

**OZANAM CHARITABLE PHARMACY, INC.**

**FINANCIAL REPORT**

**SEPTEMBER 30, 2011**

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**INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying statements of financial position of Ozanam Charitable Pharmacy, Inc. as of September 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Kim K. Enikeieff*

Mobile, Alabama  
November 11, 2011

**OZANAM CHARITABLE PHARMACY, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2011 and 2010**

ASSETS	<u>2011</u>	<u>2010</u>
Current assets		
Cash	\$ 29,442	\$ 28,087
Investments	212,061	261,972
Grants receivable	9,811	10,450
Inventory	30,754	38,410
Prepaid expenses	<u>11,045</u>	<u>13,003</u>
Total current assets	<u>293,113</u>	<u>351,922</u>
Property and equipment - at cost		
Office furniture and equipment	18,132	16,010
Leasehold improvements	6,681	6,681
Accumulated depreciation	<u>(15,735)</u>	<u>(14,323)</u>
Net property and equipment	<u>9,078</u>	<u>8,368</u>
Total assets	<u>\$ 302,191</u>	<u>\$ 360,290</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ -</u>
Total current liabilities	<u>-</u>	<u>-</u>
NET ASSETS		
Unrestricted operating	280,607	329,362
Contributed pharmaceuticals	<u>21,584</u>	<u>30,928</u>
Total unrestricted	302,191	360,290
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>302,191</u>	<u>360,290</u>
Total liabilities and net assets	<u>\$ 302,191</u>	<u>\$ 360,290</u>

See notes to financial statements.

**OZANAM CHARITABLE PHARMACY, INC.**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended September 30, 2011 and 2010**

	2011		2010	
	Pharmacy	Contributed Pharmaceuticals	Pharmacy	Contributed Pharmaceuticals
				2010 Total
Unrestricted				
Support and revenue:				
South Alabama Regional Planning Commission	\$ 50,000	\$ -	\$ 60,000	\$ 60,000
City of Mobile	19,440	-	19,440	19,440
Mobile County	16,680	-	14,865	14,865
Contributions	171,679	-	225,335	225,335
Contributions in-kind	121,080	934,374	75,360	949,805
Fund raising income	18,457	-	7,131	7,131
Other income	269	-	534	534
Investment income	89	-	126	126
	<u>397,694</u>	<u>934,374</u>	<u>402,791</u>	<u>1,277,236</u>
Total unrestricted support and revenue				
Expenses				
Program expenses	424,155	943,718	355,130	1,251,147
General and administrative expenses	22,294	-	21,104	21,104
	<u>446,449</u>	<u>943,718</u>	<u>376,234</u>	<u>1,272,251</u>
Total expenses				
Change in net assets	(48,755)	(9,344)	26,557	4,985
Net assets, beginning of year	329,362	30,928	302,805	355,305
Net assets, end of year	<u>\$ 280,607</u>	<u>\$ 21,584</u>	<u>\$ 329,362</u>	<u>\$ 360,290</u>

See notes to financial statements

**OZANAM CHARITABLE PHARMACY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended September 30, 2011 with Comparative Totals for 2010**

	Program Expenses	General and Administrative	2011 Total Expenses	2010 Total Expenses
Salaries and wages	\$ 138,161	\$ 15,351	\$ 153,512	\$ 143,311
Payroll taxes	11,569	1,285	12,854	12,329
Fringe benefits	-	-	-	-
Total personnel	<u>149,730</u>	<u>16,636</u>	<u>166,366</u>	<u>155,640</u>
Computer services	5,709	634	6,343	6,260
Dues and subscriptions	1,694	188	1,882	1,355
Insurance	6,555	728	7,283	6,556
Miscellaneous	151	17	168	887
Office equipment maintenance and repair	1,036	115	1,151	1,114
Office supplies	3,696	411	4,107	2,994
Pharmaceuticals - in kind	943,718	-	943,718	896,017
Pharmaceuticals - purchased	114,420	-	114,420	99,428
Pharmacy supplies	1,964	218	2,182	1,933
Postage and shipping	2,896	322	3,218	3,168
Printing	1,470	163	1,633	1,446
Professional fees	3,146	350	3,496	3,496
Rent- in kind	10,800	1,200	12,000	9,600
Repairs and maintenance	126	14	140	798
Security services	455	51	506	381
Services - in kind	109,080	-	109,080	65,760
Taxes and licenses	331	37	368	972
Telephone	4,516	502	5,018	5,041
Travel	812	90	902	527
Utilities	<u>4,297</u>	<u>477</u>	<u>4,774</u>	<u>7,264</u>
Total expenses before depreciation	1,366,602	22,153	1,388,755	1,270,637
Depreciation	<u>1,271</u>	<u>141</u>	<u>1,412</u>	<u>1,614</u>
Total expenses	<u>\$ 1,367,873</u>	<u>\$ 22,294</u>	<u>\$ 1,390,167</u>	<u>\$ 1,272,251</u>

See notes to financial statements

**OZANAM CHARITABLE PHARMACY, INC.**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30, 2011 and 2010**

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	\$ (58,099)	\$ 4,985
Adjustments to reconcile change in net assets to net cash (used) provided for operating activities:		
Depreciation	1,412	1,614
Donated equipment	(500)	-
Net realized gain on investments	(89)	(126)
(Increase) decrease in:		
Grants receivable	639	24,912
Inventory	7,656	21,479
Prepaid expenses	1,958	(7,255)
	(47,023)	45,609
Net cash (used) provided by operating activities		
Cash flows from investing activities:		
Purchase of fixed assets	(1,622)	-
Distributions from investment account	50,000	-
Purchase of investments	-	(30,000)
	48,378	(30,000)
Net cash provided (used) by investing activities		
Net increase in cash	1,355	15,609
Cash, beginning of year	28,087	12,478
Cash, end of year	\$ 29,442	\$ 28,087

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 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 unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

For purposes of the statement of cash flows, the Organization considers all unrestricted cash and other highly liquid investments with initial maturities 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 approximate the true value of inventory.

#### **Accounts 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 principals. Therefore, no allowance for uncollectible accounts is recorded.

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

### **Investments**

Investments consist of money market funds.

### **Property and equipment**

Property and equipment is stated at cost. The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$200. 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, 2011 or September 30, 2010.

### **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.

### **Functional expenses**

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **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, 2010, from which the summarized information was derived.

### **Subsequent events**

The Organization has evaluated subsequent events through November 11, 2011, 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:

	Cost	2011 Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 212,061	\$ 212,061	\$ -
Total	\$ 212,061	\$ 212,061	\$ -

	Cost	2010 Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 261,972	\$ 261,972	\$ -
Total	\$ 261,972	\$ 261,972	\$ -

	2011	2010
Interest and dividend income	\$ 89	\$ 126
Realized gains (losses)	-	-
Unrealized gains (losses)	-	-
Administrative fees	-	-
Total	\$ 89	\$ 126

## 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.

Also, the estimated value of the facility in which the Organization operates is recorded as support and as rental expense in the amount of \$12,000 and \$9,600 for the years ended September 30, 2011 and 2010, respectively.

**Donated Materials, Facility, and Services (continued)**

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

		<u>2011</u>	
	<u>No. of Hours</u>	Hourly Rate	Estimated Value of Services
Pharmacists	600	57.30	\$ 34,380
Pharmacy interns	1000	23.35	23,350
Technicians	2,640	15.00	39,600
Licensed case screener	450	25.00	11,250
Pre Pharmacy students	69	7.25	500
			<u>\$ 109,080</u>
		<u>2010</u>	
	<u>No. of Hours</u>	Hourly Rate	Estimated Value of Services
Pharmacists	114	60.00	\$ 6,840
Pharmacy interns	400	25.00	10,000
Technicians	2,799	10.50	29,390
Licensed case screener	2,200	8.65	19,030
Pre Pharmacy students	69	7.25	500
			<u>\$ 65,760</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.

## Fair Value Measurements

Fair value of assets measured on a recurring basis at September 30, 2011 and 2010 are as follows:

	Fair Value Measurement at Reporting Date Using Quoted Prices In Active Markets for Identical Assets (Level 1)	
	<u>Fair Value</u>	
September 30, 2011		
Short term investments:	<u>\$ 212,061</u>	<u>\$ 212,061</u>
Total	<u>\$ 212,061</u>	<u>\$ 212,061</u>
September 30, 2010		
Short term investments:	<u>\$ 261,972</u>	<u>\$ 261,972</u>
Total	<u>\$ 261,972</u>	<u>\$ 261,972</u>

Fair values for short-term investments are determined by reference to quoted market prices and other relevant information generated by market transactions.