Notable Board Activities in FY2017-18

Recognizing that mitigating the effects of the opioid public health crisis requires multi-pronged approaches, in April 2018, the Board established and endowed the L. Stanley Haywood Recovery Fund. The Haywood Recovery Fund provides financial support to qualifying pharmacists and pharmacy personnel in need of substance abuse assessment, treatment, and monitoring services. Improving access to such services serves the Board’s critical public health and safety protection mission. Mr. Haywood, who passed away on May 22, 2018, championed proactive measures to stem the opioid public health crisis, and the Board is grateful that he was able to see this transformative program through to completion.

Beginning February 8, 2018, the Board launched an opioid public service announcement campaign on television stations in the Wilmington and Greenville, NC areas and on social media platforms. The advertisements feature Joe Adams, a pharmacist and past president of the National Association of Boards of Pharmacy, sharing his deeply personal story of losing his son to an opioid overdose in 2014. These

ads emphasize the importance of obtaining help and the critical role that pharmacists can play.

The ads come in 30-second, 60-second, and six-minute versions and are available for download from the Board website. Board members and staff welcome and encourage pharmacists using these ads to educate their patients and communities about proper medication use and the dangers of opioid abuse.

The National Association of Boards of Pharmacy assisted the effort by creating and hosting a webpage containing resources for pharmacists to share with patients and their communities. That page may be accessed directly at <https://nabp.pharmacy/homepage/prescription-drugsafety>. NABP has also made the Board-created advertisements a centerpiece of its own nationwide efforts to combat the opioid public health crisis.

Related to (but not coextensive with) the Board's efforts in the opioid crisis, the Board created updated materials providing guidance on safe drug disposal methods, as well as links to helpful resources. It may be found at www.ncbop.org/faqs/SafeDisposalofMedicationsFeb2018.pdf. Pharmacists are welcome and encouraged to download this guide to distribute to patients. The Board thanks Vera Reinstein of Alliance Behavioral Healthcare and Nidhi Gandhi of the Wingate University School of Pharmacy for leading the effort to create these resources.

At its November 2017 meeting, the Board dedicated its boardroom to Executive Director Emeritus David R. Work. Board members and staff are especially grateful to David's daughters – Dana Ward, Amy Needham, and Susan Launiau – for entrusting the Board with a number of David's awards, which are now on display outside the Work Boardroom. Friends, family, former Board members, and former Board staff came to enjoy the presentation and reminisce about David. Many stories of David's years at the Board were told – and a few of them were actually true! David would have enjoyed the event immensely.

In April 2018, the licensing department underwent a week-long exercise to map the licensing/permitting/registration process. Doing so has allowed the department to simplify, improve, and streamline these processes. The Board's IT Administrator, Antoine Pryor, led the process mapping effort, and Board staff has made improving changes to its online processes as identified during the exercise.

The licensing department also implemented a simple, efficient, online process implementing the fee waiver and temporary licensure provisions of G.S. 93B-15.1 for military personnel and military spouses. Military personnel and spouses relocating to North Carolina have repeatedly commended Board staff for its user friendly process.

* * *

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

N.C.G.S. § 93B-2 Report Contents

North Carolina Board of Pharmacy
Census of Licenses, Permits, and Registrations
As of September 30, 2018

These statistics, and statistics for previous years, may also be found here:
<http://www.ncbop.org/about/statistics.htm>

PHARMACISTS

Total number of active pharmacists licensed.....	17,000
Total number of pharmacists residing in North Carolina	12,402
Inactive pharmacists residing in North Carolina	3,027
Total number of active pharmacists residing outside of North Carolina	4,598

Breakdown of Employment Settings In-State

Retail Pharmacy – Chain	3,479
Retail Pharmacy – Independent	1,834
Clinical Pharmacist Practitioners.....	295
Hospital Pharmacies	2,698
Nursing Homes	126
Infusion.....	147
Free/Charitable Clinic.....	64
Government, Health Departments and Teaching.....	145
Other	2,671
Unemployed	776
Retired	462

Age and Gender of Active Pharmacists in North Carolina

Under 30 years of age.....	1,834
30 – 39 years of age.....	3,077
40 – 49 years of age.....	3,060
50 – 59 years of age.....	2,238
60 – 65 years of age.....	1,148
Over 65 years of age.....	1,045
In-state Pharmacists – Female	7,577
In-state Pharmacists – Male.....	4,825

PHARMACIES

Total in-state Pharmacy permits2,792
Retail Pharmacy – Chain1,205
Retail Pharmacy – Independent 755
Hospital Pharmacies 190
Nursing Homes21
Health Departments83
Free Clinics.....41
IV Infusion.....41
Automated Dispensing Systems 131
Others325
Total out-of-state Pharmacy permits on roster 736

DEVICE AND MEDICAL EQUIPMENT

Total DME permits on roster 813

DISPENSING PHYSICIANS

Total Physicians registered 806

DISPENSING PHYSICIAN ASSISTANTS AND NURSE PRACTITIONERS

Total PA’s and NP’s registered 362

PHARMACY TECHNICIANS

Total Pharmacy Technicians registered 19,127

(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*

681 persons applied to the Board for licensure by examination in FY2017-18.

(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

681 candidates sat for examination in FY2017-18. Eleven (11) 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 558 licenses by examination in FY2017-18.

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

103 candidates failed one or more of the licensure examinations in FY2017-18.

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

374 persons applied for licensure by reciprocity in FY2017-18.

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

325 persons were granted licensure by reciprocity in FY2017-18.

(9) The Number of Complaints Involving Licensed and Unlicensed Activities, The Number of Disciplinary Actions Taken Against Licensees and Nonlicensees (Including Injunctive Relief), The Number of Licenses Suspended or Revoked

Total number of complaints received involving licensee and unlicensed activities	261
Total number of inspections conducted	1,015
Total number of “no action” decisions after investigation (i.e., investigation did not find any violation of law)	30
Total number of “no action” decisions due to Board having no jurisdiction over complained-of behavior	78
Total number of injunctions obtained to halt unlicensed practice	4
Total number of warning letters issued post pre-hearing conference or by administrative disposition	96
Total number of cases resulting in consent orders	16
Total number of cases resulting in full board hearings	1
Pharmacist license applications denied	2*
Pharmacist licenses revoked	0
Pharmacist licenses suspended	4

Pharmacist licenses surrendered	10
Pharmacy technician registration applications denied	9*
Pharmacy technician registrations revoked	1
Pharmacy technician licenses suspended	15
Pharmacy technicians surrendered	20
Pharmacy permit applications denied	*
Pharmacy permits revoked	0
Pharmacy permits suspended	8
Pharmacy permits surrendered	2
DME permit applications denied	*
DME permits revoked	0
DME permits suspended	2
DME permits surrendered	0

*Each year, Board staff identifies deficiencies in pharmacist, technician, pharmacy and DME license/registration/permit applications and notifies the applicant of them. In some cases, the applicant abandons the application. These “abandoned” applications, however, are not “denials” because no final Board action was taken.

(10) *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 (see number 9 above), no licenses, permits, or registrations were terminated for reasons other than failure to pay the required renewal fee.

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

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

(12) *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 Board continuously reviews its rules for relevance, currency, and public health and protection efficacy.

The Board anticipates proposing amendments to 21 NCAC 46.2502, which sets forth the responsibilities of a pharmacist-manager. These amendments would simplify the process for an existing pharmacist-manager to apply for and obtain a permit for a new pharmacy at which he/she will be the pharmacy-manager.

The Board also will propose an amendment to 21 NCAC 46.2403, which established drug dispensing authority for registered nurses at public health departments. State Health Director Elizabeth Tilson requested, pursuant to G.S. 90-85.34A that health department nurses be authorized to dispense certain nicotine replacement therapy products for smoking cessation. The Board agreed to Dr. Tilson's request and initiated rulemaking to implement it.

Interested parties may, of course, petition the Board for rulemaking using processes outlined in the North Carolina Administrative Procedures Act. As of this writing, the Board is not in receipt of any petition for rulemaking.

Interested parties may obtain complete information about any in-progress Board of Pharmacy rulemaking here: <http://www.ncbop.org/rulemakings.htm>

NORTH CAROLINA BOARD OF PHARMACY

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NORTH CAROLINA BOARD OF PHARMACY

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NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2017

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 fiscal year ended September 30, 2017. 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 previous two years are presented in the analysis.

Using the Financial Statements

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

The Statements of Net Position include 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 Statements of Revenues, Expenses and Changes in Net Position present the revenues collected and earned and expenses paid and incurred during the fiscal year.

The Statements of Cash Flows report cash from operating activities, capital and related financing activities, and investing activities, and are presented using the direct method.

Statements of Net Position

The Statements of Net Position present a fiscal snapshot of the Board's financial position as of September 30. 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 September 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets:			
Current assets	\$ 4,594,330	\$ 5,783,690	\$ 5,707,463
Non-current assets	3,764,303	2,205,277	1,788,012
Net capital assets	1,839,259	1,744,226	1,513,425
Total assets	<u>10,197,892</u>	<u>9,733,193</u>	<u>9,008,900</u>
Liabilities:			
Current liabilities	74,532	122,308	9,215
Non-current liabilities	158,258	151,580	152,318
Total liabilities	<u>232,790</u>	<u>273,888</u>	<u>161,533</u>
Net position:			
Invested in capital assets - net of related depreciation	1,839,259	1,744,226	1,513,425
Unrestricted	8,125,843	7,715,079	7,333,942
Total net position	<u>\$ 9,965,102</u>	<u>\$ 9,459,305</u>	<u>\$ 8,847,367</u>

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2017

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position represent the Board's results of operations. The following presents condensed financial information for Board operations for the fiscal years ended September 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 4,340,239	\$ 4,321,491	\$ 4,238,829
Operating expenses	3,860,678	3,744,620	3,381,149
Operating income	479,561	576,871	857,680
Non-operating revenues	26,236	35,067	12,199
Changes in net position	505,797	611,938	869,879
Net position - beginning of year	9,459,305	8,847,367	7,977,488
Net position - end of year	<u>\$ 9,965,102</u>	<u>\$ 9,459,305</u>	<u>\$ 8,847,367</u>

Operating revenues consisted primarily of pharmacists and pharmacy renewals for the years ended September 30, 2017 and 2016. Operating revenues increased by approximately \$20,000 primarily due to increases in licensees. Operating expenses related to the operation of the Board and include personnel costs, investigative costs, professional fees, supplies, utilities and depreciation. Operating expenses increased by approximately \$116,000 or 3% due primarily to an increase in personnel costs, partially offset by a decrease in fees paid for the pharmacist recovery program. The Board recorded depreciation expense of \$98,324 and \$92,412, for the years ended September 30, 2017 and 2016, 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 Inc. (Note 10), whereby Thoughtspan agrees to design, implement and support a new North Carolina Board of Pharmacy web-based licensing information and online renewal system software.

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

Report on the Financial Statements

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 September 30, 2017 and 2016, 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.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 September 30, 2017 and 2016, 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.

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 September 30, 2017, nor the changes in its financial position and its cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

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
December 6, 2017

NORTH CAROLINA BOARD OF PHARMACY
Statements of Net Position
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS:		
Current assets:		
Cash	\$ 825,072	\$ 1,494,419
Investments, current portion	3,660,446	4,184,584
Accrued interest	17,140	7,038
Accounts receivable	190	655
Prepaid expenses	91,482	96,994
Total current assets	<u>4,594,330</u>	<u>5,783,690</u>
Non-current assets:		
Investments, less current portion	3,519,921	1,985,334
Note receivable - officer life insurance	244,382	219,943
Total non-current assets	<u>3,764,303</u>	<u>2,205,277</u>
Capital assets, net of depreciation	<u>1,839,259</u>	<u>1,744,226</u>
Total assets	<u>10,197,892</u>	<u>9,733,193</u>
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	74,532	122,308
Total current liabilities	<u>74,532</u>	<u>122,308</u>
Noncurrent liabilities:		
Accrued vacation	158,258	151,580
Total noncurrent liabilities	<u>158,258</u>	<u>151,580</u>
Total liabilities	<u>232,790</u>	<u>273,888</u>
NET POSITION:		
Net investment in capital assets	1,839,259	1,744,226
Unrestricted	8,125,843	7,715,079
Total net position	<u>\$ 9,965,102</u>	<u>\$ 9,459,305</u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Pharmacist renewals	\$ 2,104,785	\$ 2,042,010
Pharmacist reciprocity	241,800	300,600
Pharmacist exam fees	64,200	68,120
Pharmacist/manager changes	27,205	24,675
Pharmacist reinstatements	19,170	22,410
Pharmacy renewals	681,400	662,200
Pharmacy permits	249,000	262,000
Pharmacy reinstatements	1,200	3,200
Technician renewals	452,940	432,360
Technician registrations	108,600	117,480
Technician reinstatements	36,420	36,240
Device and DME permits and renewals	230,700	237,500
Dispensing physician renewals and permits	64,050	69,300
Dispensing PA/NP renewals and permits	23,775	22,425
Pharmacy/pharmacists, lists and labels	26,255	15,556
Law books	-	740
Miscellaneous	8,739	4,675
Total operating revenues	<u>4,340,239</u>	<u>4,321,491</u>
Operating expenses:		
Salaries	1,958,457	1,804,359
Payroll taxes	140,488	130,202
Retirement contributions	117,024	108,304
Employee benefits	278,935	249,031
Unemployment claims	228	7,215
Educational expense	1,891	368
Board meeting and election expenses	18,710	16,814
Meetings per diem	13,875	15,050
Professional meetings	20,196	23,921
Inspection expense	99,830	95,306
Building dues and maintenance	35,875	29,487
Office utilities	7,623	8,469
Janitorial service	13,800	12,000
Telephone	29,838	25,391
Auto expense	24,701	30,281
Supplies	26,676	68,940
Books, dues, and subscriptions	10,833	11,186
Postage	6,365	6,593
Printing	7,221	5,186

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating expenses (Continued):		
Equipment lease	\$ 3,822	\$ 8,516
Maintenance	25,309	19,736
Special meetings and projects	46,310	38,944
Insurance	45,683	27,724
Executive director's expense	6,478	6,984
Office staff travel	18,541	13,345
Miscellaneous	4,253	2,711
Consulting fees	115,463	132,892
Bank service charges	124,045	123,504
Depreciation	98,324	92,412
Legal fees	280,293	286,477
Pharmacist recovery programs	250,000	332,068
Audit fee	10,900	10,500
Temporary office help	18,691	704
Total operating expenses	<u>3,860,678</u>	<u>3,744,620</u>
Operating income	<u>479,561</u>	<u>576,871</u>
Non-operating revenues (expense):		
Net investment income	43,171	17,997
Unrealized and realized gain (loss) on investments	(21,363)	15,075
Gain on sale of fixed assets	4,428	1,995
Total non-operating revenues	<u>26,236</u>	<u>35,067</u>
Changes in net position	505,797	611,938
Net position - beginning of year	<u>9,459,305</u>	<u>8,847,367</u>
Net position - end of year	<u>\$ 9,965,102</u>	<u>\$ 9,459,305</u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from fees	\$ 4,331,965	\$ 4,315,712
Other cash received	8,739	5,415
Cash payments to employees for service	(1,951,779)	(1,805,097)
Cash payments to suppliers for goods and services	(1,482,041)	(1,290,567)
Cash payments for other operating expenses	(364,120)	(423,171)
Net cash provided by operating activities	<u>542,764</u>	<u>802,292</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(209,637)	(329,138)
Proceeds from sale of capital assets	20,708	7,920
Net cash used in capital and related financing activities	<u>(188,929)</u>	<u>(321,218)</u>
Cash flows from investing activities:		
Purchase of investments	(7,220,792)	(7,208,280)
Proceeds from sales of investments	6,188,980	6,193,172
Issuance of note receivable	(24,439)	(38,694)
Net investment income	33,069	16,607
Net cash used in investing activities	<u>(1,023,182)</u>	<u>(1,037,195)</u>
Net decrease in cash	(669,347)	(556,121)
Cash - beginning of year	<u>1,494,419</u>	<u>2,050,540</u>
Cash - end of year	<u>\$ 825,072</u>	<u>\$ 1,494,419</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 479,561	\$ 576,871
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	98,324	92,412
Changes in assets and liabilities:		
Accounts receivable	465	(364)
Prepaid expenses	5,512	21,018
Accounts payable and accrued liabilities	(47,776)	113,093
Accrued vacation	6,678	(738)
Total adjustments	<u>63,203</u>	<u>225,421</u>
Net cash provided by operating activities	<u>\$ 542,764</u>	<u>\$ 802,292</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 Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

Basis of Accounting

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

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

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

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

Cash and Cash Equivalents

This classification includes cash on deposit and money market accounts with financial institutions. For purposes of reporting the statements 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.

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.

Vacation and Sick Leave

Board employees may accumulate up to 320 hours of earned vacation which is fully vested when earned. On December 31, accrued vacation in excess of the limit is transferred and added to sick leave balances.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Unused sick leave is not paid upon termination of employment; therefore, no accrual for sick leave has been made.

Net Position

The Board's net position is classified as follows:

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

Unrestricted - This classification represents assets with no external restriction as to use or purpose. Unrestricted net position is used for the general operations of the Board and may be used at the discretion of the governing board to meet current expenses for any purpose. The Board has reserved \$500,000 of the unrestricted net position to cover potential litigation costs, \$642,000 to cover IT infrastructure, \$75,000 to cover funds for a substance abuse program, and \$1,075,000 to cover insurance deductibles.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

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

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 September 30, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
Money market funds	\$1,021,530	\$1,036,845
Traded certificates of deposit	3,149,184	5,133,073
Government securities	3,009,653	-
	<u>\$7,180,367</u>	<u>\$6,169,918</u>

Investment income totaled \$72,520 and \$43,760, for the years ended September 30, 2017 and 2016 respectively. Related investment fees totaled \$29,349 and \$25,763, for the years ended September 30, 2017 and 2016, 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 September 30, 2017 were as follows:

0 - 2 years	\$4,046,094
2 - 5 years	<u>2,112,743</u>
	<u>\$6,158,837</u>

The weighted average maturities of the certificates of deposit are 1.59 years at September 30, 2017.

The weighted average maturities of the government securities are 1.53 years at September 30, 2017.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2017, 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.

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2017, the Board had cash deposits and money market accounts that exceeded the Federal Deposit Insurance Corporation's (FDIC) limits of \$250,000 by \$2,113,866. In addition, government securities with a fair value of \$3,009,653 at September 30, 2017 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 September 30, 2017, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$6,180,367, which included multiple traded certificates of deposit investments totaling \$3,149,184 held in a brokerage account as well as a trust account that were individually insured up to \$250,000 under FDIC at September 30, 2017.

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Board's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The Board's investments at September 30, 2017 and 2016 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 \$244,382 and \$219,943, at September 30, 2017 and 2016, respectively.

NOTE 5 - ACCRUED VACATION

Changes to accrued vacation are as follows:

	<u>2017</u>	<u>2016</u>
Beginning accrued vacation	\$ 151,580	\$ 152,318
Vacation earned	142,700	138,716
Vacation used	<u>(136,022)</u>	<u>(139,454)</u>
Ending accrued vacation	<u>\$ 158,258</u>	<u>\$ 151,580</u>

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the Board for the year ended September 30, 2017, was as follows:

	Cost 9/30/2016	Additions	Disposals	Cost 9/30/2017
Capital Assets:				
Building	\$1,900,559	\$ -	\$ -	\$1,900,559
Building improvements	96,062	-	-	96,062
Furniture and fixtures	245,325	-	(1,532)	243,793
Equipment	340,423	6,465	(86,338)	260,550
Vehicles	223,228	65,172	(53,786)	234,614
Software	212,000	138,000	-	350,000
Total at historical cost	<u>3,017,597</u>	<u>209,637</u>	<u>(141,656)</u>	<u>3,085,578</u>
Less accumulated depreciation for:				
Building	645,848	48,820	-	694,668
Building improvements	13,010	5,712	-	18,722
Furniture and fixtures	236,283	3,077	(1,532)	237,828
Equipment	263,339	23,859	(86,338)	200,860
Vehicles	114,891	14,912	(37,506)	92,297
Software	-	1,944	-	1,944
Total accumulated depreciation	<u>1,273,371</u>	<u>98,324</u>	<u>(125,376)</u>	<u>1,246,319</u>
Total capital assets, net	<u>\$1,744,226</u>	<u>\$ 111,313</u>	<u>\$ (16,280)</u>	<u>\$1,839,259</u>

Capital asset activity for the Board for the year ended September 30, 2016, was as follows:

	Cost 9/30/2015	Additions	Disposals	Cost 9/30/2016
Capital Assets:				
Building	\$1,900,559	\$ -	\$ -	\$1,900,559
Building improvements	44,217	51,845	-	96,062
Furniture and fixtures	245,325	-	-	245,325
Equipment	352,586	29,773	(41,936)	340,423
Vehicles	218,973	35,520	(31,265)	223,228
Software	-	212,000	-	212,000
Total at historical cost	<u>2,761,660</u>	<u>329,138</u>	<u>(73,201)</u>	<u>3,017,597</u>
Less accumulated depreciation for:				
Building	597,028	48,820	-	645,848
Building improvements	8,450	4,560	-	13,010
Furniture and fixtures	231,885	4,398	-	236,283
Equipment	278,884	20,466	(36,011)	263,339
Vehicles	131,988	14,168	(31,265)	114,891
Total accumulated depreciation	<u>1,248,235</u>	<u>92,412</u>	<u>(67,276)</u>	<u>1,273,371</u>
Total capital assets, net	<u>\$1,513,425</u>	<u>\$ 236,726</u>	<u>\$ (5,925)</u>	<u>\$1,744,226</u>

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

NOTE 7 - OPERATING LEASES

The Board leases a copying machine under an agreement that calls for lease payments of \$3,348 per year ending in September 2018. The Board also leases a postage machine under an agreement that calls for lease payments of \$112 per month ending in May 2020.

Future annual lease payment requirements are as follows:

<u>Years Ending September 30:</u>	
2018	\$ 4,696
2019	1,348
2020	898
	<u>\$ 6,942</u>

The Board also leases other equipment on an as needed basis. Total equipment lease expense for the years ended September 30, 2017 and 2016, was \$3,822 and \$8,516, respectively.

NOTE 8 - RETIREMENT PLANS

The Board contributes to the North Carolina Licensing Boards Retirement Savings Plan ("Plan"), a 401(k) defined contribution plan. The Plan has been established to provide retirement benefits for employees of State boards or agencies who have not elected by resolution to cause their employees to be eligible to become members of the Teachers' and State Employees' Retirement System and for employees hired after July 1, 1983, by an electing board or agency. The Plan is administered by an administrative committee comprised of the Executive Directors of the participating boards and agencies, with authority to amend the Plan.

Participating employees must contribute at least six percent of their gross compensation and the Board matches those contributions 100%. The employees' contributions are immediately 100% vested, and employees vest in the Board's matching contributions 20% per Plan year until they are fully vested. For vesting purposes, an employee must complete 1,000 hours of service each Plan year.

Each participant's account is credited with their individual contributions, the Board's matching contributions, and 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 September 30, 2017 and 2016, totaled \$287,316 and \$265,591, which consisted of \$116,985 and \$108,304 from the Board and \$170,331 and \$157,287 from employees, respectively.

During the years ended September 30, 2017 and 2016, the Board had no retirement forfeiture balances to offset retirement matching contributions.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

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

On April 25, 2016, the Board entered into a five-year agreement with Thoughtspan Technologies, Inc., whereby Thoughtspan agrees to design, implement and support a new North Carolina Board of Pharmacy web-based licensing information and online renewal system software. The total contract price is \$699,903 which includes one time fees totaling \$366,000 for a perpetual license fee, configuration, implementation, conversion and training, and annual fees totaling \$333,903 for five years of support and maintenance after implementation. The annual fees are subject to an annual increase of 2%. The Board paid a total of \$195,500 and \$220,000 related to the contract during the years ended September 30, 2017 and 2016, of which \$138,000 and \$212,000 was capitalized and included in capital assets in the accompanying statements of net position at September 30, 2017 and 2016, respectively.

The Board entered into an agreement with North Carolina Physicians Health Program (NCPHP), a non-profit corporation, to offer recovery programs for pharmacists in North Carolina, effective January 15, 2016. This agreement replaced services previously obtained from the North Carolina Pharmacist Recovery Network. The agreement was renewed during the year ended September 30, 2017 and runs January 15, 2017 through June 30, 2018, after which it will automatically renew 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. Expenses for the pharmacist recovery programs totaled \$250,000 and \$332,068 for the years ended September 30, 2017 and 2016, respectively.

NOTE 11 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through December 6, 2017, which is the date the financial statements were available to be issued.

The audit was conducted in approximately 100 hours at a cost of \$11,225.