

**OZANAM CHARITABLE PHARMACY, INC.**

**FINANCIAL REPORT**

**SEPTEMBER 30, 2024**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Ozanam Charitable Pharmacy, Inc.  
Mobile, Alabama

**Opinion**

I have audited the accompanying financial statements of Ozanam Charitable Pharmacy, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ozanam Charitable Pharmacy, Inc. as of September 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Ozanam Charitable Pharmacy, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Ozanam Charitable Pharmacy, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objective is 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 my 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 generally accepted auditing standards 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 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 generally accepted auditing standards, I:

- 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 Ozanam Charitable Pharmacy, Inc.'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ozanam Charitable Pharmacy, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 that I identified during the audit.

*Kim K. Enikeieff*

December 27, 2024

**OZANAM CHARITABLE PHARMACY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**September 30, 2024 and 2023**

ASSETS	<u>2024</u>	<u>2023</u>
Current assets		
Cash	\$ 409,318	\$ 307,102
Investments	34,214	212,356
Grants receivable	50,372	63,654
Inventory	6,226	6,920
Prepaid expenses	<u>26,569</u>	<u>24,164</u>
Total current assets	<u>526,699</u>	<u>614,196</u>
Property and equipment - at cost		
Office furniture and equipment	31,471	12,443
Leasehold improvements	75,000	11,703
Accumulated depreciation	<u>(16,297)</u>	<u>(21,979)</u>
Total equipment	<u>90,174</u>	<u>2,167</u>
Right-of-use lease assets - operating lease	117,502	-
Less: accumulated amortization	<u>(6,550)</u>	<u>-</u>
Total right-to-use assets	<u>110,952</u>	<u>-</u>
Total property, plant and equipment	<u>201,126</u>	<u>2,167</u>
Total assets	<u><u>\$ 727,825</u></u>	<u><u>\$ 616,363</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 9,095	\$ 10,797
Accrued vacation payable	11,011	18,303
Deferred revenue	140,668	165,127
Current portion of lease liability - operating lease	<u>22,562</u>	<u>-</u>
Total current liabilities	183,336	194,227
Long-term lease liability - operating lease	<u>88,390</u>	<u>-</u>
Total liabilities	<u>271,726</u>	<u>194,227</u>
NET ASSETS		
Without donor restrictions	456,099	422,136
With donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>456,099</u>	<u>422,136</u>
Total liabilities and net assets	<u><u>\$ 727,825</u></u>	<u><u>\$ 616,363</u></u>

See notes to financial statements.

**OZANAM CHARITABLE PHARMACY, INC.**

**STATEMENTS OF ACTIVITIES**  
**For the Years Ended September 30, 2024 and 2023**

	Without Donor Restrictions	Without Donor Contributed Pharmaceuticals	With Donor Restrictions	2024 Total	Without Donor Restrictions	Without Donor Contributed Pharmaceuticals	With Donor Restrictions	2023 Total
Unrestricted								
Support and revenue:								
Special events	\$ 45,392	\$ -	\$ -	\$ 45,392	\$ 41,829	\$ -	\$ -	\$ 41,829
Less cost of special events	9,816	-	-	9,816	8,350	-	-	8,350
Net special events	35,576	-	-	35,576	33,479	-	-	33,479
South Alabama Regional Planning Commission	72,750	-	-	72,750	72,650	-	-	72,650
City of Mobile	13,000	-	-	13,000	13,000	-	-	13,000
Mobile County	33,276	-	-	33,276	35,822	-	-	35,822
United Way	20,491	-	-	20,491	39,457	-	-	39,457
Contributions and grants	524,508	-	-	524,508	421,983	-	-	421,983
Contributions in-kind - prescription assistance program	-	1,791,933	-	1,791,933	-	1,983,044	-	1,983,044
Contributions in-kind - pharmaceuticals	-	627,812	-	627,812	-	1,181,836	-	1,181,836
Contributions in-kind - donated services	-	127,463	-	127,463	-	106,865	-	106,865
Contributions in-kind - rent	833	-	-	833	-	-	-	-
Other income	3,258	-	-	3,258	2,197	-	-	2,197
Investment income	9,396	-	-	9,396	4,061	-	-	4,061
<b>Total unrestricted support and revenue</b>	<b>713,088</b>	<b>2,547,208</b>	<b>-</b>	<b>3,260,296</b>	<b>622,649</b>	<b>3,271,745</b>	<b>-</b>	<b>3,894,394</b>
Net assets released from restrictions	-	-	-	-	-	-	-	-
<b>Total unrestricted support and revenue</b>	<b>713,088</b>	<b>2,547,208</b>	<b>-</b>	<b>3,260,296</b>	<b>622,649</b>	<b>3,271,745</b>	<b>-</b>	<b>3,894,394</b>
Expenses								
Program expenses	572,606	2,547,208	-	3,119,814	478,824	3,271,745	-	3,750,569
General and administrative expenses	106,519	-	-	106,519	99,469	-	-	99,469
<b>Total expenses</b>	<b>679,125</b>	<b>2,547,208</b>	<b>-</b>	<b>3,226,333</b>	<b>578,293</b>	<b>3,271,745</b>	<b>-</b>	<b>3,850,038</b>
Change in net assets	33,963	-	-	33,963	44,356	-	-	44,356
Net assets, beginning of year	422,136	-	-	422,136	377,780	-	-	377,780
<b>Net assets, end of year</b>	<b>\$ 456,099</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 456,099</b>	<b>\$ 422,136</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 422,136</b>

See notes to financial statements.

**OZANAM CHARITABLE PHARMACY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended September 30, 2024 with Comparative Totals for 2023**

	Program Expenses	Contributed Pharmaceuticals	General and Administrative	2024 Total Expenses	2023 Total Expenses
Salaries and wages	\$ 307,811	\$ -	\$ 71,782	\$ 379,593	\$ 323,146
Payroll taxes	24,387	-	5,491	29,878	24,807
Fringe benefits	-	-	7,359	7,359	7,359
Total personnel	332,198	-	84,632	416,830	355,312
Computer services	22,510	-	2,501	25,011	16,927
Disaster preparedness	-	-	-	-	-
Dues and subscriptions	1,721	-	191	1,912	2,616
Insurance	13,743	-	1,527	15,270	12,386
Marketing expenses	8,234	-	-	8,234	10,690
Miscellaneous	10,188	-	1,132	11,320	3,736
Office supplies	5,427	-	603	6,030	6,215
Pharmaceuticals in-kind - prescription assistance program	-	1,791,933	-	1,791,933	1,983,044
Pharmaceuticals - in kind	-	627,812	-	627,812	1,181,836
Pharmaceuticals - purchased	82,858	-	-	82,858	83,900
Pharmacy supplies	8,675	-	-	8,675	16,130
Postage and shipping	5,018	-	558	5,576	7,316
Printing	7,079	-	786	7,865	5,756
Professional fees	-	-	10,022	10,022	5,675
Program supplies	33,837	-	-	33,837	11,100
Rent	10,688	-	1,187	11,875	2,500
Rent - in kind	750	-	83	833	-
Repairs and maintenance	4,537	-	504	5,041	15,158
Security services	281	-	31	312	293
Services - in kind	-	127,463	-	127,463	106,865
Taxes and licenses	693	-	77	770	1,041
Telephone	7,288	-	810	8,098	6,529
Travel	1,559	-	173	1,732	2,677
Utilities	9,903	-	1,100	11,003	11,393
Total expenses before depreciation	567,187	2,547,208	105,917	3,220,312	3,849,095
Depreciation	5,419	-	602	6,021	943
Total expenses	<u>\$ 572,606</u>	<u>\$ 2,547,208</u>	<u>\$ 106,519</u>	<u>\$ 3,226,333</u>	<u>\$ 3,850,038</u>

See notes to financial statements.

**OZANAM CHARITABLE PHARMACY, INC.**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30, 2024 and 2023**

	2024	2023
Cash Flows from Operating Activities:		
Change in net assets	\$ 33,963	\$ 44,356
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	6,021	943
Noncash portion of lease expense for operating lease	6,550	20,745
Repayment of lease liability for operating lease	(6,550)	(20,745)
Net realized (gain) loss on investments	(858)	(1,832)
(Increase) decrease in:		
Grants receivable	13,282	(11,880)
Inventory	694	864
Prepaid expenses	(2,405)	(21,548)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,702)	2,502
Accrued vacation payable	(7,292)	(587)
Deferred revenue	(24,459)	92,127
	<u>17,244</u>	<u>104,945</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property, plant and equipment	(94,028)	-
Distributions from investment account	179,000	-
	<u>84,972</u>	<u>-</u>
Net cash provided (used) by investing activities		
Net increase in cash	102,216	104,945
Cash, beginning of year	<u>307,102</u>	<u>202,157</u>
Cash, end of year	<u>\$ 409,318</u>	<u>\$ 307,102</u>

See notes to financial statements.



## NOTES TO FINANCIAL STATEMENTS

### **Nature of Business**

The Ozanam Charitable Pharmacy, Inc. (the "Organization") provides prescriptions for indigent clients. The prescriptions are filled from pharmaceutical samples donated by area physicians and are supplemented by general medications purchased with cash contributions from area businesses, foundations and individuals. The medicines are dispensed by volunteer and paid registered pharmacists to clients who have a doctor's prescription. There is no charge to those who receive this assistance.

The Organization also has a prescription assistance program. Under this program, the Organization assists financially eligible clients to obtain prescription medicine from major pharmaceutical companies. There is no charge to those who receive this assistance.

The Organization is directed by an active Board of Directors whose members serve without compensation.

### **Summary of Significant Accounting Policies**

#### **Basis of presentation**

The accompanying financial statements have been prepared utilizing the accrual basis of accounting.

#### **Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

#### **Cash and cash equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

#### **Inventory**

The Organization records purchased pharmaceutical inventory at historical cost and donated pharmaceutical inventory at fair value on the date received. From a practical standpoint, a physical inventory at year end would be a substantially cumbersome task and therefore, no physical count is made. Instead, the Organization estimates the value of inventory on hand at year end in accordance with guidelines promulgated by the American Institute of American Certified Public Accountants. These estimates are based on ratios and averages which management believes approximates the true value of inventory.

#### **Accounts, promises to give and grants receivable**

The Organization records bad debts using the direct write-off method. There is no material difference between the amount computed under this method and the result using the allowance method prescribed by generally accepted accounting principles. Therefore, no allowance for uncollectible accounts is recorded.

## **Summary of Significant Accounting Policies (continued)**

### **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The Organization values its financial assets and liabilities based on 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. A fair value hierarchy that prioritizes the inputs to valuation techniques is used to measure the fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into the following three levels, based on the reliability of the inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are observable at the measurement date;

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and

Level 3: Significant unobservable inputs for the asset or liability that reflect the reporting organization's own estimates about the assumptions that market participants would use in pricing the asset or liability.

### **Property and equipment**

Purchased property and equipment is capitalized at cost. The Organization follows the practice of capitalizing, at cost, or fair market value if donated, all expenditures for fixed assets in excess of \$1,000. Depreciation is provided principally on the straight-line method over the estimated useful lives of the depreciable assets.

### **Income taxes**

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

A policy for accounting for uncertainty in income taxes was adopted in prior years that require the Organization to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The Organization has no uncertain tax positions that qualified for either recognition or disclosure in the financial statements at September 30, 2024 or September 30, 2023.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **Summary of Significant Accounting Policies (continued)**

### **Cost allocation**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation, occupancy and telephone costs which are allocated based on the ratio of program revenue to total revenue.

### **Comparative amounts**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2023, from which the summarized information was derived.

### **Lease policies**

Accounting Standards Update (ASU) 2016-02 requires that leases with a lease term of more than 12 months be classified as either finance or operating leases. Leases are classified as finance leases when the Organization expects to consume a major part of the economic benefits of the leased assets over the remaining lease term. Conversely, the Organization is not expected to consume a major part of the economic benefits of assets classified as operating leases. The lease classification effects both the pattern and presentation of expense recognized in the statement of activities, the categorization of assets and liabilities in the statement of financial position, and classification of cash flows in the statement of cash flows.

Total lease cost consists of two components; amortization expense related to the write-off of right-of-use assets, and interest expense from lease obligations.

For financing leases, total lease cost is recorded on an accelerated basis whereby interest expense is recorded using the effective interest method and right-of-use assets are amortized on a straight-line basis over the remaining lease term. For operating leases, total lease cost is measured and recorded on a straight-line basis over the lease term.

Non-lease components, such as common area maintenance (CAM) charges, are separated from lease components based on the terms of the lease. Variable lease components consist of real estate taxes and insurance charges related to the real estate lease, and are recorded as lease expense as incurred.

Lease obligations are measured and recorded at the present value of future lease payments using a discount rate. Because the Organization generally does not have access to the rate implicit in each lease, lease obligations are measured using the incremental borrowing rate as the discount rate. The incremental borrowing rate is the rate that would be paid to borrow on a collateralized basis over a similar term and amount equal to the lease payments in a similar economic environment. The Organization uses a portfolio approach to apply a single incremental borrowing rate of 4% to its equipment leases, real estate leases and finance leases.

Right-of-use assets are generally measured and recorded as the sum of the lease obligation, any initial direct costs to consummate the lease, and any lease payments made on or before the commencement date.

## Subsequent events

The Organization has evaluated subsequent events through December 27, 2024, the date which the financial statements were available to be issued.

## Investments

Investments are stated at fair value and are summarized as follows as of September 30:

	2024			
	Fair value measurements using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 34,214	\$ -	\$ -	\$ 34,214
Total	<u>\$ 34,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,214</u>

	2023			
	Fair value measurements using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 212,356	\$ -	\$ -	\$ 212,356
Total	<u>\$ 212,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,356</u>

Investment return is summarized as follows:

	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 9,396	\$ 4,061
Realized gains (losses)	-	-
Unrealized gains (losses)	-	-
Administrative fees	-	-
Total	<u>\$ 9,396</u>	<u>\$ 4,061</u>

## Donated Materials, Facility, and Services

The estimated value of donated services of skilled workers is recorded as support and as labor expense in the statement of activities if those services would typically need to be purchased if not provided by donation.

The estimated value of the donated services was calculated as follows:

		<u>2024</u>	
	<u>No. of Hours</u>	Hourly Rate	Estimated Value of Services
Pharmacists	344.50	71.00	\$ 24,460
Pharmacy interns	480.00	30.00	14,400
Technicians	2,023.50	18.00	36,423
Nutrition Rx Program	359.00	20.00	7,180
Licensed case screeners	1,500.00	30.00	<u>45,000</u>
			<u>\$ 127,463</u>
		<u>2023</u>	
	<u>No. of Hours</u>	Hourly Rate	Estimated Value of Services
Pharmacists	337.00	71.00	\$ 23,927
Pharmacy interns	320.00	30.00	9,600
Technicians	1,991.00	18.00	35,838
Licensed case screener	1,500.00	25.00	<u>37,500</u>
			<u>\$ 106,865</u>

Physicians and hospitals donate manufacturers' samples and other pharmaceuticals to the Organization. These items are recorded at their estimated fair value on the date of donation as support and as pharmaceutical expense.

The Organization also has a prescription assistance program. Under this program, the Organization obtains prescription drugs directly from the manufacturer for eligible clients. These items are recorded at their estimated fair value on the date of donation as support and as pharmaceutical expense.

## Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2024</u>	<u>2023</u>
Financial assets at year-end	\$ 493,904	\$ 583,112
Less those unavailable for general expenditures within one year, due to:		
	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 493,904</u>	<u>\$ 583,112</u>

## Contributed Nonfinancial Assets

For the years that ended September 30, 2024 and 2023, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2024</u>	<u>2023</u>
Prescription assistance program	\$ 1,791,933	\$ 1,983,044
Pharmaceuticals	627,812	1,181,836
Donated services	127,463	106,865
Rent	<u>833</u>	<u>-</u>
Total	<u>\$ 2,548,041</u>	<u>\$ 3,271,745</u>

## Leases

Amounts recognized as right-of-use assets related to operating leases are included in property, plant and equipment in the statement of financial position, while related lease liabilities are included in the current and long-term debt.

As of September 30, 2024 right-of-use assets and liabilities related to operating leases were as follows:

Right-of use assets:

	<u>Operating Lease</u>
Cost	\$ 117,502
Less: accumulated amortization	<u>(6,550)</u>
Total	<u>\$ 110,952</u>

## Leases (continued)

Lease liabilities:

	<u>Operating Lease</u>
Current portion	\$ 22,562
Long-term portion	<u>88,390</u>
Total	<u>\$ 110,952</u>

The Organization leases office space from a third party. The terms of the lease provide for annual base rent payments over 5 years with an annual lease payment in the amount of \$27,000, with the option to extend the initial lease for two five-year periods. In addition to base rent, the Organization pays a monthly fee of \$1,250 for utilities.

Lease information:

Operating lease cost	\$ 11,250
Short-term lease cost	<u>625</u>
Total	<u>\$ 11,875</u>

Maturity analysis and reconciliation to the statement of financial position:

A summary of the future payments for operating leases reconciled to the lease liability recorded at September 30, 2024 follows:

	<u>Operating Lease</u>
2025	\$ 27,000
2026	27,000
2027	27,000
2028	27,000
2029	<u>15,750</u>
Total future lease payments	123,750
Less effects of discounting	<u>12,798</u>
Lease liability recorded at September 30, 2024	110,952
Less current portion	22,562
Long-term lease liability	<u>\$ 88,390</u>