

ONE HUNDRED FORTY-FIRST

ANNUAL REPORT

NORTH CAROLINA

BOARD OF PHARMACY

July 1, 2021 – June 30, 2022



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

July 1, 2021 – June 30, 2022

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

MEMBERS AND ORGANIZATION

PER REQUIREMENTS OF N.C.G.S. § 93B-2

Wallace E. Nelson, Hertford, President.....Term expires April 30, 2025
J. Andrew Bowman, Lillington, Vice-PresidentTerm expires April 30, 2026
Ashley H. Duggins, AsheboroTerm expires April 30, 2025
Mischelle J. Corbin, RaleighTerm expires April 30, 2025
Keith A. Vance, Lewisville.....Term expires April 30, 2027
Christopher M. Sain, HickoryTerm expires April 30, 2027

Executive Director
Jack W. Campbell IV

Associate Executive Director
Ellen Vick

General Counsel
Clinton R. Pinyan

Investigators/Inspectors

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

Licensing

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

Financial and HR Services

Rhonda Jones, Director
JP Brown

Operations

Kristin Moore, Director
Antoine Pryor
Zhané Newton

Chapel Hill, North Carolina
October 28, 2022

Governor Roy Cooper
Raleigh, North Carolina

Dear Governor Cooper:

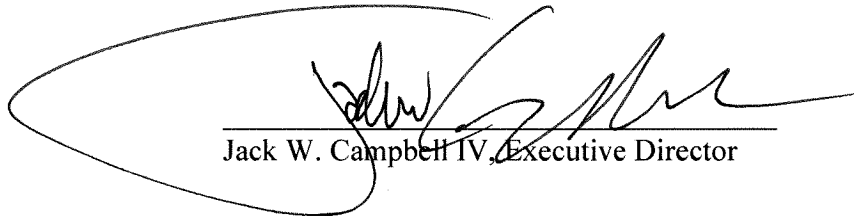
In compliance with N.C.G.S. § 93B-2, the Board of Pharmacy is pleased to submit to you the One Hundred Forty-First Annual Report of the North Carolina Board of Pharmacy.

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:



Jack W. Campbell IV, Executive Director

Introduction

The Board of Pharmacy is pleased to present this summary of events and activities for FY2021-22. The below information, and much more, may be found on the Board's website, www.ncbop.org; in the Board's quarterly newsletters, <http://www.ncbop.org/newsletters.htm>; and in the agendas for, and minutes of, the Board's regularly scheduled meetings, <http://www.ncbop.org/about/meetings.htm>.

The Board's FY2021-22 Financial Audit Report is appended to this Annual Report.

The Board also broadcasts its regular business meetings online. Instructions for viewing Board meetings are found on the front page of the Board's website, www.ncbop.org. The Board meets the third Tuesday of January, March, May, July, September, and November. The Board holds scheduled committee workdays the third Tuesday of February, April, June, and October.

Board Personnel

Members

All Board members are current in training required by NCGS § 93B-5(g). All Board members are current in their ethics and lobbying training as required by the State Government Ethics Act. All Board members timely filed their required Statements of Economic Interest.

In FY2021-22, the Board exercised its statutorily mandated authority to hold elections for the Northern and Western District member positions. 1,854 votes were cast between November 1, 2021 and March 1, 2022.

The Northern District is composed of Alamance, Caswell, Forsyth, Guilford, Orange, Person, Rockingham, Stokes, Surry and Yadkin Counties.

The Western District is composed of Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Catawba, Cherokee, Clay, Cleveland, Gaston, Graham, Haywood, Henderson, Jackson, Lincoln, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Watauga, Wilkes and Yancey Counties.

The state's pharmacists selected, and Governor Cooper commissioned, Keith A. Vance to a second five-year term running through April 30, 2027 as the Northern District Board member.

The state's pharmacists selected, and Governor Cooper commissioned, Christopher M. Sain to a five-year term running through April 30, 2027 as the Western District Board member.

The Board expresses its heartfelt appreciation to the other candidates for Board membership: Mike Anneken and Mike Long from the Western District, and Rob Harrison, Joe Maki, and Josh McDuffie from the Northern District. Their commitment to public service is evident by their candidacy and the showing of support that each garnered during the election.

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

Staff

In January 2022, Ruben Junez joined the Board as an Investigator/Inspector for District 3, and Joshua Kohler assumed the role of Enforcement Specialist.

In March 2022, Loretta Wiesner was promoted to Director of Investigations.

In June 2022, Lindsey Frederick joined the Enforcement Team as an Investigator/Inspector for District 4.

Associate Executive Director Ellen Vick continues to serve as a commissioner for the Accreditation Council for Pharmacy Education (ACPE) Continuing Education Commission. She also chaired a National Association of Boards of Pharmacy Task Force on updates and revisions to the Model Practice Act and Rules.

Executive Director Jay Campbell has been appointed to the National Association of Boards of Pharmacy Advisory Committee on Examinations. That committee oversees the development, implementation, and administration of the two pharmacist licensing examinations used nationwide – the North American Pharmacy Licensure Examination (NAPLEX) and the Multistate Pharmacy Jurisprudence Examination (MPJE). He also chaired the National Association of Boards of Pharmacy Task Force on Pharmacy Working Conditions.

COVID-19 Response

The public health crisis wrought by the COVID-19 pandemic continued to substantially impact Board operations, though those impacts began to lessen in the spring of 2022.

As was true last year, Board meetings continued on a normal schedule, but were held using on-line platforms. The Board returned to a full, in-person meeting in July 2021, but was forced by COVID delta-variant precautions to return to on-line meeting in September 2021. The Board resumed in-person meetings in January 2022 and has been able, with appropriate precautions, to maintain in-person meetings since then.

COVID-19 continued to impact Board field inspections. Field inspection work ramped up briefly in late spring 2021 before the surge in COVID delta-variant cases forced another scale back. Field work again began ramping up in winter 2022, and Board staff continued to operate under a modified routine inspection policy implemented in September 2020, focusing efforts where risk factors are most acute: the pharmacy's previous inspection revealed areas of concern that required correction; the pharmacy performs sterile compounding services; the pharmacy became the subject of a complaint-based investigation; or the pharmacy is newly permitted and requires an operational inspection.

Throughout the public health emergency, Board members and staff have continuously provided updates, links, waivers, and other services to pharmacists and the public. Updates appear on the front page of the Board's website – www.ncbop.org.

Board staff also consolidate and index these materials to a centralized COVID-19 Update and Resource page – <http://www.ncbop.org/COVID19.html>. That page includes information on emergency declarations, temporary pharmacy closures and relocations, emergency rules, BOP waivers and guidance documents, North Carolina Department of Health and Human Services resources, licensure/registration/volunteer resources, federal guidance, and guidance from other state and local agencies.

A significant portion of the Board's FY2021-22 rulemaking docket was focused on permanent implementation of certain programs authorized by waiver during the COVID-19 public health emergency. Some practice changes authorized by waiver achieved patient-access and pharmacy-practice benefits in a way that improved the public health and safety. Those efforts are detailed later in this report.

Investigations and Inspections Activity

The Board's inspections and investigations docket continues to be full and productive. The Board investigative staff were assigned 506 new cases, while at the same time working diligently to close 384 cases. As noted above, the COVID-19 public health emergency significantly impacted the Board's routine inspection program.

Board staff has continued to maintain positive working relationships with colleagues at federal agencies including: Food and Drug Administration (FDA), Drug Enforcement Agency (DEA) and Department of Health and Human Services Office of Inspector General (OIG). Board staff also continues to maintain positive working relationships with several state agencies that include: North Carolina Department of Agriculture, State Bureau of Investigations Diversion and Environmental Crimes Unit, and North Carolina Department of Insurance. These inter-agency relationships are particularly crucial to effectively investigating and resolving cases that involve various forms of prescription fraud schemes – *e.g.*, Medicare/Tricare billing scams, compounded topical drug and diabetic testing supply scams, kickback arrangements among physician practices and pharmacies, and major controlled substance diversion matters.

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. The Board continues to support the L. Stanley Haywood Fund, which provides financial support for qualifying pharmacists and pharmacy personnel in need of substance use assessment, treatment, and monitoring services through NCPHP. Since its inception, the Haywood Fund has helped over 100 pharmacy personnel to obtain substance use treatment services.

Implementation of New Immunizing Pharmacist Authorities

On August 19, 2021, Governor Cooper signed Session Law 2021-110, which expands practice authority for certain immunizing pharmacists and pharmacy technicians to initiate, dispense, and administer drug therapies. Initial implementation required State Health Director Betsey Tilson to issue standing orders. A broad group of stakeholders worked diligently under Dr. Tilson's guidance and direction to craft the standing orders, which went into effect on March 15, 2022.

Among the new authority granted certain immunizing pharmacists is the ability to initiate hormonal contraceptive therapy. The statewide standing order requires an immunizing pharmacist who plans to exercise this authority to complete a course of training developed by the North Carolina Association of Pharmacists in cooperation with a broad group of stakeholders. The Board committed resources to provide, until April 1, 2023, that training without cost to the pharmacist for up to 6,000 North Carolina-resident pharmacists.

S.L. 2021-110 is a significant expansion of pharmacists' ability to meet patient needs. In addition to standing order implementation, the Board has provided ongoing, comprehensive guidance to the granted authorities, timelines, and conditions for implementation, as well as how existing United States Department of Health and Human Services Public Readiness and Emergency Preparedness Act declarations intersect with (and in some cases supersede) this authority.

Pharmacist Working Conditions

The issues of pharmacist workload, burnout, and well-being in the community pharmacy setting, and their effect on patient safety, have been considered for years. But the coronavirus disease 2019 (COVID-19) pandemic has brought concerns related to these issues to the forefront. Throughout the pandemic, North Carolina pharmacists have gone above and beyond to care for their patients. Pharmacists across the state have performed countless COVID-19 tests and provided lifesaving vaccines and treatments to tens of thousands of patients, all while providing traditional pharmacy care in their practices. Board members are grateful for all that pharmacists have done and continue to do.

Providing these crucial additional services have stretched pharmacists both professionally and personally. In March 2022, the Board of Pharmacy partnered with the North Carolina Association of Pharmacists on a survey concerning community pharmacy working conditions. The Board appreciates those who took the opportunity to provide insight to how these conditions affect the way they practice and their overall well-being.

The Board and NCAP are analyzing the survey results to inform potential actions to address unsafe workplace conditions within the purview of the Board's mission to protect the public safety of the citizens of North Carolina.

Rulemaking Activity

Remote Pharmacy Operations

The Board completed a rulemaking to consolidate two existing rules into one rule (21 NCAC 46.1816) governing situations where two pharmacies collaborate to provide services with respect to a prescription. The principal objects of the rulemaking were: (1) to expand remote medication order processing services from its existing use by health care facility pharmacies so that remote medication order processing services can be used by any pharmacy permitted by the state; and (2) to expand the pharmacy personnel who may provide remote medication order processing services so that they may be provided by registered technicians in addition to licensed pharmacists.

During the COVID-19 public health emergency, the Board authorized expanded remote operations as a means of mitigating the spread of COVID-19 among pharmacy personnel and patients and, relatedly, supporting continuity of pharmacy services for patients. Experience with expanded remote operations demonstrated that they provided significant patient-access and pharmacy-practice benefits.

The amended rule was effective March 1, 2022, and implementation began immediately. Through this rulemaking, the North Carolina Board of Pharmacy became the first in the United States to recognize a credential other than full licensure for out-of-state pharmacists who intend to provide remote medication order entry (RMOE) services to North Carolina pharmacies – the National Association of Boards of Pharmacy® (NABP®) Verify credential. This credential provides initial and ongoing real time monitoring to ensure that out-of-state pharmacists providing remote functions to North Carolina pharmacies are properly licensed in their states of residence and are not subject to discipline or other actions calling into question their ability to practice competently and safely. Full licensure remains a requirement for practice beyond providing remote services. But the Verify credential provides a cost-effective alternative for purely remote practice activities. Over 4,500 pharmacists nationally have acquired the Verify credential and become eligible to assist North Carolina pharmacies via remote operations.

The Board completed a separate, but related, rulemaking authorizing North Carolina-based pharmacies to deploy their employee personnel to perform remote work other than physical acts in the dispensing process. As was the case for inter-pharmacy remote operations described above, the Board issued a COVID-emergency based waiver to allow intra-pharmacy remote operations. Experience proved the concept to have patient-access and pharmacy-practice benefits. The Board codified this permanent intra-pharmacy remote operations authority at 21 NCAC 46.2515.

Pharmacy Interns

The Pharmacy Practice Act requires all applicants for initial licensure and certain reinstatement and reciprocity candidates to complete practical experience to be licensed, and further requires the Board to adopt regulations to “assure that the person successfully completing the program will have gained practical experience that will enable him to safely and properly practice pharmacy.” See GS § 90-85.14. Those gaining practical experience are regularly and collectively referred to as “pharmacy interns.”

In recent years, a handful of individuals have falsely claimed to be pharmacy students or recent graduates who were entitled to work as pharmacy interns, and therefore, allowed to engage in all acts constituting the practice of pharmacy under the supervision of pharmacists. These individuals who lacked pharmacy educational training thereby created a risk of harm to the public safety, health, and welfare to defraud their employers. The new uniform system makes it easier to ensure that only those who are entitled to work as pharmacy interns are able to do so.

The Board has completed a substantial amendment to 21 NCAC 46.1503 to create a uniform system by which those gaining practical experience will register with the Board and easily document and verify their practical experience hours through an online system. The registration does not have a fee attached.

The rulemaking was completed in May 2022. At the conclusion of FY2021-22, Board staff were working with stakeholders – particularly staff at the North Carolina-based schools of pharmacy – to implement the new registration.

Limited-Service Permits

The Board promulgated new rule 21 NCAC 46.1616. New Rule .1616 codified a more expansive view of limited-service pharmacy permits, to include those pharmacies rendering services in kind and to a degree that the Board has concluded may be safely overseen by pharmacist-managers who oversee multiple pharmacies. New Rule .1616 further allows for the pharmacist-manager to be present at the limited-service permit for less time than required at regular pharmacy permits, with the amount of time depending upon the amount necessary to safely supervise each type of permit. It further allows the pharmacist-manager to designate an assistant pharmacist-manager to help exercise supervision due to the unique nature of these limited-service permits.

This additional clarity and flexibility on limited-service permits and pharmacist-manager responsibilities has proven particularly helpful to free and charitable clinic pharmacies and public health departments.

Long-Acting Injectable Administration

The Board completed permanent rulemaking to implement S.L. 2021-3’s granting immunizing pharmacists authority to administer long-acting injectables. Empowering

pharmacists to administer these medications is a promising means of promoting public health through adherence to chronic medication therapy adherence – particularly in areas such as long-term psychiatric care.

A temporary rule implementing this authority was effective on October 1, 2021. Experience showed that the temporary rule was effective and, in cooperation with the North Carolina Medical Board, its provisions were made permanent in 21 NCAC 46.2514.

* * *

Again, the on-line and print resources noted above detail the wide scope of public health and safety activities undertaken by the Board during FY2020-21. 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, 2022

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	17,971
Total number of pharmacists residing in North Carolina.....	12,832
Inactive pharmacists residing in North Carolina.....	4,081
Total number of active pharmacists residing outside of North Carolina.....	5,136

Breakdown of Employment Settings In-State†

Retail Pharmacy – Chain.....	3,406
Retail Pharmacy – Independent	1,864
Community Health Center	258
Free/Charitable Clinic	211
Other Outpatient Pharmacy.....	641
Hospital Pharmacies.....	3,269
Clinical Pharmacist Practitioners	370
Long Term Care/Hospice.....	595
Infusion	349
Nuclear Pharmacy.....	41
Government, Health Departments, and Teaching	971
Pharmaceutical Industry.....	672
Other Pharmacy Setting	906
Not employed in a pharmacy setting.....	1,052
No employment reported	73
Retired.....	587

Age and Gender of Active Pharmacists in North Carolina

Under 30 years of age	1,210
30 – 39 years of age	3,764
40 – 49 years of age	3,137
50 – 59 years of age	2,563
60 – 65 years of age	1,056
Over 65 years of age	1,084
In-state Pharmacists – Female.....	8,163
In-state Pharmacists – Male	4,651

†Employment settings are self-reported by pharmacists each year upon license renewal.

PHARMACIES

Total in-state Pharmacy permits.....	2,713
Retail Pharmacy – Chain.....	1,171
Retail Pharmacy – Independent	733
Hospital Pharmacies.....	177
Nursing Homes	25
Health Departments.....	83
Free/Charitable Clinics	41
Infusion	40
Automated Dispensing Systems.....	139
Others.....	304
Total out-of-state Pharmacy permits.....	849

DEVICE AND MEDICAL EQUIPMENT

Total DME permits	832
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DISPENSING PHYSICIANS

Total Physicians registered	782
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DISPENSING PHYSICIAN ASSISTANTS AND NURSE PRACTITIONERS

Total PAs and NPs registered	343
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PHARMACY TECHNICIANS

Total Pharmacy Technicians registered	21,589
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(1) *The Address of the Board, and the Names of Its Members and Officers*

Board offices are located at 6015 Farrington Road, Suite 201, Chapel Hill, NC 27517.

The Board members and officers are noted on the cover page of this report.

(2) *The Number of Persons Who Applied to the Board for Examination*

383 persons applied to the Board for licensure by examination in FY2021-22.

Note: In April 2022, the Board altered the license-by-exam application process. Under the new process, the National Association of Boards of Pharmacy, which administers the licensure exams (the North American Pharmacy Licensure Examination (NAPLEX) and the Multistate Pharmacy Jurisprudence Examination (MPJE)) makes an initial determination of a candidate’s eligibility to take the exams – but not the candidate’s eligibility for licensure). The candidate does not apply for licensure with the Board until the completion of that process and passage of the licensing exams. As a result, substantially more pharmacy school class of 2022 graduates applied for licensure in North Carolina after June 30 (the end of FY2021-22) than in previous years. A better year-over-year period to review licensing by examination trends is by calendar year. In calendar year 2021, 625 persons applied to the Board for licensure by examination. In the first three quarters of calendar year 2022, 480 persons applied to the Board for licensure by examination.

(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*

345 candidates sat for examination in FY2021-22. Eleven (11) candidates withdrew from examination. Note: In April 2022, the Board altered the license-by-exam application process (see item #2 above). Under the new process, substantially more pharmacy school class of 2022 graduates sat for licensure examination after June 30 (the end of FY2021-22) than in previous years. An additional 278 candidates sat for examination after the beginning of FY2022-23. A better year-over-year period to review licensing by examination trends is by calendar year. In calendar year 2021, 582 persons sat for examination. In the first three quarters of calendar year 2022, 496 persons sat for examination

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

The Board issued 521 licenses by examination in FY2021-22. As noted in items #2 and #4 above, the Board's fiscal year transitions in the midst of the most active licensing period. A better year-over-year period to review licensing trends is by calendar year. In calendar year 2021, the Board issued 488 licenses by examination. In the first three quarters of calendar year 2022, the Board issued 414 licenses by examination.

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

84 candidates failed one or more of the licensure examinations in FY2021-22. Board Rule 21 NCAC 46.1505 affords a candidate for licensure five (5) opportunities to pass each of the licensure examinations – the North American Pharmacy Licensure Examination (NAPLEX) and the Multistate Pharmacy Jurisprudence Examination (MPJE). Most candidates who fail one of these exams pass on a subsequent attempt. One (1) pharmacist licensure application was denied in FY2021-22 because the applicant did not achieve a passing score on one or more of these examinations after five attempts.

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

356 persons applied for licensure by reciprocity in FY2021-22.

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

365 persons were granted licensure by reciprocity in FY2021-22.

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

77 applicants (73 pharmacy technician registration applicants; 4 pharmacist licensure applicants) presented with a record of criminal conviction in FY2021-22.

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

60 applicants (56 pharmacy technician registration applicants; 4 pharmacist licensure applicants) were granted registration or licensure in FY 2021-22. Sixteen (16) pharmacy technician registration applicants could not be approved by Board staff because of a criminal conviction. Each was notified that they could request a hearing before the Board concerning the registration application. None did so. One (1) pharmacy technician applicant withdrew the application.

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

Two (2) pharmacist licensure applicants requested the military-training application fee waiver and temporary license in FY2021-22. One (1) applicant was eligible for, and received, fee waiver and a temporary licensure. One (1) applicant was not eligible for fee waiver and temporary licensure.

24 pharmacy technician registration applicants requested the military-training fee waiver in FY2021-22. Nine (9) 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.

(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 FY2021-22. Nine (9) were eligible for, and received, the fee waiver and temporary licensure. One (1) was not eligible for fee waiver and temporary licensure.

54 pharmacy technician registration applicants requested the military-spouse fee waiver in FY2021-22. 15 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.

(13) 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 investigative cases opened	506
Total number of inspections conducted	712*
Total number of “no action” decisions after investigation (<i>i.e.</i> , investigation did not find any violation of law)	96
Total number of “no action” decisions due to Board having no jurisdiction over complained-of behavior	12
Total number of injunctions obtained to halt unlicensed practice	2
Total number of warning letters issued post pre-hearing conference or by administrative disposition	122
Total number of cases resulting in consent orders	18
Total number of cases resulting in full board hearings	0
Pharmacist license applications denied	3**
Pharmacist licenses revoked	0
Pharmacist licenses suspended	4
Pharmacist licenses surrendered	8
Pharmacy technician registration applications denied	22**
Pharmacy technician registrations revoked	0
Pharmacy technician licenses suspended	8
Pharmacy technicians surrendered	13
Pharmacy permit applications denied	4**
Pharmacy permits revoked	0
Pharmacy permits suspended	2
Pharmacy permits surrendered	0
DME permit applications denied	0**
DME permits revoked	0
DME permits suspended	1
DME permits surrendered	1

*As noted above, the COVID-19 pandemic continued to substantially impact the Board inspection program in FY2021-22.

**Each year, Board staff identifies deficiencies in pharmacist, technician, pharmacy and DME license/registration/permit applications and notifies the applicant of them. In some

cases, the applicant abandons or withdraws the application. These abandoned or withdrawn applications, however, are not “denials” because no final Board action was taken.

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

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

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

The Board has begun discussions about its statutorily authorized fees and fee amounts. The General Assembly last adjusted those fees in 2005. The Board’s regulated census has more than tripled since the last fee adjustment. And the Board’s regulatory responsibilities have increased substantially. The Board has begun discussions on whether and when to request an adjustment to its fee schedule.

The Board has also begun discussions concerning its disciplinary options with respect to pharmacy permits. The lack of an ability to fine a pharmacy permit has, in a number of instances, impaired the Board’s ability to protect the public health and safety effectively. The Board has begun discussions on whether and when a request for a fining authority similar to that held by the Medical and Nursing Boards would be proper.

As discussed above, pharmacist working conditions – particularly in the community pharmacy setting – have become a substantial topic of concern. In a survey on these matters, a number of pharmacists expressed a concern about retaliation from employers when reporting potential violations of the Pharmacy Practice Act to the Board. Fear of retaliation for good-faith reports of potential violations substantially impairs the Board’s ability to protect the public health and safety. The Board has begun discussing whether a statutory provision providing a form of whistleblower protection for pharmacy personnel reports to the Board would be proper.

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

The following rulemaking activities are anticipated for FY2022-23:

Authorization of Direct-To-Patient Dispensing Technologies. Board rules authorize and regulate automated dispensing technologies used by licensed health care

personnel to meet the needs of patients. The Board is exploring potential rulemaking to authorize, with appropriate public-health-protective parameters, authorization of direct-to-patient dispensing technology.

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

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

FINANCIAL AUDIT REPORT
FY 2021-22

NORTH CAROLINA BOARD OF PHARMACY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021



NORTH CAROLINA BOARD OF PHARMACY

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NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Year Ended June 30, 2022

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, 2022. 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, 2022, 2021, and 2020. 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>Years Ended June 30,</u>		
	<u>2022</u>	Restated <u>2021</u>	<u>2020</u>
Assets:			
Current assets	\$ 5,179,746	\$ 6,702,149	\$ 5,141,883
Non-current assets	5,780,884	3,876,469	4,959,831
Net Right-to-use leased assets	8,530	6,996	-
Net capital assets	1,541,740	1,585,291	1,676,142
Total assets	<u>12,510,900</u>	<u>12,170,905</u>	<u>11,777,856</u>
Liabilities:			
Current liabilities	43,661	29,644	28,443
Non-current liabilities	267,637	264,812	208,862
Total liabilities	<u>311,298</u>	<u>294,456</u>	<u>237,305</u>
Net position:			
Invested in capital assets - net of related depreciation	1,541,593	1,585,146	1,676,142
Unrestricted	10,653,320	10,291,303	9,864,342
Total net position	<u>\$ 12,194,913</u>	<u>\$ 11,876,449</u>	<u>\$ 11,540,484</u>

NORTH CAROLINA BOARD OF PHARMACY
Management's Discussion and Analysis
Year Ended June 30, 2022

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>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 4,733,786	\$ 4,698,155	\$ 4,524,521
Operating expenses	<u>4,146,745</u>	<u>4,337,174</u>	<u>4,048,756</u>
Operating income	587,041	360,981	475,765
Non-operating revenues (expenses)	<u>(268,577)</u>	<u>(25,016)</u>	<u>267,695</u>
Changes in net position	318,464	335,965	743,460
Net position - beginning of year	<u>11,876,449</u>	11,540,484	10,797,024
Net position - end of year	<u>\$ 12,194,913</u>	<u>\$ 11,876,449</u>	<u>\$ 11,540,484</u>

Operating revenues consisted primarily of pharmacist and pharmacy renewals. Operating revenues for the year ended June 30, 2022 were \$4,733,786 compared to \$4,698,155 for the year ended June 30, 2021. 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 \$154,839 and \$195,468, for the years ended June 30, 2022 and June, 30 2021, respectively. Non-operating revenues consisted primarily of net investment income and unrealized and realized gains (losses) on investments.

Events Affecting Future Operations

The Board entered into a five year agreement with Thoughtspan Technologies for continued support of the North Carolina Board of Pharmacy web-based licensing information and online renewal system software through December 2026.

Contacting the Board's Management

This financial report is designed to provide our state, pharmacists, and creditors with a general overview of the Board's finances and demonstrate accountability of all funds received. Additional financial information may be obtained by contacting the Board at 919-246-1050.



Independent Auditor's Report

To the Board of Directors
North Carolina Board of Pharmacy
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of the North Carolina Board of Pharmacy (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2022, nor the changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 – 2, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
September 27, 2022

NORTH CAROLINA BOARD OF PHARMACY
Statements of Net Position
June 30, 2022 and 2021

	<u>2022</u>	Restated <u>2021</u>
ASSETS:		
Current assets:		
Cash	\$ 2,740,613	\$ 2,085,488
Investments, current portion	2,322,159	4,512,882
Accrued interest	17,334	19,143
Prepaid expenses	99,640	84,636
Total current assets	<u>5,179,746</u>	<u>6,702,149</u>
Non-current assets:		
Investments, less current portion	5,532,721	3,628,306
Note receivable - officer life insurance	248,163	248,163
Total non-current assets	<u>5,780,884</u>	<u>3,876,469</u>
Capital assets:		
Right-to-use leased assets, net of amortization	8,530	6,996
Property and equipment, net of depreciation	1,541,740	1,585,291
Capital assets, net of depreciation	<u>1,550,270</u>	<u>1,592,287</u>
Total assets	<u>12,510,900</u>	<u>12,170,905</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	39,673	26,357
Current portion of lease liabilities	3,988	3,287
Total current liabilities	<u>43,661</u>	<u>29,644</u>
Non-current liabilities:		
Accrued vacation	267,637	260,958
Lease liabilities	4,689	3,854
Total non-current liabilities	<u>272,326</u>	<u>264,812</u>
Total liabilities	<u>315,987</u>	<u>294,456</u>
NET POSITION:		
Net investment in capital assets	1,541,593	1,585,146
Unrestricted	10,653,320	10,291,303
Total net position	<u>\$ 12,194,913</u>	<u>\$ 11,876,449</u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	Restated 2021
Operating revenues:		
Pharmacist renewals	\$ 2,367,495	\$ 2,322,135
Pharmacist reciprocity	205,800	242,400
Pharmacist exam fees	38,400	62,800
Pharmacist/manager changes	41,790	31,185
Pharmacist reinstatements	25,110	31,050
Pharmacy renewals	695,000	682,000
Pharmacy permits	173,500	232,500
Pharmacy reinstatements	400	1,200
Technician renewals	507,720	480,960
Technician registrations	176,670	142,740
Technician reinstatements	57,060	48,060
Device and DME permits and renewals	228,400	245,600
Dispensing physician renewals and permits	63,675	64,425
Dispensing PA/NP renewals and permits	31,050	27,975
Pharmacy/pharmacists, lists and labels	66,036	61,350
Miscellaneous	55,680	21,775
Total operating revenues	4,733,786	4,698,155
Operating expenses:		
Salaries	2,179,973	2,170,622
Payroll taxes	154,674	150,836
Retirement contributions	129,994	115,110
Employee benefits	241,955	234,419
Educational expense	2,327	2,410
Board meeting and election expenses	12,080	33
Meetings per diem	14,775	12,850
Professional meetings	26,027	1,380
Inspection expense	64,248	25,494
Building dues and maintenance	27,301	27,463
Office utilities	6,729	6,457
Janitorial service	12,000	12,000
Telephone	14,475	24,382
Auto expense	29,993	16,579
Supplies	19,554	4,035
Books, dues, and subscriptions	12,782	11,283
Postage	6,640	4,895
Printing	1,583	946

NORTH CAROLINA BOARD OF PHARMACY
Statement of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>Restated 2021</u>
Operating expenses (Continued):		
Maintenance	\$ 162,759	\$ 144,420
Special meetings and projects	15,014	3,485
Insurance	32,219	40,673
Executive director's expense	17,132	3,868
Office staff travel	7,163	7,075
Consulting fees	61,692	43,109
Bank service charges	143,911	131,594
Depreciation	154,839	195,468
Legal fees	311,663	383,606
Pharmacist recovery programs	250,000	500,000
Sponsorship and advertising	14,579	44,977
Audit fee	14,000	13,500
Lease amortization expense	4,420	3,905
Interest expense on lease liabilities	244	300
Total operating expenses	<u>4,146,745</u>	<u>4,337,174</u>
Operating income	<u>587,041</u>	<u>360,981</u>
Non-operating revenues (expense):		
Net investment income	93,605	102,188
Unrealized and realized losses on investments	(380,946)	(124,722)
Gain on sale of fixed assets	18,764	(2,482)
Total non-operating expenses	<u>(268,577)</u>	<u>(25,016)</u>
Changes in net position	318,464	335,965
Net position - beginning of year	<u>11,876,449</u>	<u>11,540,484</u>
Net position - end of year	<u><u>\$ 12,194,913</u></u>	<u><u>\$ 11,876,449</u></u>

NORTH CAROLINA BOARD OF PHARMACY
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	Restated 2021
Cash flows from operating activities:		
Cash received from fees	\$ 4,678,106	\$ 4,676,380
Other cash received	55,680	21,775
Cash payments to employees for service	(2,173,294)	(2,118,526)
Cash payments to suppliers for goods and services	(1,462,806)	(1,385,765)
Cash payments for interest on leased assets	(244)	(300)
Cash payments for other operating expenses	(346,151)	(575,782)
Net cash provided by operating activities	<u>751,291</u>	<u>617,782</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(121,024)	(109,849)
Payments on lease liabilities	(4,418)	(3,827)
Proceeds from sale of capital assets	28,500	2,750
Net cash used in capital and related financing activities	<u>(96,942)</u>	<u>(110,926)</u>
Cash flows from investing activities:		
Purchase of investments	(8,496,746)	(8,203,645)
Proceeds from sales of investments	8,403,917	7,602,141
Net investment income	93,605	102,188
Net cash provided by (used in) investing activities	<u>776</u>	<u>(499,316)</u>
Net increase in cash	655,125	7,540
Cash - beginning of year	<u>2,085,488</u>	<u>2,077,948</u>
Cash - end of year	<u>\$ 2,740,613</u>	<u>\$ 2,085,488</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 587,041	\$ 360,981
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	154,839	195,468
Amortization, leased assets	4,420	3,905
Changes in assets and liabilities:		
Prepaid expenses	(15,004)	7,418
Accounts payable	13,316	(2,086)
Accrued vacation	6,679	52,096
Total adjustments	<u>164,250</u>	<u>256,801</u>
Net cash provided by operating activities	<u>\$ 751,291</u>	<u>\$ 617,782</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.

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

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

Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2022, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

GASB Statement No. 87 increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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.

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

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

Capital Assets (Continued)

Capital assets are recorded at cost. The Board capitalizes assets that have a cost of \$2,000 or greater at the date of acquisition and an expected useful life in excess of one year. Depreciation is computed over estimated useful asset lives ranging from three to thirty-nine years using the straight-line method over the following useful lives:

Buildings and improvements	15 - 39 years
Furniture & fixtures	7 - 10 years
Equipment	3 - 5 years
Vehicles	5 years
Software	3 - 15 years

Vacation and Sick Leave

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

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

Net Position

The Board's net position is classified as follows:

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

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.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS

Investments reported at fair value at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 40,227	\$ 843,526
Traded certificates of deposit	2,352,345	3,114,242
Government securities	5,462,308	4,183,420
	<u>\$ 7,854,880</u>	<u>\$ 8,141,188</u>

Interest income totaled \$126,145 and \$141,738, for the years ended June 30, 2022 and 2021, respectively. Related investment fees totaled \$32,540 and \$39,550 for the years ended June 30, 2022 and 2021, respectively.

Interest rate risk: Interest rate risk is the risk that the Board may face should interest rate variances affect the fair value of investments. The Board minimizes this risk by investing only in certificates of deposit and government securities.

The anticipated maturities of the Board's fixed income investments as of June 30, 2022 were as follows:

0 - 2 years	\$ 4,069,689
2 - 5 years	3,744,964
	<u>\$ 7,814,653</u>

The weighted average maturities of the certificates of deposit are 1.91 years at June 30, 2022.

The weighted average maturities of the government securities are 3.03 years at June 30, 2022.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2022, 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, 2022, the Board had cash deposits and money market accounts that exceeded the Federal Deposit Insurance Corporation's (FDIC) limits of \$250,000 by \$2,537,124. The Board also had certificates of deposit that exceeded the FDIC limits of \$250,000 by \$383. In addition, government securities with a fair value of \$5,462,308 at June 30, 2022 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, 2022, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$6,854,879, which included multiple traded certificates of deposit investments totaling \$2,352,345 held in a brokerage account that were individually insured up to \$250,000 under FDIC at June 30, 2022.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Board's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The Board's investments at June 30, 2022 are all classified within the Level 2 fair value hierarchy.

NOTE 4 - OFFICER LIFE INSURANCE

The Board owns a life insurance policy jointly with the Executive Director. The amount recorded as note receivable - officer life insurance, represents the Board's equity in the policy, which totaled \$248,163 at June 30, 2022 and 2021.

NOTE 5 - ACCRUED VACATION

Changes to accrued vacation are as follows for the year ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning accrued vacation	\$ 260,958	\$ 208,862
Vacation earned	193,729	173,347
Vacation used	<u>(187,050)</u>	<u>(121,251)</u>
Ending accrued vacation	<u>\$ 267,637</u>	<u>\$ 260,958</u>

NOTE 6 - CAPITAL ASSETS

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

	Cost <u>6/30/2021</u>	Additions	Disposals	Cost <u>6/30/2022</u>
Capital Assets:				
Building	\$ 1,900,559	\$ -	\$ -	\$ 1,900,559
Building improvements	156,830	6,227	-	163,057
Furniture and fixtures	232,840	-	-	232,840
Equipment	264,340	-	-	264,340
Vehicles	234,735	88,997	(58,654)	265,078
Software	359,825	25,800	-	385,625
Total at historical cost	<u>3,149,129</u>	<u>121,024</u>	<u>(58,654)</u>	<u>3,211,499</u>

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

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

	Cost 6/30/2021	Additions	Disposals	Cost 6/30/2022
Less accumulated depreciation for:				
Building	875,968	48,820	-	924,788
Building improvements	40,066	8,664	-	48,730
Furniture and fixtures	217,565	3,412	-	220,977
Equipment	189,644	31,618	-	221,262
Vehicles	149,475	37,329	(48,918)	137,886
Software	91,120	24,996	-	116,116
Total accumulated depreciation	<u>1,563,838</u>	<u>154,839</u>	<u>(48,918)</u>	<u>1,669,759</u>
Total capital assets, net	<u>\$ 1,585,291</u>	<u>\$ (33,815)</u>	<u>\$ (9,736)</u>	<u>\$ 1,541,740</u>

Capital asset activity for the year ended June 30, 2021 was as follows:

	Cost 6/30/2020	Additions	Disposals	Cost 6/30/2021
Capital Assets:				
Building	\$ 1,900,559	\$ -	\$ -	\$ 1,900,559
Building improvements	94,902	61,928	-	156,830
Furniture and fixtures	235,351	8,450	(10,961)	232,840
Equipment	284,843	16,654	(37,157)	264,340
Vehicles	230,291	22,817	(18,373)	234,735
Software	359,825	-	-	359,825
Total at historical cost	<u>3,105,771</u>	<u>109,849</u>	<u>(66,491)</u>	<u>3,149,129</u>
Less accumulated depreciation for:				
Building	827,148	48,820	-	875,968
Building improvements	33,860	6,206	-	40,066
Furniture and fixtures	225,979	2,547	(10,961)	217,565
Equipment	194,300	32,501	(37,157)	189,644
Vehicles	81,827	80,789	(13,141)	149,475
Software	66,515	24,605	-	91,120
Total accumulated depreciation	<u>1,429,629</u>	<u>195,468</u>	<u>(61,259)</u>	<u>1,563,838</u>
Total capital assets, net	<u>\$ 1,676,142</u>	<u>\$ (85,619)</u>	<u>\$ (5,232)</u>	<u>\$ 1,585,291</u>

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

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

The Board signed lease agreements for office equipment including copiers. The leases have varying expiration dates ranging from 2024-2025.

Lease expenses were comprised of the following:

	<u>2022</u>	<u>2021</u>
Amortization expense by class of underlying asset:		
Office equipment	\$ 4,420	\$ 3,905
Interest on lease liabilities	244	300
Total lease expense	<u>\$ 4,664</u>	<u>\$ 4,205</u>

Right-to-use leased assets activity:

	<u>6/30/2021</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2022</u>
Office equipment	\$ 13,789	\$ 5,954	\$ (7,010)	\$ 12,733
Less: Accumulated amortization	(6,793)	(4,420)	7,010	(4,203)
Right-to-use assets, net	<u>\$ 6,996</u>	<u>\$ 1,534</u>	<u>\$ -</u>	<u>\$ 8,530</u>

	<u>6/30/2020</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2021</u>
Office equipment	\$ 13,789	\$ -	\$ -	\$ 13,789
Less: Accumulated amortization	(2,888)	(3,905)	-	(6,793)
Right-to-use assets, net	<u>\$ 10,901</u>	<u>\$ (3,905)</u>	<u>\$ -</u>	<u>\$ 6,996</u>

Lease liabilities were comprised of the following:

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

	<u>6/30/2020</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2021</u>
Total lease liabilities	<u>\$ 10,969</u>	<u>\$ -</u>	<u>\$ (3,828)</u>	<u>\$ 7,141</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>
2023	\$ 3,988	\$ 223	\$ 4,211
2024	3,603	93	3,696
2025	1,086	15	1,101
	<u>\$ 8,677</u>	<u>\$ 331</u>	<u>\$ 9,008</u>

NORTH CAROLINA BOARD OF PHARMACY

Notes to Financial Statements

NOTE 8 - RETIREMENT PLANS

The Board contributes to the North Carolina Licensing Boards Retirement Savings Plan ("Plan"), a 401(k) defined contribution plan. The Plan 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, Plan earnings, and forfeitures of terminated participants' non-vested accounts. Allocations are based on participant earnings and account balances, as defined. Each participant is entitled to the benefit which can be provided from the participant's account.

Participants may retire with fully vested benefits at age 65, or at age 55 after completing five years of service. Upon termination of service, participants receive the vested value of their account in a lump-sum distribution.

Contributions to the Plan for the years ended June 30, 2022 and 2021 totaled \$320,156 and \$315,003, which consisted of \$129,994 and \$115,110, respectively, from the Board and \$190,162 and \$199,893, respectively, from employees.

During the years ended June 30, 2022 and 2021, the Board used \$0 and \$12,000 in retirement forfeiture balances to offset retirement matching contributions, respectively.

NOTE 9 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board protects itself from exposures to loss through the purchase of commercial liability insurance. Tort claims against Board members are self-insured under the authority of the State Tort Claims Act. In addition, the State provides an additional coverage to the Board under the State's public officers' and employees' liability insurance contract.

NOTE 10 - RESTATEMENT

The adoption of GASB Statement No. 87 changed the manner in which the Board accounts for leases which provide the Board the right-to-use four copiers. Under GASB Statement No. 87, a lessee is required to recognize an intangible right-to-use lease asset and a lease liability.

NORTH CAROLINA BOARD OF PHARMACY
Notes to Financial Statements

NOTE 10 - RESTATEMENT (Continued)

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. Right-to-use leased assets are amortized over the term of the lease contracts. Lease payments are separated into interest expense and a reduction of the lease liabilities.

The effects of the changes as of and for the year ended June 30, 2021 are as follows:

	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
Statement of Revenues, Expenses and Changes in Net Position:			
Equipment lease	\$ 5,910	\$ -	\$ (5,910)
Maintenance	142,637	144,420	1,783
Lease amortization expense	-	3,905	3,905
Interest expense on lease liabilities	-	300	300
Net position - beginning of year	11,540,551	11,540,484	(67)
Statement of Net Position:			
Right-to-use leased assets, net of amortization	\$ -	\$ 6,996	\$ 6,996
Current portion of lease liabilities	-	3,287	3,287
Lease liabilities	-	3,854	3,854

NOTE 11 - COMMITMENTS

The Board entered into a five-year renewal agreement with Thoughtspan Technologies for continued support of the Board's web-based licensing information and online renewal system software. The total contract price of \$394,286 covers the annual fees for five years of support and maintenance. The fees are subject to an annual increase of 2%. The contract is effective January 2022 with the first annual fee totaling \$75,765.

The Board entered into an agreement with North Carolina Professionals Health Program (NCPHP), a non-profit corporation, to offer recovery programs for pharmacists in North Carolina, effective January 15, 2016. The agreement automatically renews for successive one-year terms unless either party provides written notice of termination at least six months prior to expiration. The contract includes a \$250,000 annual fee payable in quarterly installments.

Payments to NCPHP for the year ended June 30, 2022 totaled \$250,000.

NOTE 12 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through September 27, 2022, which is the date the financial statements were available to be issued.

The audit was conducted in approximately 90 hours at a cost of \$14,000.