

OZANAM CHARITABLE PHARMACY, INC.

FINANCIAL REPORT

SEPTEMBER 30, 2025

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Kim K. Enikeieff
Certified Public Accountant
Post Office Box 8754
Mobile, Alabama 36689
Telephone 251-591-1357

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, 2025 and 2024, 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, 2025 and 2024, 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 26, 2025

OZANAM CHARITABLE PHARMACY, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2025 and 2024

ASSETS	<u>2025</u>	<u>2024</u>
Current assets		
Cash	\$ 260,959	\$ 192,330
Investments	259,623	251,202
Grants receivable	42,151	50,372
Inventory	6,022	6,226
Prepaid expenses	<u>6,080</u>	<u>26,569</u>
Total current assets	<u>574,835</u>	<u>526,699</u>
Property and equipment - at cost		
Office furniture and equipment	32,669	31,471
Leasehold improvements	75,000	75,000
Accumulated depreciation	<u>(24,537)</u>	<u>(16,297)</u>
Total equipment	<u>83,132</u>	<u>90,174</u>
Right-of-use lease assets - operating lease	117,502	117,502
Less: accumulated amortization	<u>(29,112)</u>	<u>(6,550)</u>
Total right-to-use assets	<u>88,390</u>	<u>110,952</u>
Total property, plant and equipment	<u>171,522</u>	<u>201,126</u>
Total assets	<u>\$ 746,357</u>	<u>\$ 727,825</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 6,358	\$ 9,095
Accrued vacation payable	21,481	11,011
Deferred revenue	72,000	140,668
Current portion of lease liability - operating lease	<u>23,464</u>	<u>22,562</u>
Total current liabilities	123,303	183,336
Long-term lease liability - operating lease	<u>64,926</u>	<u>88,390</u>
Total liabilities	<u>188,229</u>	<u>271,726</u>
NET ASSETS		
Without donor restrictions	558,128	456,099
With donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>558,128</u>	<u>456,099</u>
Total liabilities and net assets	<u>\$ 746,357</u>	<u>\$ 727,825</u>

See notes to financial statements.

OZANAM CHARITABLE PHARMACY, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2025 and 2024

	Without Donor Restrictions	Without Donor Restrictions Contributed Pharmaceuticals	With Donor Restrictions	2025 Total	Without Donor Restrictions	Without Donor Restrictions Contributed Pharmaceuticals	With Donor Restrictions	2024 Total
Unrestricted								
Support and revenue:								
Special events	\$ 63,336	\$ -	\$ -	\$ 63,336	\$ 45,392	\$ -	\$ -	\$ 45,392
Less cost of special events	10,723	-	-	10,723	9,816	-	-	9,816
Net special events	52,613	-	-	52,613	35,576	-	-	35,576
Alabama Association of Free and Charitable Clinics	140,305	-	-	140,305	-	-	-	-
South Alabama Regional Planning Commission	64,250	-	-	64,250	72,750	-	-	72,750
City of Mobile	13,000	-	-	13,000	13,000	-	-	13,000
Mobile County	28,119	-	-	28,119	33,276	-	-	33,276
United Way	22,112	-	-	22,112	20,491	-	-	20,491
Contributions and grants	456,082	-	-	456,082	524,508	-	-	524,508
Contributions in-kind - prescription assistance program	-	1,771,022	-	1,771,022	-	1,791,933	-	1,791,933
Contributions in-kind - pharmaceuticals	-	950,684	-	950,684	-	627,812	-	627,812
Contributions in-kind - donated services	-	122,793	-	122,793	-	127,463	-	127,463
Contributions in-kind - rent	-	-	-	-	833	-	-	833
Other income	6,022	-	-	6,022	3,258	-	-	3,258
Investment income	8,421	-	-	8,421	9,396	-	-	9,396
Total unrestricted support and revenue	790,924	2,844,499	-	3,635,423	713,088	2,547,208	-	3,260,296
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total unrestricted support and revenue	790,924	2,844,499	-	3,635,423	713,088	2,547,208	-	3,260,296
Expenses								
Program expenses	580,017	2,844,499	-	3,424,516	572,606	2,547,208	-	3,119,814
General and administrative expenses	108,878	-	-	108,878	106,519	-	-	106,519
Total expenses	688,895	2,844,499	-	3,533,394	679,125	2,547,208	-	3,226,333
Change in net assets	102,029	-	-	102,029	33,963	-	-	33,963
Net assets, beginning of year	456,099	-	-	456,099	422,136	-	-	422,136
Net assets, end of year	\$ 558,128	\$ -	\$ -	\$ 558,128	\$ 456,099	\$ -	\$ -	\$ 456,099

See notes to financial statements.

OZANAM CHARITABLE PHARMACY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2025 with Comparative Totals for 2024

	Program Expenses	Contributed Pharmaceuticals	General and Administrative	2025 Total Expenses	2024 Total Expenses
Salaries and wages	\$ 309,356	\$ -	\$ 74,647	\$ 384,003	\$ 379,593
Payroll taxes	23,142	-	5,710	28,852	29,878
Fringe benefits	-	-	7,627	7,627	7,359
Total personnel	332,498	-	87,984	420,482	416,830
Computer services	19,360	-	2,151	21,511	25,011
Dues and subscriptions	984	-	109	1,093	1,912
Insurance	15,206	-	1,690	16,896	15,270
Marketing expenses	15,262	-	-	15,262	8,234
Miscellaneous	7,553	-	839	8,392	11,320
Office supplies	7,007	-	778	7,785	6,030
Pharmaceuticals in-kind - prescription assistance program	-	1,771,022	-	1,771,022	1,791,933
Pharmaceuticals - in kind	-	950,684	-	950,684	627,812
Pharmaceuticals - purchased	68,709	-	-	68,709	82,858
Pharmacy supplies	9,665	-	-	9,665	8,675
Postage and shipping	5,460	-	607	6,067	5,576
Printing	9,084	-	1,009	10,093	7,865
Professional fees	-	-	6,991	6,991	10,022
Program supplies	28,747	-	-	28,747	33,837
Rent	24,300	-	2,700	27,000	11,875
Rent - in kind	-	-	-	-	833
Repairs and maintenance	129	-	14	143	5,041
Security services	367	-	41	408	312
Services - in kind	-	122,793	-	122,793	127,463
Taxes and licenses	2,223	-	247	2,470	770
Telephone	6,423	-	714	7,137	8,098
Travel	5,555	-	617	6,172	1,732
Utilities	14,069	-	1,563	15,632	11,003
Total expenses before depreciation	572,601	2,844,499	108,054	3,525,154	3,220,312
Depreciation	7,416	-	824	8,240	6,021
Total expenses	<u>\$ 580,017</u>	<u>\$ 2,844,499</u>	<u>\$ 108,878</u>	<u>\$ 3,533,394</u>	<u>\$ 3,226,333</u>

See notes to financial statements.

OZANAM CHARITABLE PHARMACY, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities:		
Change in net assets	\$ 102,029	\$ 33,963
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	8,240	6,021
Noncash portion of lease expense for operating lease	22,562	6,550
Repayment of lease liability for operating lease	(22,562)	(6,550)
Net realized (gain) loss on investments	(8,421)	(9,396)
(Increase) decrease in:		
Grants receivable	8,221	13,282
Inventory	204	694
Prepaid expenses	20,489	(2,405)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,737)	(1,702)
Accrued vacation payable	10,470	(7,292)
Deferred revenue	(68,668)	(24,459)
	<u>69,827</u>	<u>8,706</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,198)	(94,028)
Distributions from investment accounts	-	75,000
	<u>(1,198)</u>	<u>(19,028)</u>
Net cash used by investing activities		
Net increase (decrease) in cash	68,629	(10,322)
Cash, beginning of year	<u>192,330</u>	<u>202,652</u>
Cash, end of year	<u>\$ 260,959</u>	<u>\$ 192,330</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, 2025 or September 30, 2024.

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, 2024, 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.

No additional leases were capitalized in 2025.

Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 presentation. Such reclassifications had no effect on previously reported change in net assets.

Subsequent events

The Organization has evaluated subsequent events through December 26, 2025, 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:

	2025			
	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 34,299	\$ -	\$ -	\$ 34,299
Certificates of deposit	225,324	-	-	225,324
Total	<u>\$ 259,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,623</u>

	2024			
	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 34,214	\$ -	\$ -	\$ 34,214
Certificates of deposit	216,988	-	-	216,988
Total	<u>\$ 251,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,202</u>

Investment return is summarized as follows:

	2025	2024
Interest and dividend income	\$ 8,421	\$ 9,396
Realized gains (losses)	-	-
Unrealized gains (losses)	-	-
Administrative fees	-	-
Total	<u>\$ 8,421</u>	<u>\$ 9,396</u>

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>2025</u>	<u>2024</u>
Financial assets at year-end	\$ 562,733	\$ 493,904
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>\$ 562,733</u>	<u>\$ 493,904</u>

Contributed Nonfinancial Assets

For the years that ended September 30, 2025 and 2024, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2025</u>	<u>2024</u>
Prescription assistance program	\$ 1,771,022	\$ 1,791,933
Pharmaceuticals	950,684	627,812
Donated services	122,793	127,463
Rent	-	833
Total	<u>\$ 2,844,499</u>	<u>\$ 2,548,041</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, 2025 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>(29,112)</u>
Total	<u>\$ 88,390</u>

Leases (continued)

Lease liabilities:

	<u>Operating Lease</u>
Current portion	\$ 23,464
Long-term portion	<u>64,926</u>
Total	<u>\$ 88,390</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	\$ 27,000
Short-term lease cost	<u>-</u>
Total	<u>\$ 27,000</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, 2025 follows:

	<u>Operating Lease</u>
2026	\$ 27,000
2027	27,000
2028	27,000
2029	<u>15,750</u>
Total future lease payments	96,750
Less effects of discounting	<u>8,360</u>
Lease liability recorded at September 30, 2025	88,390
Less current portion	23,464
Long-term lease liability	<u>\$ 64,926</u>