

THE CATOCTIN FOUNDATION, INC.
DBA:
LOUDOUN FREE CLINIC

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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

4443 Brookfield Corporate Drive, Suite 110
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, 2023, 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, 2023, 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 Catoctin 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 Catoctin 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.



Certified Public Accountants
Chantilly, Virginia

March 14, 2024

THE CATOCTIN FOUNDATION, INC.

DBA:

LOUDOUN FREE CLINIC

STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS

Current Assets	
Cash and cash equivalents	\$ 745,845
Contributions receivable	108,454
Prepaid expenses	17,143
Total Current Assets	<u>871,442</u>
Property and Equipment	
Office and medical equipment	196,551
Leasehold improvements	341,517
Less: Accumulated depreciation and amortization	(208,725)
Total Property and Equipment	<u>329,343</u>
Other Assets	
Right of use asset	5,650
Total Other Assets	<u>5,650</u>
Total Assets	<u>\$ 1,206,435</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 10,459
Accrued payroll liability	10,829
Accrued leave	35,203
Revenue deferral	1,116
Capital lease, current portion	2,873
Total Current Liabilities	<u>60,480</u>
Long-Term Liabilities	
Capital lease, net of current portion	2,777
Total Liabilities	<u>63,257</u>
Net Assets	
Without donor restrictions	1,079,178
With donor restrictions	64,000
Total Net Assets	<u>1,143,178</u>
Total Liabilities and Net Assets	<u>\$ 1,206,435</u>

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

THE CATOCTIN FOUNDATION, INC.

DBA:

LOUDOUN FREE CLINIC

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributed goods and services	\$ 1,989,183	\$ -	\$ 1,989,183
Local grants	798,526	34,000	832,526
Donations	217,975	-	217,975
Gala event, net of expenses of \$7,252	23,170	-	23,170
Interest income	9,688	-	9,688
Net assets released from restriction:			
Satisfaction of grant restriction	134,224	(134,224)	-
	<u>3,172,766</u>	<u>(100,224)</u>	<u>3,072,542</u>
Total Revenues and Support			
Expenses			
Program services	2,674,245	-	2,674,245
Management and general	232,719	-	232,719
Fundraising	86,563	-	86,563
	<u>2,993,527</u>	<u>-</u>	<u>2,993,527</u>
Total Expenses			
Change in Net Assets	179,239	(100,224)	79,015
Net Assets at Beginning of Year	899,939	164,224	1,064,163
Net Assets at End of Year	<u>\$ 1,079,178</u>	<u>\$ 64,000</u>	<u>\$ 1,143,178</u>

THE CATOCTIN FOUNDATION, INC.

DBA:

LOUDOUN FREE CLINIC

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

	Support Services			Total Support Services	Total
	Program Services	Management and General	Fundraising		
Medical services	\$ 1,741,535	\$ -	\$ -	\$ -	\$ 1,741,535
Salaries and benefits	613,078	105,429	41,572	147,001	760,079
Rent	210,718	17,151	17,151	34,302	245,020
Consultants	29,800	54,293	18,962	73,255	103,055
Depreciation and amortization	29,555	15,226	-	15,226	44,781
VAFC management fee	-	18,005	-	18,005	18,005
Development expense	4,069	2,713	6,783	9,496	13,565
Office supplies and equipment	9,521	2,289	-	2,289	11,810
Insurance	10,818	-	-	-	10,818
Accounting	-	6,550	-	6,550	6,550
Medical supplies	6,440	-	-	-	6,440
Books and subscriptions	5,935	-	-	-	5,935
Pharmaceutical expense	5,756	-	-	-	5,756
Miscellaneous	-	4,101	-	4,101	4,101
Payroll processing	-	3,899	-	3,899	3,899
Fundraising	-	-	2,095	2,095	2,095
Taxes and licenses	1,926	-	-	-	1,926
Recruiting	676	676	-	676	1,352
Bank fees	-	1,043	-	1,043	1,043
Printing	1,006	-	-	-	1,006
Translation	894	-	-	-	894
Facility expense	696	-	-	-	696
Marketing	614	-	-	-	614
Travel and meetings	-	533	-	533	533
Membership	507	-	-	-	507
Training	440	-	-	-	440
Postage	261	177	-	177	438
Volunteer	-	334	-	334	334
Annual report	-	300	-	300	300
Total Expenses	\$ 2,674,245	\$ 232,719	\$ 86,563	\$ 319,282	\$ 2,993,527

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, 2023

Cash Flows from Operating Activities	
Change in net assets	\$ 79,015
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	44,781
Changes in operating assets and liabilities:	
Increase in contributions receivable	(50,340)
Increase in prepaid expenses	(3,102)
Increase in right of use assets	(5,650)
Decrease in accounts payable	(115,178)
Decrease in accrued payroll liability	(3,313)
Decrease in accrued leave	(1,279)
Increase in revenue deferral	1,116
Increase in lease liability	5,650
	<hr/>
Net cash used in operating activities	(48,300)
	<hr/>
Cash Flows from Investing Activities	
Purchase of leasehold improvements	(194,490)
	<hr/>
Net cash used in investing activities	(194,490)
	<hr/>
Change in cash and cash equivalents	(242,790)
	<hr/>
Cash and cash equivalents, beginning of year	988,635
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Cash and cash equivalents, end of year	\$ 745,845
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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, 2023, the Clinic had \$64,000 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, 2023, contributions receivable are reported net of a reserve for doubtful accounts of \$-0-.

- g) Property and Equipment – Property and equipment and leasehold improvements 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 and amortization are computed on the straight-line basis over the estimated useful lives of the assets. Depreciation and amortization expense for the year ended June 30, 2023 was \$44,781. The estimated useful life of property and equipment and leasehold improvements 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.

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

NOTE 1 – Organization and Significant Accounting Policies (Continued)

- k) **Uncertain Tax Positions** – As of June 30, 2023, 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, 2020 through 2022.

- l) **Recently Issued Accounting Standards** – In 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASU] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Clinic adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 using a modified retrospective approach, with certain practical expedients available.

The Clinic elected the available practical expedients to account for our existing operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Clinic recognized on July 1, 2022 a lease liability of \$8,586, which represents the present value of the remaining operating lease payments of \$9,337, discounted using the three-year treasury bill rate of 4.00%, and a right-of-use asset of \$8,586. The standard had a material impact on our statement of financial position, but did not have a material impact on our statement of activities, nor statement of cash flows. The most significant impact was the recognition of a right-of-use asset and lease liability for operating leases.

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

NOTE 2 – 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.

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

NOTE 3 – 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 matching contributions of up to 3% of compensation for the calendar year to the SIMPLE IRA. For the fiscal year ending June 30, 2023, the Clinic made contributions totaling \$16,918.

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, 2023, was \$370,020. 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, 2023, net assets with donor restrictions are available for the following activities:

Claude Moore Foundation	\$ 30,000
Kaiser	20,000
100 Women Strong	<u>14,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 64,000</u>

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

Clinic Renovations	\$102,974
Claude Moore Foundation	30,000
VAFCC-SEO	<u>1,250</u>
Total Net Assets with Donor Restrictions	<u>\$134,224</u>

NOTE 6 – 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, 2023, \$50,497 of contributed services was recorded, which represents 417 hours contributed by licensed physicians, pharmacists, social workers and nurses.

For the year ended June 30, 2023, the Clinic was able to obtain free radiology and lab services from various professional organizations in the amount of \$1,691,788.

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

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 \$1,412,139. This value was determined by estimating what the cost to the Clinic would have been if it had purchased the inventory. 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 8 – Right-of-Use Asset

Right-of-use asset activity for the year ended June 30, 2023, was as follows:

	<u>Balance @ July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance @ June 30, 2023</u>
Right-of-use asset being amortized				
Leased Equipment	\$ _____ -	\$8,586	\$ _____ -	\$8,586
Less Accumulated Amortization for:				
Leased Equipment	_____ -	<u>2,936</u>	_____ -	<u>2,936</u>
Right-of-Use Asset, Net	<u>\$ _____ -</u>	<u>\$5,650</u>	<u>\$ _____ -</u>	<u>\$5,650</u>

NOTE 9 – 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. \$245,020 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, 2023.

The Clinic has an operating lease for the clinic’s copier that expires in September 2025. The lease requires a monthly payment of \$239. Copier lease expense for the year ended June 30, 2023 was \$2,873.

Future minimum lease payments for LFEMS’s lease are due as follows:

Year ending June 30,	
2024	\$2,873
2025	2,873
2026	<u>718</u>
Total undiscounted cash flows	6,464
Less: Present value discount	(814)
Total lease liabilities	<u>\$5,650</u>

The components of lease expense were as follows for the year ended June 30, 2023:

Operating lease expense	<u>\$2,873</u>
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THE CATOCTIN FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
(Concluded)

NOTE 10 – Liquidity and Availability of Financial Assets

The Clinic has \$790,299 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 \$167,000. 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	\$745,845
Contributions receivable	108,454
Less: net assets with donor restriction	<u>(64,000)</u>
Net assets available within one year	<u>\$790,299</u>

NOTE 11 – Evaluation of Subsequent Events

The Clinic's management has evaluated subsequent events through March 14, 2024, the date which the financial statements were available to be issued.