

THE CATOCTIN FOUNDATION, INC.  
DBA:  
LOUDOUN FREE CLINIC

AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020

DUNHAM, AUKAMP & RHODES, PLC  
Certified Public Accountants  
Chantilly, Virginia

**THE CATOCTIN FOUNDATION, INC.**  
**DBA:**  
**LOUDOUN FREE CLINIC**

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# **Dunham, Aukamp & Rhodes, PLC**

*Certified Public Accountants*

4437 Brookfield Corporate Dr., Suite 205-D  
Chantilly, VA 20151

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Catoctin Foundation, Inc.  
DBA: Loudoun Free Clinic

We have audited the accompanying financial statements of The Catoctin Foundation, Inc., DBA: Loudoun Free Clinic (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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 auditor considers 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 that 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 The Catocin Foundation, Inc., DBA: Loudoun Free Clinic as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Dunham, Aukamp + Rhodes, PLLC*

Certified Public Accountants  
Chantilly, Virginia

May 31, 2021

**THE CATOCTIN FOUNDATION, INC.**

**DBA:**

**LOUDOUN FREE CLINIC**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2020**

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 438,772
Contributions receivable	174,710
Prepaid expenses	4,905
Total Current Assets	<u>618,387</u>
Property and Equipment	
Office and medical equipment	168,033
Less: Accumulated depreciation	<u>(124,399)</u>
Total Property and Equipment	<u>43,634</u>
Total Assets	<u><u>\$ 662,021</u></u>

**LIABILITIES AND NET ASSETS**

Current Liabilities	
Accounts payable	\$ 5,781
Accrued payroll liability	24,152
Accrued leave	23,322
CARES Act PPP loan payable (Note 8)	140,500
Total Current Liabilities	<u>193,755</u>
Net Assets	
Without donor restrictions	368,075
With donor restrictions	100,191
Total Net Assets	<u>468,266</u>
Total Liabilities and Net Assets	<u><u>\$ 662,021</u></u>

**THE CATOCTIN FOUNDATION, INC.**

**DBA:**

**LOUDOUN FREE CLINIC**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2020**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributed goods and services	\$1,433,073	\$ -	\$ 1,433,073
Donations	340,338	139,371	479,709
Local grants	279,485	150,000	429,485
Gala event, net of expenses of \$19,978	44,526	-	44,526
Interest income	4,756	-	4,756
Loss on disposal of equipment	(860)	-	(860)
Net assets released from restriction:			
Satisfaction of grant restriction	<u>255,681</u>	<u>(255,681)</u>	<u>-</u>
Total Revenues and Support	<u>2,356,999</u>	<u>33,690</u>	<u>2,390,689</u>
Expenses			
Program services	2,096,703	-	2,096,703
Management and general	188,769	-	188,769
Fundraising	<u>45,818</u>	<u>-</u>	<u>45,818</u>
Total Expenses	<u>2,331,290</u>	<u>-</u>	<u>2,331,290</u>
Change in Net Assets	25,709	33,690	59,399
Net Assets at Beginning of Year	<u>342,366</u>	<u>66,501</u>	<u>408,867</u>
Net Assets at End of Year	<u>\$ 368,075</u>	<u>\$ 100,191</u>	<u>\$ 468,266</u>

**THE CATOCTIN FOUNDATION, INC.**

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**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended June 30, 2020**

	Program Services	Support Services		Total Support	Total
		Management and General	Fundraising		
Medical services	\$ 1,219,221	\$ -	\$ -	\$ -	\$ 1,219,221
Salaries and benefits	597,790	119,632	20,591	140,223	738,013
Rent	188,354	15,331	15,331	30,662	219,016
Consultants	14,448	12,017	2,889	14,906	29,354
Depreciation	11,997	6,181	-	6,181	18,178
Recruiting	7,020	7,020	-	7,020	14,040
Pharmaceutical expense	12,409	-	-	-	12,409
Insurance	12,024	-	-	-	12,024
VAFCC management fee	-	10,679	-	10,679	10,679
Equipment	9,952	-	-	-	9,952
General office	1,492	5,967	-	5,967	7,459
Marketing	7,278	-	-	-	7,278
Medical supplies	7,246	-	-	-	7,246
Development expense	-	-	7,007	7,007	7,007
Volunteer	-	4,569	-	4,569	4,569
Payroll processing	-	3,599	-	3,599	3,599
Office supplies	2,040	1,360	-	1,360	3,400
Postage	2,755	-	-	-	2,755
Books and subscriptions	1,719	-	-	-	1,719
Travel and meetings	-	1,343	-	1,343	1,343
Bank fees	-	950	-	950	950
Printing	843	-	-	-	843
Board of directors	-	121	-	121	121
Taxes and licenses	115	-	-	-	115
<b>Total Expenses</b>	<b>\$ 2,096,703</b>	<b>\$ 188,769</b>	<b>\$ 45,818</b>	<b>\$ 234,587</b>	<b>\$ 2,331,290</b>

**THE CATOCTIN FOUNDATION, INC.**

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**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2020**

Cash Flows from Operating Activities	
Change in net assets	\$ 59,399
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	18,178
Loss on disposal of equipment	860
Changes in operating assets and liabilities:	
Increase in contributions receivable	(2,821)
Increase in prepaid expenses	(809)
Decrease in accounts payable	(6,215)
Increase in accrued payroll liability	694
Increase in accrued leave	10,124
	<u>79,410</u>
Net cash provided by operating activities	
	<u>79,410</u>
Cash Flows from Financing Activities	
Proceeds from CARES Act PPP loan payable	<u>140,500</u>
Net cash provided by financing activities	<u>140,500</u>
Change in cash and cash equivalents	219,910
Cash and cash equivalents, beginning of year	<u>218,862</u>
Cash and cash equivalents, end of year	<u><u>\$ 438,772</u></u>



**THE CATOCTIN FOUNDATION, INC.**  
**DBA:**  
**LOUDOUN FREE CLINIC**

**NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – Organization and Significant Accounting Policies

The Catoctin Foundation, Inc., DBA: Loudoun Free Clinic (Clinic) was incorporated under the laws of the Commonwealth of Virginia on May 5, 1998. The Clinic operates to provide healthcare services to the uninsured and low income residents of Loudoun County. The Clinic is staffed by a group of volunteer administrative and healthcare workers. These volunteers are organized and coordinated by the Executive Director and administrative employees. The Clinic's primary sources of funds are from contributions from the local hospital, county government, foundations, corporations and individuals.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

- a) Basis of Accounting – The Clinic prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.
- b) Basis of Presentation – The Clinic is required to report information regarding its financial position and activities according to two classes of net assets as follows:
  - Without Donor Restrictions – represents resources which have met applicable award restrictions and/or resources generated by sources other than from the award.
  - With Donor Restrictions – represents resources recognized as restricted support until such a time when all associated restrictions have been met or contains a stipulation that permanently restricted the use of such funds but allows earnings from the funds to be used in a certain manner prescribed by the donor. As of June 30, 2020, the Clinic had \$100,191 in net assets with donor restrictions.
- c) Revenue and Support Recognition – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Clinic reports gifts of cash and other assets as restricted support if they are received with donor restrictions that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are to be reclassified to net assets without donor restrictions and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

- d) Cash and Cash Equivalents – The Clinic considers substantially all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

**THE CATOCTIN FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

NOTE 1 – Organization and Significant Accounting Policies (Continued)

- e) Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- f) Contributions Receivable – The Clinic solicits pledges and grants from individuals, corporations, foundations, local businesses and Federal and State governmental entities. Given the nature of the underlying funding documents, the Clinic’s current pledges and grants are accounted for as conditional promises-to-give where by revenue is recognized as the grantor’s conditions are met and/or as allowable costs are incurred. Depending upon the funding status as of the end of the reporting period, the clinic may reflect a grant receivable or deferred grant revenue based upon an analysis of cost incurred to draws received and the continued availability of the grant funding.

Due to the nature of the pledges and grants, and given the amount that is expected to be collected by the Clinic, as of June 30, 2020, contributions receivable are reported net of a reserve for doubtful accounts of \$-0-.

- g) Property and Equipment – Property and equipment are recorded at cost for purchased items with an initial cost exceeding \$1,000 and market value at the date of gift for donated items. Expenditures for maintenance and repairs are charged against income as incurred; betterments, which increase the value or materially extend the life of the related assets, are capitalized.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2020 was \$18,178. The estimated useful life of property and equipment ranges from 3 to 10 years.

- h) Donated Goods – Donated materials, equipment and other assets are reflected as contributions in the accompanying financial statements at their estimated fair market values at the date of the gift.
- i) Income Tax – The Clinic has been granted tax exempt status under the Internal Revenue Code Section 501(c)(3) on all income other than unrelated business income. Accordingly, no provision for income tax has been provided in the accompanying financial statements. The Clinic has been classified as an organization that is not a private foundation.
- j) Concentration of Credit Risk – The Clinic occasionally maintains deposits in excess of federally insured limits. These items are identified as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions. The Clinic has not experienced any losses on its cash accounts.
- k) Uncertain Tax Positions – As of June 30, 2020, the Clinic has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The tax years subject to examination by the taxing authorities are the years ended June 30, 2017 through 2019.

**THE CATOCTIN FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

NOTE 1 – Organization and Significant Accounting Policies (Continued)

- l) Recently Issued Accounting Standards – In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaced most existing revenue recognition guidance in U.S. GAAP when it became effective and permitted the use of either a full retrospective or retrospective with cumulative effect transition method. The Clinic implemented this standard in the current fiscal year with no significant effect on financial reporting.

In 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Clinic is currently evaluating the impact of their pending adoption of the new standard on its financial statements.

In June 2018, the FASB issued Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958)*, which clarifies the scope and the accounting guidance for contributions received and contributions made. Specifically, the update assists entities in determining whether a transaction should be accounted for as a contribution or an exchange transaction. If a transaction is accounted for as a contribution, guidance in Subtopic 958-605 should be followed. Additionally, the update assists entities in determining whether a contribution is conditional. ASU 2018-08 is effective for contributions received by the Clinic for its year ended June 30, 2021. Early adoption is permitted. The Clinic is currently evaluation the impact that the adoption of Topic 958 will have on its financial statements.

- m) Advertising Costs – Advertising costs are expensed when incurred. Advertising expense for the year ended June 30, 2020, was \$859.

NOTE 2 – SIMPLE IRA Retirement Plan

The Clinic sponsors a SIMPLE IRA retirement plan in accordance with section 408(p) of the Internal Revenue Code. The Clinic may make elective contributions equal to 3% of compensation for the calendar year to the SIMPLE IRA. For the fiscal year ending June 30, 2020, the Clinic made contributions totaling \$11,648.

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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

NOTE 3 – Functional Allocation of Expenses

The Clinic’s operating costs have been allocated between program, management and general, and fundraising expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. Expenditures that require allocation are allocated on either a personnel-cost or square-footage basis, whichever is more reasonable for the expenditure.

NOTE 4 – Economic Dependency

The Clinic receives support from Inova Loudoun Hospital, both financially and through an in-kind lease of the Clinic’s operating and office space. Total support for the fiscal year ended June 30, 2020, was \$447,902. Any interruption in this level of support would have an effect on the Clinic’s programs and activities.

NOTE 5 – Net Assets with Donor Restrictions

Net assets with donor restrictions include donor restricted funds which are available for various purposes. As of June 30, 2020, net assets with donor restrictions are available for the following activities:

Sterling Foundation	\$ 26,864
INOVA	22,234
NAFCC/Direct Relief	19,267
Community Foundation	19,000
VAFCC	11,291
Mary Tett Memorial Scholarship	<u>1,535</u>
Total Net Assets with Donor Restrictions	<u>\$100,191</u>

Net assets were released from donor restrictions by incurring expenses, satisfying the purpose or time restrictions specified by donors as follows:

Sterling Foundation	\$112,625
INOVA	77,766
VAFCC	37,314
Kaiser All Phase	10,798
Community Foundation	6,000
NAFCC/Direct Relief	5,733
EMR Implementation	<u>5,445</u>
Total	<u>\$255,681</u>

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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

NOTE 6 – Donated Supplies

The pharmaceutical suppliers for the Clinic donated pharmaceuticals to be used in the Prescription Assistance Program in the approximate amount of \$922,613. This value was determined by estimating what the cost to the Clinic would have been if it had purchased the inventory. Direct Relief donated medical and hygiene supplies to be used by the Clinic’s patients or other non-profit organizations in the area. Direct Relief valued these supplies at \$17,438. Since the Clinic merely acts as an agent for the pharmaceutical companies and Direct Relief by passing the medication and medical and hygiene supplies through to its intended beneficiaries, the donation, distribution and resulting inventories of the pharmaceuticals and medical and hygiene supplies are not reflected in these financial statements.

Since the Clinic merely acts as an agent for the pharmaceutical companies by passing the medication through to its intended beneficiaries, the donation, distribution and resulting inventories of the pharmaceuticals are not reflected in these financial statements.

NOTE 7 – Liquidity and Availability of Financial Assets

The Clinic has \$513,291 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. The Clinic monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Clinic has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, not including contributed medical services. On average, 60 days of normal operating expenses are approximately \$150,000. The Clinic has the following financial assets that could readily be made available within one year of the statement of financial position date to fund expenses without limitations:

Cash and cash equivalents	\$438,772
Contributions receivable	<u>174,710</u>
Total	613,482
Less amount not available to be used within one year:	
Net assets with donor restrictions	<u>100,191</u>
Total Financial Assets Available to Use for General Expenditures Within One Year	<u>\$513,291</u>

NOTE 8 – CARES Act PPP Loan Payable

In April 2020, the Clinic received a CARES Act Paycheck Protection Program (PPP) Loan of \$140,500 to be paid over 14 months at an interest rate of 1.0%, with monthly payments of \$7,907 scheduled to begin on March 14, 2021. Based on certain performance requirements under the PPP issued as part of the CARES Act, the Clinic is eligible for the loan to be forgiven.

**THE CATOCTIN FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
(Concluded)

NOTE 9 – Contributed Goods and Services

Contributed services are reported in the financial statements for voluntary donations of services when those services: (1) Create or enhance non-financial assets; or (2) Require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by donation. For the year ended June 30, 2020, \$66,514 of contributed services was recorded, which represents 596 hours contributed by licensed physicians, pharmacists, social workers and nurses and 167 hours contributed by interpreters.

For the year ended June 30, 2020, the Clinic was able to obtain free radiology and lab services from various professional organizations in the amount of \$1,148,657.

NOTE 10 – Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact the Clinic's grants, contributions and net income. Other financial impact could occur though such potential impact is unknown at this time.

NOTE 11 – Lease Commitments

The Clinic has an oral month-to-month operating lease for clinic and office space from Inova Loudoun Hospital at no cost. \$217,902 has been recognized as an in-kind contribution and rent expense for the estimated fair market value of the lease for the year ended June 30, 2020.

The Clinic has an operating lease for the Clinic's copier that expires in August 2021. The lease requires a monthly payment of \$243. Copier lease expense for the year ended June 30, 2020 was \$2,927.

At June 30, 2020, total minimum lease commitments for the year ending June 30, 2021 of \$486 were due.

NOTE 12 – Evaluation of Subsequent Events

On March 12, 2021, the Clinic's CARES Act Paycheck Protection Program (PPP) Loan was forgiven, and will be recognized as grant income for the year ended June 30, 2021.

On March 17, 2021, the Clinic received a CARES Act Paycheck Protection Program (PPP) Loan of \$129,893 at an interest rate of 1.0%, with monthly payments to begin on February 17, 2022, and the note matures on March 17, 2026. Based on certain performance requirements under the PPP issued as part of the CARES Act, the Clinic is eligible for the loan to be forgiven.

The Clinic's management has evaluated subsequent events through May 31, 2021, the date which the financial statements were available to be issued.