

THE CATOCTIN FOUNDATION, INC.
DBA:
LOUDOUN FREE CLINIC

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Catoctin Foundation, Inc., DBA: Loudoun Free Clinic as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Catoctin Foundation, Inc., DBA: Loudoun Free Clinic and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 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 aggregate, that raise substantial doubt about The Catoctin Foundation, Inc., DBA: Loudoun Free Clinic'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

Our objectives are 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 our 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, including omissions, 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, we:

- 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 of the effectiveness of The Catocin Foundation, Inc., DBA: Loudoun Free Clinic'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Catocin Foundation, Inc., DBA: Loudoun Free Clinic's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Dunham, Aukamp & Rhodes, PLLC

Certified Public Accountants
Chantilly, Virginia

June 9, 2023

THE CATOCTIN FOUNDATION, INC.

DBA:

LOUDOUN FREE CLINIC

STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

Current Assets	
Cash and cash equivalents	\$ 988,635
Contributions receivable	58,114
Prepaid expenses	14,041
Total Current Assets	<u>1,060,790</u>
Property and Equipment	
Office and medical equipment	343,578
Less: Accumulated depreciation	<u>(163,944)</u>
Total Property and Equipment	<u>179,634</u>
Total Assets	<u>\$ 1,240,424</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 125,637
Accrued payroll liability	14,142
Accrued leave	36,482
Total Current Liabilities	<u>176,261</u>
Net Assets	
Without donor restrictions	899,939
With donor restrictions	164,224
Total Net Assets	<u>1,064,163</u>
Total Liabilities and Net Assets	<u>\$ 1,240,424</u>

THE CATOCTIN FOUNDATION, INC.

DBA:

LOUDOUN FREE CLINIC

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributed goods and services	\$1,920,494	\$ -	\$ 1,920,494
Local grants	539,688	60,000	599,688
Donations	364,561	-	364,561
Gala event, net of expenses of \$5,914	20,331	-	20,331
Interest income	3,658	-	3,658
Net assets released from restriction:			
Satisfaction of grant restriction	<u>161,870</u>	<u>(161,870)</u>	<u>-</u>
Total Revenues and Support	<u>3,010,602</u>	<u>(101,870)</u>	<u>2,908,732</u>
Expenses			
Program services	2,576,937	-	2,576,937
Management and general	267,761	-	267,761
Fundraising	<u>94,949</u>	<u>-</u>	<u>94,949</u>
Total Expenses	<u>2,939,647</u>	<u>-</u>	<u>2,939,647</u>
Change in Net Assets from Operations	70,955	(101,870)	(30,915)
Other income			
CARES Act loan forgiveness - Note 5	<u>129,893</u>	<u>-</u>	<u>129,893</u>
Change in Net Assets	200,848	(101,870)	98,978
Net Assets at Beginning of Year	<u>699,091</u>	<u>266,094</u>	<u>965,185</u>
Net Assets at End of Year	<u>\$ 899,939</u>	<u>\$ 164,224</u>	<u>\$ 1,064,163</u>

THE CATOCTIN FOUNDATION, INC.

DBA:

LOUDOUN FREE CLINIC

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Program Services	Support Services			Total
		Management and General	Fundraising	Total Support Services	
Medical services	\$ 1,689,309	\$ -	\$ -	\$ -	\$ 1,689,309
Salaries and benefits	622,616	198,301	67,363	265,664	888,280
Rent	198,819	16,183	16,183	32,366	231,185
Depreciation	15,314	7,889	-	7,889	23,203
Consultants	9,977	7,982	1,995	9,977	19,954
VAFCC management fee	-	14,911	-	14,911	14,911
Insurance	10,719	-	-	-	10,719
Development expense	-	-	8,852	8,852	8,852
Equipment	6,858	-	-	-	6,858
Accounting	-	6,660	-	6,660	6,660
Books and subscriptions	5,018	-	-	-	5,018
Pharmaceutical expense	4,790	-	-	-	4,790
Miscellaneous	-	4,253	-	4,253	4,253
Payroll processing	-	3,648	-	3,648	3,648
General office	703	2,814	-	2,814	3,517
Medical supplies	3,217	-	-	-	3,217
Translation	3,078	-	-	-	3,078
Postage	2,032	-	-	-	2,032
Recruiting	908	907	-	907	1,815
Travel and meetings	-	1,448	-	1,448	1,448
Office supplies	788	525	-	525	1,313
Taxes and licenses	915	-	-	-	915
Bank fees	-	977	-	977	977
Annual report	-	907	-	907	907
Printing	863	-	-	-	863
Training	699	-	-	-	699
Fundraising	-	-	556	556	556
Volunteer	-	356	-	356	356
Marketing	314	-	-	-	314
Total Expenses	\$ 2,576,937	\$ 267,761	\$ 94,949	\$ 362,710	\$ 2,939,647

The accompanying notes are an integral part of these financial statements.

THE CATOCTIN FOUNDATION, INC.

DBA:

LOUDOUN FREE CLINIC

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022

Cash Flows from Operating Activities	
Change in net assets	\$ 98,978
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	23,203
CARES Act PPP loan forgiveness	(129,893)
Changes in operating assets and liabilities:	
Increase in contributions receivable	(2,398)
Increase in prepaid expenses	(1,235)
Increase in accounts payable	118,574
Decrease in accrued payroll liability	(26,709)
Decrease in accrued leave	(241)
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Net cash provided by operating activities	80,279
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Cash Flows from Investing Activities	
Purchase of equipment	(147,026)
	<hr/>
Net cash used in investing activities	(147,026)
	<hr/>
Change in cash and cash equivalents	(66,747)
Cash and cash equivalents, beginning of year	1,055,382
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Cash and cash equivalents, end of year	\$ 988,635
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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’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, 2022, the Clinic had \$164,224 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.
DBA:
LOUDOUN FREE CLINIC

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, 2022, 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, 2022 was \$23,203. 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 has a risk of maintaining 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, 2022, 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, 2019 through 2021.

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

NOTE 1 – Organization and Significant Accounting Policies (Continued)

- l) Recently Issued Accounting Standards – In 2016, the Financial Accounting Standards Board (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.

- m) Advertising Costs – Advertising costs are expensed when incurred.

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, 2022, the Clinic made contributions totaling \$17,068.

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, 2022, was \$456,185. Any interruption in this level of support would have an effect on the Clinic's programs and activities.

NOTE 5 – CARES Act PPP Loan

In March 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. On September 1, 2021, the Clinic received forgiveness for its CARES Act Paycheck Protection Program (PPP) Loan, and the funds were recognized as grant income for the year ended June 30, 2022.

THE CATOCTIN FOUNDATION, INC.
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LOUDOUN FREE CLINIC

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions include donor restricted funds which are available for various purposes. As of June 30, 2022, net assets with donor restrictions are available for the following activities:

Clinic Renovations	\$102,974
Claude Moore Foundation	60,000
VAFCC-SEO	<u>1,250</u>
Total Net Assets with Donor Restrictions	<u>\$164,224</u>

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

Clinic Renovations	\$147,026
VAFCC-Outreach	6,059
VAFCC-SEO	3,750
Event Sponsorship	3,500
Mary Tett Memorial Scholarship	<u>1,535</u>
Total Net Assets with Donor Restrictions	<u>\$161,870</u>

NOTE 7 – Donated Supplies

The pharmaceutical suppliers for the Clinic donated pharmaceuticals to be used in the Prescription Assistance Program in the approximate amount of \$1,155,312. 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 \$2,568. 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.

NOTE 8 – 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, 2022, \$54,371 of contributed services was recorded, which represents 622 hours contributed by licensed physicians, pharmacists, social workers and nurses and 6 hours contributed by interpreters.

For the year ended June 30, 2022, the Clinic was able to obtain free radiology and lab services from various professional organizations in the amount of \$1,634,938.

THE CATOCTIN FOUNDATION, INC.
DBA:
LOUDOUN FREE CLINIC

NOTES TO FINANCIAL STATEMENTS
(Concluded)

NOTE 9 – Liquidity and Availability of Financial Assets

The Clinic has \$882,525 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. 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 \$169,000. 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	\$988,635
Contributions receivable	58,114
Less: net assets with donor restriction	<u>(164,224)</u>
Net assets available within one year	<u>\$882,525</u>

NOTE 10 – Lease Commitments

The Clinic leases clinic and office space from Inova Health Care Services at no cost through a five year operating lease which expires in December 2025. \$231,185 has been recognized as an in-kind contribution and rent expense for the estimated fair market value of the leased space for the year ended June 30, 2022.

The Clinic has an operating lease for the clinic’s copier that expires in June 2025. The lease requires a monthly payment of \$239. Copier lease expense for the year ended June 30, 2022 was \$2,873.

The total minimum lease commitments at June 30, 2022, are due as follows:

For the years ending June 30,

2023	\$2,872
2024	2,872
2025	<u>2,872</u>
Total	<u>\$8,616</u>

NOTE 11 – Evaluation of Subsequent Events

The Clinic’s management has evaluated subsequent events through June 9, 2023, the date which the financial statements were available to be issued.