



NABP 109th Annual Meeting
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Report of the Treasurer

Presented by:

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Good afternoon. It is wonderful to see so many members gathered for this business session, and I hope you are enjoying the

educational and networking opportunities that have taken place thus far.

As highlighted by Malcolm and Mike, over the past year, National Association of Boards of Pharmacy[®] (NABP[®]) has continued to offer several opportunities for members to network and dialogue on important issues facing the boards of pharmacy. Further, services such as NABP PMP InterConnect[®] and the developing NAR_XCHECK[™] program, are progressing steadily, offering important support to the boards.

I am pleased to report to you that several established programs also saw growth in 2012, and that NABP's financial stability has remained strong.

While serving as your treasurer, I remained cognizant of the fact that it is with the

sound financial planning and leadership of prior Executive Committees that NABP has remained fiscally strong, even through the economic downturn and uncertainty of the past several years. Each Executive Committee before me practiced careful and strict oversight of NABP's finances, thus supporting the growth and development of the numerous programs and services NABP offers to assist member boards in the mission of protecting the public health. Serving as your treasurer has been an honor, and I am pleased to have this opportunity to share with you some details regarding the Association's finances and 2012 growth.

Established NABP programs continue to contribute to the financial strength of the Association.

Although legislative changes in 2010 exempted certain pharmacies from having to obtain durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) accreditation, the program continued to receive a steady number of applicants in 2012,

and significant numbers of previously accredited entities chose to remain accredited, making a significant contribution to the Association's revenue. With almost 300 reaccreditations and 48 new accreditations in 2012, the DMEPOS accreditation program continued to provide a solid financial performance.

In addition, competency assessment programs contributed to NABP's financial strength with a consistent climb in the number of administrations from 2011 to 2012. The number of North American Pharmacist Licensure Examination[®] (NAPLEX[®]) administrations increased 2.6% from 14,200 in 2011 to 14,580 in 2012, and the number of Multistate Pharmacy Jurisprudence Examination[®] (MPJE[®]) administrations increased 5.8% to 23,310 administrations in 2012. In addition, with 4,300 students taking the Pharmacy Curriculum Outcomes Assessment[®], or PCOA[®], in 2012, the program saw a 53% increase from 2011.

The long-term stability in these various programs, along with careful financial planning, has contributed to the Association's

continued financial strength. In 2012 the Association's revenue increased 35% from 2011 to nearly \$31 million. This increase is due to the program growth just highlighted as well as investment gains.

Expenses in 2012 saw a 22% increase due to enhanced program activities. The growth in competency assessment and accreditation programs resulted in increased expenditures, contributing to the overall increase in expenses. In addition, NABP's strong financial performance provides the resources needed to invest into crucial technological infrastructure and software systems enhancements. This investment enabled NABP to offer enhanced programs and new services to support member boards, and to help meet our mission of protecting the public health.

As in the past, the revenues resulting from NABP's competency assessment programs contributed substantially to the Association's financial stability, accounting for 49% of 2012 revenue. Accreditation programs accounted for 28% of the Association's 2012 revenue and licensure transfer accounted for 10%. In addition, revenue from other programs as well as investment revenue accounted for 13% of the total 2012 revenue.

I would also like to share some additional information about how program performance for the year contributed to the revenue breakdowns we just reviewed. As noted previously, growth in the

DMEPOS accreditation program and an increase in competency assessment administrations, continue to contribute greatly to the Association's revenue.

In addition to the increase in the number of NAPLEX, MPJE, and PCOA administrations, use of the Pre-NAPLEX[®] also increased 5.2% from 2011 to 2012. 8,760 individuals took the Pre-NAPLEX in 2012.

Further, the Electronic Licensure Transfer Program[®], known as e-LTP[™], continues to contribute to the Association's fiscal results, but experienced no growth in 2012. The e-LTP program remained strong overall with a total of 14,160 requests for license transfer submitted in 2012. However, this followed a period of solid increases in the number of requests from 2010 through 2011, and we are noticing increased growth so far in 2013. The 2012 figure represents just a slight decrease of 0.4% when compared with 2011.

The Foreign Pharmacy Graduate Equivalency Examination[®] (FPGEE[®]) saw a decrease in activity compared with 2011. There was a 14.6% decrease in FPGEE administrations. The FPGEE was administered in the fall and spring of 2012, with a total of over 1,690 exams in 2012, versus 1,980 exams in 2011. This change may be related to a decreased demand for pharmacists from other countries as the pharmacist shortage in the United States has leveled off.

Three accreditation programs – Verified-Accredited Wholesale Distributors[®] (VAWD[®]),

Verified Internet Pharmacy Practice Sites[™] (VIPPS[®]), and Veterinary-Verified Internet Pharmacy Practice Sites[™] (Vet-VIPPS[®]) – continue to have a steady rate of new applicants and reaccreditations. Thus, for each program, the number of entities accredited has grown since the relevant program launch.

However, year by year, the total number of accreditations and reaccreditations for these programs may fluctuate. Reaccreditation totals fluctuate in part because they are dependent on the original dates of accreditation. In addition, while there may be a steady stream of new applications in a given year, not all entities may be approved in that calendar year. As such, while new VAWD accreditations decreased in 2012 compared with 2011, the program remains fiscally robust and provides an important role in helping to ensure the reliability of the drug distribution system.

Four entities were VIPPS accredited in 2012 compared with six in 2011. Similarly, there were three Vet-VIPPS accreditations in 2012 compared with eight in 2011. These programs also play an important role in helping to ensure safety in pharmacy practice in the online arena.

There was an increase in the number of entities granted NABP e-Advertiser Approval[™] status, with 19 entities earning e-Advertiser Approval status in 2012 compared with 15 in 2011.

In addition to program performance, investment performance had an impact on overall revenue. After a weak

investment performance in 2011, results in 2012 rebounded strongly, resulting in an overall increase of over \$3 million.

The Association's expenses also increased by 22% to \$23.4 million. As in 2011, there were some savings in general and administrative expenses in 2012. The share of general and administrative expenses included in the above figures continues to fall as NABP directs more of its resources in delivering programs and services.

In addition, just as the examination program, licensure transfer, and accreditation program fees constitute the majority of the NABP annual revenues, it is these programs that also account for the most significant portion of the Association's expenses.

The chart on the screen presents an overview of expenses. In 2012, 26% of the budget went toward general and administrative expenses, which includes costs for:

- Executive Office,
- Litigation and legal fees,
- Professional Affairs,
- Information Technology Development, and
- Association governance,
- as well as all the other functions such as accounting.

Program expenses accounted for 74% of the budget, and a detailed look at program expenditures is presented in the chart. As indicated:

- 29% of all expenses were incurred to provide

examination programs;

- 15% of all expenses were incurred to provide accreditation programs;
- 16% of the expenses were attributable to a variety of other program costs;
- 6% of the expenses were allocated to updating and maintaining the examination programs through item development and review meetings, standards setting, and content analysis;
- 4% of all expenses were incurred to provide the licensure transfer program; and, finally,
- 4% of all expenses were allocated to research and development expenditures for new programs and program enhancements.

A strong examination reserve fund is essential to the Association's sound finances and allows NABP to move quickly on behalf of the boards to provide needed services to help manage a crisis, or to respond to an opportunity. This commitment is integral to securely self-insuring the Association's examination programs. With the support of the Executive Committee, NABP continues to focus on maintaining a strong reserve, and I am pleased to say that we succeeded in our endeavor. The reserve fund remained strong at \$6.3 million through the end of 2012. The reserve fund is tied closely to examination revenue, which increased by 4% to \$15.1 million in 2012.

Maintaining the reserve is important to providing NABP with the resources necessary to support our examinations in the event of a breach, so that we can continue to provide the examinations to the states and pharmacists with little or no disruption.

In 2011, the Executive Committee approved the establishment of an accreditation program reserve fund to provide a safety net that would cover any unexpected program expenses in order to ensure that these programs continue to operate. The reserve fund for accreditation programs was established in 2012 and will also help to ensure that these programs are maintained and improved over time, and that they are positioned to respond to new challenges and threats to the safe and effective practice of pharmacy and the protection of the public health. The accreditation program reserve fund stands strong at \$1.5 million.

Overall, total NABP assets increased 12% during 2012 as shown in the rightmost column in the graph. The Association's 2012 assets totaled \$74.4 million. This change in assets was allocated between current assets, represented in blue, long-term investments, represented in yellow, and property and equipment, represented by green in the bars on the graph. Current assets rose to \$31.4 million, while the value of the Association's long-term investments increased to \$26.7 million. The Association's property and equipment are

valued at \$12 million.

NABP reserves increased by 12.6% in 2012, to nearly \$64.4 million. NABP reserves include:

- undesignated reserves, represented in the top bar of the graph in blue,
- examination program reserves, represented in yellow, and
- accreditation program reserves, represented in green.

The level of net assets is a measure of the Association's strength. The numbers reinforce the fact that NABP can continue implementing new initiatives that will fulfill our mission to assist the state boards of pharmacy in protecting the public health.

NABP Foundation

Now, I will review the finances of the NABP Foundation®.

The Foundation, the developmental arm of the Association, oversees our research and development projects. Programs such as **NABPLAW**® Online, the state newsletter program, and the **AWARxE**® Consumer Protection Program, are managed under the NABP Foundation.

In addition, the Foundation administers the Purdue Pharma grant that is being used to facilitate participation of state prescription monitoring programs (PMPs) in the NABP InterConnect. In 2011, when the Association received the grant, the Executive Committee determined that this grant would be used to assist states that need support to modify existing PMP software in order to participate in

the NABP InterConnect.

A total of \$391,625 was disbursed to state PMPs in 2011 and 2012. This slide lists the state PMPs that received a disbursement through this grant funding in 2012. The New Mexico PMP received a \$48,000 disbursement and the Louisiana PMP a disbursement of \$40,035. PMPs in the states of Arizona and Kansas each received \$30,000. The North Dakota PMP received a disbursement of \$18,750, and the South Carolina PMP received \$17,750. This information is also available in the NABP InterConnect section of the NABP Web site. No funds from this grant are used to support or finance the NABP InterConnect. All of the funds are directed to the states and their PMPs.

In 2012 we saw a 17% increase in the Foundation's revenue, primarily due to investment gains. At the same time, expenses increased 53% due to increased development activity with NABP InterConnect, the .PHARMACY generic Top-Level Domain application fees, and professional fees to acquire and protect new programs. In addition, support of NABP member services including providing amicus briefs, and grant support for the University of Utah School on Alcoholism and Other Drug Dependencies, and a meeting of the Alliance of States with Prescription Monitoring Programs contributed to the increase in expenses.

For the same period, total unrestricted net assets of the Foundation decreased by 6%.

Despite the increased activity, the Foundation remains financially strong and can continue to provide research and development funding. The Foundation's dedication to sound long-term planning and fiscal responsibility is yet again apparent in these numbers.

I would also like to provide information on NABP and Foundation non-profit efforts in support of member boards' mission to protect public health. NABP is proud to say that in 2012, the Association provided our member boards of pharmacy with over \$2.5 million in services and support. These non-profit endeavors performed on behalf of the boards include educational and charitable activities, as well as activities undertaken to alleviate government burden. NABP also made charitable donations and provided support for interagency programs developed to combat prescription drug abuse.

Further, the Foundation spent over \$1 million developing the NABP InterConnect program, which is provided at no cost to the states, and offers a more effective means of combating drug diversion and drug abuse nationwide.

Most recently, NABP has performed extensive work in support of the boards of pharmacy to address the integrity of pharmacy compounding practices. Specifically, NABP conducted Webinars to communicate action plans, strategies, and critical pharmacy compounding information to its members, and at the request of several member boards,

NABP has begun inspecting compounding pharmacies to help the boards in identifying noncompliant practices.

In 2013, NABP and the Foundation continue to engage in non-profit initiatives in furtherance of the Association's mission to assist the boards of pharmacy in protecting public health.

Our auditors, Scanlan and Leo, find NABP and the NABP Foundation to be in good financial order. We can all be

proud of the overall financial strength of both organizations, which positions us well for the future. It is through a history of dedicated, responsible management by the Executive Committee that NABP has distinguished itself as a fiscally responsible and vital organization. Members can rely on the Association to continue offering services and programs to assist them in addressing the public health issues and regulatory challenges they face, even in these times of budget

challenges.

If you have any questions about NABP finances, please see me, Carmen Catizone, or Robert Cowan, NABP's chief operating officer, at any time during this meeting. A copy of the financial statement will be available on the NABP Web site tomorrow, or you may obtain a copy by e-mailing NABP at exec-office@NABP.net.

It has been a privilege to serve as your treasurer. Thank you.

NABP 2013 Operating Budget

Revenue

Examination, Licensure, and Accreditation Programs	\$ 25,150,832
Survey Sponsor Fees	15,000
State Membership Dues	16,000
Publication Fees	36,225
Convention/Conference Registrations and Contributions	187,150
Investment Income	1,390,007

Total Revenue \$ 26,795,214

Operating Expenses

Program Expenses \$ 17,905,982

Consulting, Convention/Conferences Program/Speaker Expense, Examination Content Expenses, Examination Insurance Reserve, Honoraria, Licensure Program Expense, Photographs, Printing, Salaries and Benefits, Seminars, and Testing Examination Fees

General & Administrative Expenses \$ 7,169,549

Accounting/Audit Fees, Building Maintenance, Contributions, Copying, Equipment Rental and Maintenance, Fringe Benefits, Insurance, Investment Fees, Legal Fees, Library, Memberships and Dues, Postage, Printing, Public Relations, Salaries and Benefits, Shipping, Supplies, Telephone, Temporary Help, and Utilities

Total Operating Expense \$ 25,075,531

Net Budgeted Revenue and Expenses from Operations 1,719,683

Capital Improvements and Systems Upgrades 1,546,019

Computers, Computer Software, Building Equipment, Office Equipment, and Furniture

Net Budgeted Revenue and Expenses \$ 173,664