

THE CATOCTIN FOUNDATION, INC.  
DBA:  
LOUDOUN FREE CLINIC

AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

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

THE CATOCTIN FOUNDATION, INC.  
DBA:  
LOUDOUN FREE CLINIC

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9

**Dunham, Aukamp & Rhodes, PLC**  
*Certified Public Accountants*

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

P.O. Box 2584  
Winchester, VA 22604

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statement of financial position of The Catoctin Foundation, Inc., DBA: Loudoun Free Clinic (a not-for-profit organization) as of June 30, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of The Catoctin Foundation, Inc., DBA: Loudoun Free Clinic's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Dunham, Aukamp & Rhodes, PLC*

Certified Public Accountants  
Chantilly, Virginia

December 29, 2011

**THE CATOCTIN FOUNDATION, INC.**

**DBA:**

**LOUDOUN FREE CLINIC**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2011**

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 474,484
Investments	446,429
Accounts receivable	2,127
Prepaid expenses	3,507
Total Current Assets	<u>926,547</u>
Property and Equipment	
Office and medical equipment	16,162
Less: Accumulated depreciation	(6,383)
Total Property and Equipment	<u>9,779</u>
Total Assets	<u>\$ 936,326</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities	
Accounts payable	\$ 30,592
Accrued payroll liability	7,392
Accrued leave	2,491
Deferred revenue	5,500
Total Current Liabilities	<u>45,975</u>
Net Assets	
Unrestricted	890,351
Total Net Assets	<u>890,351</u>
Total Liabilities and Net Assets	<u>\$ 936,326</u>

**THE CATOCTIN FOUNDATION, INC.**

**DBA:**

**LOUDOUN FREE CLINIC**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2011**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues and Support			
Contributed services	\$ 891,577	\$ -	\$ 891,577
Donations	337,823	-	337,823
Local grants	121,806	-	121,806
Gala event, net of expenses of \$34,131	87,028	-	87,028
Interest	5,460	-	5,460
Miscellaneous	479	-	479
Net assets released from restriction:			
Satisfaction of grant restriction	<u>3,000</u>	<u>(3,000)</u>	<u>-</u>
 Total Revenues and Support	 <u>1,447,173</u>	 <u>(3,000)</u>	 <u>1,444,173</u>
 Expenses			
Program services	1,254,042	-	1,254,042
Management and general	146,450	-	146,450
Fundraising	<u>74,730</u>	<u>-</u>	<u>74,730</u>
 Total Expenses	 <u>1,475,222</u>	 <u>-</u>	 <u>1,475,222</u>
 Change in Net Assets	 (28,049)	 (3,000)	 (31,049)
 Net Assets at Beginning of Year	 <u>918,400</u>	 <u>3,000</u>	 <u>921,400</u>
 Net Assets at End of Year	 <u>\$ 890,351</u>	 <u>\$ -</u>	 <u>\$ 890,351</u>

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

**THE CATOCTIN FOUNDATION, INC.**

**DBA:**

**LOUDOUN FREE CLINIC**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended June 30, 2011**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Medical services	\$ 817,307	\$ -	\$ -	\$ 817,307
Salaries and benefits	274,248	107,323	61,616	443,187
Rent	65,496	5,331	5,331	76,158
Pharmaceutical expense	40,041	-	-	40,041
Lab expense	33,648	-	-	33,648
VAFC management fee	-	8,084	-	8,084
Development expense	-	-	7,783	7,783
Consultants	2,075	4,550	-	6,625
Office supplies	-	6,254	-	6,254
Medical supplies	5,253	-	-	5,253
Dues and training	5,096	-	-	5,096
Equipment	3,603	-	-	3,603
General office	-	3,597	-	3,597
Depreciation	563	2,816	-	3,379
Miscellaneous	1,582	1,582	-	3,164
Insurance	2,575	-	-	2,575
Printing	2,515	-	-	2,515
Volunteer	-	2,454	-	2,454
Payroll processing	-	2,373	-	2,373
Board of directors	-	688	-	688
Books and subscriptions	-	582	-	582
Bank fees	-	551	-	551
Taxes and licenses	-	265	-	265
Postage	40	-	-	40
Total Expenses	<u>\$ 1,254,042</u>	<u>\$ 146,450</u>	<u>\$ 74,730</u>	<u>\$ 1,475,222</u>

**THE CATOCTIN FOUNDATION, INC.**

**DBA:**

**LOUDOUN FREE CLINIC**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2011**

Cash Flows from Operating Activities	
Change in net assets	\$ (31,049)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	3,379
Changes in operating assets and liabilities:	
Decrease in accounts receivable	107,711
Increase in prepaid expenses	(811)
Increase in accounts payable	16,561
Decrease in accrued payroll liability	(7,285)
Decrease in accrued leave	(552)
Increase in deferred revenue	5,500
	<hr/>
Net cash provided by operating activities	93,454
	<hr/>
Cash Flows from Investing Activities	
Purchases of property and equipment	(7,800)
Proceeds from investments	546,334
Purchases of investments	(446,429)
	<hr/>
Net cash provided by investing activities	92,105
	<hr/>
Change in cash and cash equivalents	185,559
Cash and cash equivalents, beginning of year	288,925
	<hr/>
Cash and cash equivalents, end of year	<u>\$ 474,484</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 follows the requirements of Financial Accounting Standards Board (FASB) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under FASB Statement No. 117, 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, 2011 the Clinic had no temporarily restricted net assets and 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.



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) Accounts 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, 2011, 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, 2011 was \$3,379. The estimated useful life of office and medical equipment is 3 years.

- h) 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.
  
- i) 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.

THE CATOCTIN FOUNDATION, INC.  
DBA:  
LOUDOUN FREE CLINIC

NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 1 - Organization and Significant Accounting Policies (Concluded)

- j) **Uncertain Tax Positions** - The Clinic has adopted the provisions of Financial Accounting Standards (FASB) interpretation No. 48 "Accounting for Uncertainty in Income Taxes." The Interpretation provides clarification on accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." The interpretation prescribes a recognition threshold and measurement attribute for the financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest, penalties, accounting in interim periods, disclosure and transition. As of June 30, 2011, 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, 2008 through 2010.
  
- k) **Advertising Cost** - Advertising costs are expensed when incurred.

NOTE 2 - Investments

Investments are recorded at fair market value based on quoted prices in active markets for identical assets and at June 30, 2011, included certificates of deposit valued at \$446,429. Investment income for the year consisted of \$5,460 of interest income.

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

\$3,000 of net assets for the year ended June 30, 2011, were released from HIMSS grant restrictions by incurring expenses and/or satisfying the purpose or time restrictions specified by HIMSS.

NOTE 5 - Lease

The Clinic has an oral month-to-month lease for clinic and office space from Inova Loudoun Hospital at no cost. \$75,000 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, 2011.

THE CATOCTIN FOUNDATION, INC.  
DBA:  
LOUDOUN FREE CLINIC

NOTES TO FINANCIAL STATEMENTS  
(Concluded)

NOTE 6 - 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.

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, 2011, \$111,034 of contributed services was recorded. This represents 2,016 hours contributed by licensed physicians, pharmacists and nurses and 770 hours contributed by interpreters.

The Clinic was able to obtain free radiology services from Radiology Imaging Associates for the year ended June 30, 2011 in the amount of \$705,543.

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 liaisons contributed 2,494 hours for the year ended June 30, 2011.

NOTE 8 - 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 2% of compensation for the calendar year to the SIMPLE IRA. For the fiscal year ending June 30, 2011, the Clinic made contributions totaling \$5,185.

NOTE 9 - Evaluation of Subsequent Events

The Clinic's management has evaluated subsequent events through January 13, 2012, the date which the financial statements were available to be issued.