

Charitable Pharmacy of Central Ohio

Financial Statements

December 31, 2019 and 2018

(with Independent Auditors' Report)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Charitable Pharmacy of Central Ohio
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Charitable Pharmacy of Central Ohio, a not-for-profit organization (the Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charitable Pharmacy of Central Ohio as of December 31, 2019 and 2018, 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.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
September 10, 2020

Charitable Pharmacy of Central Ohio
 Statements of Financial Position
 December 31, 2019 and 2018

Assets

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 740,783	444,110
Accounts receivable	10,038	3,825
Pledges and grants receivable	64,932	58,630
Inventory	<u>810,977</u>	<u>1,185,386</u>
Total current assets	<u>1,626,730</u>	<u>1,691,951</u>
Property and equipment:		
Website	3,095	3,095
Furniture and fixtures	42,382	22,641
Buildings and improvements	6,000	-
Less accumulated depreciation	<u>(25,115)</u>	<u>(20,036)</u>
Total property and equipment	<u>26,362</u>	<u>5,700</u>
Total assets	\$ <u>1,653,092</u>	<u>1,697,651</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 56,868	23,612
Accrued expenses	<u>28,633</u>	<u>12,401</u>
Total liabilities	<u>85,501</u>	<u>36,013</u>
Net assets:		
Without donor restrictions	1,333,591	1,585,621
With donor restrictions	<u>234,000</u>	<u>76,017</u>
Total net assets	<u>1,567,591</u>	<u>1,661,638</u>
Total liabilities and net assets	\$ <u>1,653,092</u>	<u>1,697,651</u>

See accompanying notes to the financial statements.

Charitable Pharmacy of Central Ohio
Statements of Activities
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Changes in net assets without donor restrictions:		
Revenues:		
Grants and contributions	\$ 962,213	814,969
Sales revenue	443,287	197,854
Contributed services	271,013	248,818
Contributed inventory	6,753,215	2,642,376
Investment income	<u>412</u>	<u>310</u>
Total revenues	8,430,140	3,904,327
Net assets released from restrictions	<u>82,017</u>	<u>22,500</u>
Total revenue without donor restrictions	<u>8,512,157</u>	<u>3,926,827</u>
Expenses:		
Program services - pharmacy	8,523,588	3,765,857
Support Services:		
Management and general	139,529	114,804
Fundraising	<u>101,070</u>	<u>81,350</u>
Total expenses	<u>8,764,187</u>	<u>3,962,011</u>
Change in net assets without donor restrictions	<u>(252,030)</u>	<u>(35,184)</u>
Changes in net assets with donor restrictions:		
Grants and contributions	240,000	76,017
Net assets released from restrictions	<u>(82,017)</u>	<u>(22,500)</u>
Change in net assets with donor restrictions	<u>157,983</u>	<u>53,517</u>
Change in net assets	(94,047)	18,333
Net assets - beginning of year	<u>1,661,638</u>	<u>1,643,305</u>
Net assets - end of year	\$ <u>1,567,591</u>	<u>1,661,638</u>

See accompanying notes to the financial statements.

Charitable Pharmacy of Central Ohio
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	Support Services		Total
	Pharmacy	Management and General	Fundraising	
Pharmaceutical supplies	\$ 7,720,614	-	-	7,720,614
Office supplies	23,480	-	-	23,480
Insurance	-	13,931	-	13,931
Travel and meetings	17,707	-	-	17,707
Facility rental	15,240	-	-	15,240
Payroll	434,342	96,775	90,726	621,843
Professional services	297,533	26,843	-	324,376
Development	335	-	8,585	8,920
Utilities	9,258	1,876	1,759	12,893
Depreciation	5,079	-	-	5,079
Interest	-	43	-	43
Other	-	61	-	61
	\$ 8,523,588	139,529	101,070	8,764,187

See accompanying notes to the financial statements.

Charitable Pharmacy of Central Ohio
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Support Services		Total
	Pharmacy	Management and General	Fundraising	
Pharmaceutical supplies	\$ 3,070,367	-	-	3,070,367
Office supplies	40,169	-	17	40,186
Insurance	-	6,886	-	6,886
Travel and meetings	4,807	-	-	4,807
Facility rental	16,372	-	-	16,372
Payroll	340,135	74,930	70,247	485,312
Professional services	280,569	30,920	-	311,489
Development	305	-	9,335	9,640
Utilities	8,054	1,867	1,751	11,672
Depreciation	5,079	-	-	5,079
Interest	-	47	-	47
Other	-	154	-	154
	\$ 3,765,857	114,804	81,350	3,962,011

See accompanying notes to the financial statements.

Charitable Pharmacy of Central Ohio
 Statements of Cash Flows
 Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (94,047)	18,333
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	5,079	5,079
Contributions restricted for capital purposes	(189,000)	-
Effects of changes in operating assets and liabilities:		
Accounts receivable	(6,213)	-
Pledges and grants receivable	(6,302)	(24,105)
Inventory	374,409	140,827
Accounts payable	33,256	3,030
Accrued expenses	<u>16,232</u>	<u>4,920</u>
Net cash from operating activities	<u>133,414</u>	<u>148,084</u>
Cash flows from investing activities -		
Purchases of property and equipment	<u>(25,741)</u>	<u>-</u>
Cash flows from financing activities:		
Capital contributions	<u>189,000</u>	<u>-</u>
Net change in cash and cash equivalents	296,673	148,084
Cash and cash equivalents - beginning of year	<u>444,110</u>	<u>296,026</u>
Cash and cash equivalents - end of year	\$ <u><u>740,783</u></u>	<u><u>444,110</u></u>

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Charitable Pharmacy of Central Ohio (the Organization) are set forth to facilitate the understanding of data presented in the financial statements.

Nature of operations

Charitable Pharmacy of Central Ohio is a not-for-profit organization that improves access to affordable prescription drugs for uninsured and underinsured individuals and increases the number of affordable prescription drugs available to vulnerable populations in Central Ohio. The vision of Charitable Pharmacy of Central Ohio is that all people have affordable and sustainable prescription medications and pharmacy services that optimize health in Central Ohio.

Purchased inventory

Purchased inventories consist of medications and are stated at the lower of cost or market value under the first-in first-out method.

Donated inventory

Donated inventory includes samples donated by physicians and prescription medication donated by nursing homes, long term care pharmacies, and wholesalers under Karon's Law. Donated inventory is recorded as a contribution when received. The donated inventory value is estimated based on the Average Wholesale Price of each drug. Due to using Average Wholesale Price there will be fluctuations in inventory assets, revenues and expenses from year to year based on changes in Average Wholesale Price.

Related entity

The Trustees of the West Ohio Conference of The United Methodist Church (the Trustees) are the sole member of the Organization. The Trustees have the power to elect the Organization's Board of Directors, upon nomination of the Organization and to approve certain amendments to the Code of Regulations and to approve the dissolution of the Organization.

Cash and cash equivalents

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

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on a time study.

Income tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been classified as an organization other than a private foundation under Section 509(a)(2).

Pledges and grants receivable

Unconditional pledges and grants receivable are recognized as revenues or gains in the period received. Conditional pledges and grants receivable are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. All such items are due within one year. The Organization evaluates the collectability of pledges and grants receivable based on historical collection information. Based on this information, the Organization expects all pledges and grants receivable to be paid, therefore there is no allowance for doubtful accounts.

Accounts receivable

The Organization records accounts receivable for amounts billed to third-parties for prescriptions dispensed, but not paid as of the end of the year. The Organization expects all amounts billed to third-parties to be 100% collectible, therefore there is no allowance for doubtful accounts.

Property and equipment

Property and equipment are stated at cost or fair value if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures that materially increase values or extend useful lives are capitalized. Routine maintenance and repairs are charged to expense as incurred. The cost of assets sold or retired and the related accumulated depreciation are eliminated from the accounts in the year of disposal, with any gain or loss from disposals included in income.

Deferred revenue

Deferred revenue is recorded for grants where money is received up front but the revenue is not earned by the Organization until expenses are incurred. The Organization had no deferred revenue as of December 31, 2019 and 2018.

Basis of presentation

The financial statements of the Organization have been prepared in accordance with GAAP, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and governing board.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will likely be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Subsequent events

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through September 10, 2020, the date on which the financial statements were available to be issued.

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Organization. The impact on the Organization's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

2. CONCENTRATIONS OF CREDIT RISK:

The Organization maintains its cash in deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

As of December 31, 2019, 100% of the pledges and grants receivables were due from one contributor and approximately 76% of the revenues were received from two contributors. As of December 31, 2018, 100% of the pledges and grants receivables were due from two contributors and approximately 74% of the revenues were received from two contributors.

3. CONTRIBUTED SERVICES:

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Contributed services were recorded in 2019 and 2018 for pharmacy services provided by licensed pharmacists, certified pharmacy technicians, and advanced interns.

4. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consisting of \$234,000, as of December 31, 2019. \$45,000 is restricted by one external donor, which is restricted by time and will be released from restriction when received during 2020, while the remaining \$189,000 is restricted by various donors for a capital campaign. Net assets with donor restrictions consisting of \$76,017, as of December 31, 2018, are restricted by two external donors, which are all restricted temporarily and were released from restriction as the assets were received during 2019.

5. LIQUIDITY DISCLOSURES:

The Organization is substantially supported by contributions, some of which come with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Charitable Pharmacy of Central Ohio
Notes to the Financial Statements
December 31, 2019 and 2018

The following table presents the financial assets available to meet cash needs for general expenditures within one year of December 31, 2019 and 2018:

Financial assets:	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 740,783	\$ 444,110
Accounts receivable	10,038	3,825
Pledges and grants receivable	<u>64,932</u>	<u>58,630</u>
Financial assets available at year-end	815,753	506,565
Less those unavailable for general expenditures within one year due to:		
Restrictions by donor with time or purpose restriction	<u>234,000</u>	<u>76,017</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 581,753</u>	<u>\$ 430,548</u>