

THE CATOCTIN FOUNDATION, INC.
DBA:
LOUDOUN FREE CLINIC

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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

THE CATOCTIN FOUNDATION, INC.
DBA:
LOUDOUN FREE CLINIC

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-10

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 comprises the statement of financial position as of June 30, 2014, 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 of 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 Catoclin Foundation, Inc., DBA: Loudoun Free Clinic as of June 30, 2014, 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, Ankamp & Rhodes, P.C.

Certified Public Accountants
Chantilly, Virginia

January 20, 2015

THE CATOCTIN FOUNDATION, INC.

DBA:

LOUDOUN FREE CLINIC

STATEMENT OF FINANCIAL POSITION

June 30, 2014

ASSETS

Current Assets	
Cash and cash equivalents	\$ 173,403
Investments	214,278
Contributions receivable	140,655
Prepaid expenses	12,596
Total Current Assets	<u>540,932</u>
Property and Equipment	
Office and medical equipment	168,380
Less: Accumulated depreciation	<u>(38,649)</u>
Total Property and Equipment	<u>129,731</u>
Total Assets	<u><u>\$ 670,663</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 4,115
Accrued payroll liability	7,366
Accrued leave	12,927
Total Current Liabilities	<u>24,408</u>
Net Assets	
Unrestricted	583,835
Temporarily restricted	62,420
Total Net Assets	<u>646,255</u>
Total Liabilities and Net Assets	<u><u>\$ 670,663</u></u>

THE CATOCTIN FOUNDATION, INC.

DBA:

LOUDOUN FREE CLINIC

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Contributed services	\$1,652,410	\$ -	\$ 1,652,410
Donations	347,291	-	347,291
Local grants	78,500	115,000	193,500
Gala event, net of expenses of \$34,368	43,858	-	43,858
Investment income	5,758	-	5,758
Net assets released from restriction:			
Satisfaction of grant restriction	78,586	(78,586)	-
	<u>2,206,403</u>	<u>36,414</u>	<u>2,242,817</u>
Total Revenues and Support			
Expenses			
Program services	2,009,581	-	2,009,581
Management and general	178,109	-	178,109
Fundraising	67,283	-	67,283
	<u>2,254,973</u>	<u>-</u>	<u>2,254,973</u>
Total Expenses			
Change in Net Assets	(48,570)	36,414	(12,156)
Net Assets at Beginning of Year	<u>632,405</u>	<u>26,006</u>	<u>658,411</u>
Net Assets at End of Year	<u>\$ 583,835</u>	<u>\$ 62,420</u>	<u>\$ 646,255</u>

THE CATOCTIN FOUNDATION, INC.

DBA:

LOUDOUN FREE CLINIC

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2014

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Medical services	\$ 1,506,340	\$ -	\$ -	\$ 1,506,340
Salaries and benefits	294,471	116,913	49,447	460,831
Rent	125,826	10,242	10,242	146,310
Consultants	3,500	19,535	-	23,035
Pharmaceutical expense	22,946	-	-	22,946
Depreciation	14,948	5,683	-	20,631
Medical supplies	17,232	-	-	17,232
Equipment	11,485	-	-	11,485
VAFC management fee	-	9,486	-	9,486
Insurance	7,553	1,433	-	8,986
Development expense	-	-	7,594	7,594
Office supplies	-	5,773	-	5,773
Dues and training	2,716	-	-	2,716
Payroll processing	-	2,535	-	2,535
Volunteer	-	2,303	-	2,303
Miscellaneous	996	997	-	1,993
General office	68	1,596	-	1,664
Books and subscriptions	1,500	-	-	1,500
Board of directors	-	854	-	854
Facility expense	-	464	-	464
Bank fees	-	295	-	295
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 2,009,581</u>	<u>\$ 178,109</u>	<u>\$ 67,283</u>	<u>\$ 2,254,973</u>

THE CATOCTIN FOUNDATION, INC.

DBA:

LOUDOUN FREE CLINIC

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

Cash Flows from Operating Activities	
Change in net assets	\$ (12,156)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	20,631
Realized loss on investments	440
Unrealized gain on investments	(1,746)
Changes in operating assets and liabilities:	
Decrease in contributions receivable	3,019
Increase in prepaid expenses	(7,886)
Increase in accounts payable	412
Increase in accrued payroll liability	307
Increase in accrued leave	7,074
	<hr/>
Net cash provided by operating activities	10,095
	<hr/>
Cash Flows from Investing Activities	
Purchases of property and equipment	(10,588)
Proceeds from investments	30,150
Purchases of investments	(4,177)
	<hr/>
Net cash provided by investing activities	15,385
	<hr/>
Change in cash and cash equivalents	25,480
	<hr/>
Cash and cash equivalents, beginning of year	147,923
	<hr/>
Cash and cash equivalents, end of year	<u>\$ 173,403</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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2014 the Clinic had no permanently restricted net assets.
- c) **Revenue 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

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.
- 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.

THE CATOCTIN FOUNDATION, INC.
DBA:
LOUDOUN FREE CLINIC

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 – Organization and Significant Accounting Policies (Continued)

- 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, 2014, accounts 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, 2014 was \$20,631. 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 and Market 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’s investments do not represent significant concentrations of market risk inasmuch as the organization’s investment portfolio is adequately diversified amongst issuers. The Clinic has not experienced any losses on its cash or investment accounts.
- k) Uncertain Tax Positions – As of June 30, 2014, 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, 2011 through 2013.
- l) Advertising Cost – Advertising costs are expensed when incurred.

THE CATOCTIN FOUNDATION, INC.
DBA:
LOUDOUN FREE CLINIC

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 2 – Investments

The fair value of investments in marketable equity and debt securities is based on quoted prices in active markets for identical assets (level 1 inputs). As of June 30, 2014, investments included the following:

	Market Value	Cost
Certificates of Deposit	\$114,019	\$113,585
Mutual Funds	97,211	97,285
Cash and Money Funds	3,048	3,048
Total Investments	\$214,278	\$213,918

Components of investment income include the following:

Interest	\$ 4,452
Unrealized Gain on Investments	1,746
Realized Loss on Investments	(440)
Total Investment Income	\$ 5,758

NOTE 3 – Functional Allocation of Expenses

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund raising activities benefited.

NOTE 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following specific program services:

Kaiser All Phase Grant	\$40,313
Sterling Foundation	16,663
EMR Implementation	5,444
Total Temporarily Restricted Net Assets	\$62,420

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

Sterling Foundation	\$43,337
EMR Implementation	20,562
Kaiser All Phase Grant	14,687
Total	\$78,586

NOTE 5 – Economic Dependency

The Clinic receives a substantial amount of support from Inova Loudoun Hospital. Any interruption in this level of support would have an effect on the Clinic's programs and activities.

THE CATOCTIN FOUNDATION, INC.
DBA:
LOUDOUN FREE CLINIC

NOTES TO FINANCIAL STATEMENTS
(Concluded)

NOTE 6 – Lease

The Clinic has an oral month-to-month lease for clinic and office space from Inova Loudoun Hospital at no cost. \$146,310 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, 2014.

NOTE 7 – 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, 2014, \$234,616 of contributed services was recorded. This represents 4,056 hours contributed by licensed physicians, pharmacists, social workers and nurses and 1,698 hours contributed by interpreters.

For the year ended June 30, 2014, the Clinic was able to obtain free radiology and lab services from various professional organizations in the amount of 1,271,484.

A number of community volunteers have donated numerous hours to the Clinic's program services during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. These community volunteers contributed 7,457 hours for the year ended June 30, 2014.

NOTE 8 – Donated Inventory

The pharmaceutical suppliers for the Clinic donated pharmaceuticals to be used in the Prescription Assistance Program in the approximate amount of \$1,182,211. 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 9 – 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, 2014, the Clinic made contributions totaling \$3,762.

NOTE 10 – Evaluation of Subsequent Events

The Clinic's management has evaluated subsequent events through January 20, 2015, the date which the financial statements were available to be issued.