

THE CATOCTIN FOUNDATION, INC.
DBA:
LOUDOUN FREE CLINIC

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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

THE CATOCTIN FOUNDATION, INC.
DBA:
LOUDOUN FREE CLINIC

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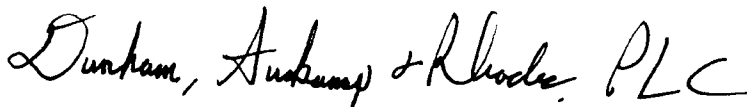
INDEPENDENT AUDITORS' REPORT

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, 2012 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, 2012, 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.



Certified Public Accountants
Chantilly, Virginia

October 31, 2012

THE CATOCTIN FOUNDATION, INC.
DBA:
LOUDOUN FREE CLINIC

STATEMENT OF FINANCIAL POSITION
June 30, 2012

ASSETS

Current Assets	
Cash and cash equivalents	\$ 149,206
Investments	441,231
Contributions receivable	141,299
Prepaid expenses	8,430
Total Current Assets	<u>740,166</u>
Property and Equipment	
Office and medical equipment	24,262
Less: Accumulated depreciation	<u>(11,237)</u>
Total Property and Equipment	<u>13,025</u>
Total Assets	<u><u>\$ 753,191</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 2,284
Accrued payroll liability	9,715
Accrued leave	7,236
Deferred revenue	22,750
Total Current Liabilities	<u>41,985</u>
Net Assets	
Unrestricted	679,724
Temporarily restricted	31,482
Total Net Assets	<u>711,206</u>
Total Liabilities and Net Assets	<u><u>\$ 753,191</u></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, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues and Support			
Contributed services	\$1,706,766	\$ -	\$ 1,706,766
Donations	321,052	-	321,052
Local grants	98,768	31,482	130,250
Gala event, net of expenses of \$33,804	82,560	-	82,560
Investment income	5,459	-	5,459
Miscellaneous	1,089	-	1,089
	<u>2,215,694</u>	<u>31,482</u>	<u>2,247,176</u>
Total Revenues and Support			
Expenses			
Program services	2,191,896	-	2,191,896
Management and general	145,846	-	145,846
Fundraising	88,579	-	88,579
	<u>2,426,321</u>	<u>-</u>	<u>2,426,321</u>
Total Expenses			
Change in Net Assets	(210,627)	31,482	(179,145)
Net Assets at Beginning of Year	<u>890,351</u>	<u>-</u>	<u>890,351</u>
Net Assets at End of Year	<u>\$ 679,724</u>	<u>\$ 31,482</u>	<u>\$ 711,206</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, 2012

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Medical services	\$ 1,632,066	\$ -	\$ -	\$ 1,632,066
Salaries and benefits	355,873	107,840	75,488	539,201
Rent	64,500	5,250	5,250	75,000
Lab expense	70,338	-	-	70,338
Pharmaceutical expense	30,383	-	-	30,383
Medical supplies	9,725	-	-	9,725
Equipment	8,976	-	-	8,976
VAFC management fee	-	8,004	-	8,004
Development expense	-	-	7,841	7,841
Consultants	3,075	4,550	-	7,625
Office supplies	-	6,059	-	6,059
Dues and training	5,968	-	-	5,968
Depreciation	2,475	2,379	-	4,854
Insurance	2,741	1,433	-	4,174
Volunteer	-	2,537	-	2,537
Payroll processing	-	2,398	-	2,398
Miscellaneous	1,124	1,125	-	2,249
Board of directors	-	2,230	-	2,230
Facility expense	1,514	284	-	1,798
Donation	1,654	-	-	1,654
Bank fees	-	1,457	-	1,457
Printing	870	-	-	870
Books and subscriptions	499	-	-	499
General office	-	300	-	300
Taxes and licenses	115	-	-	115
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 2,191,896</u>	<u>\$ 145,846</u>	<u>\$ 88,579</u>	<u>\$ 2,426,321</u>

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, 2012

Cash Flows from Operating Activities	
Change in net assets	\$ (179,145)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	4,854
Realized loss on investments	1,842
Unrealized gain on investments	(869)
Changes in operating assets and liabilities:	
Increase in contributions receivable	(139,172)
Increase in prepaid expenses	(4,923)
Decrease in accounts payable	(28,308)
Increase in accrued payroll liability	2,323
Increase in accrued leave	4,745
Increase in deferred revenue	17,250
	<u> </u>
Net cash used in operating activities	<u>(321,403)</u>
Cash Flows from Investing Activities	
Purchases of property and equipment	(8,100)
Proceeds from investments	408,484
Purchases of investments	(404,259)
	<u> </u>
Net cash used in investing activities	<u>(3,875)</u>
Change in cash and cash equivalents	(325,278)
Cash and cash equivalents, beginning of year	<u>474,484</u>
Cash and cash equivalents, end of year	<u><u>\$ 149,206</u></u>

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

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, 2012 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.

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, 2012, 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, 2012 was \$4,854. 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.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 – Organization and Significant Accounting Policies (Concluded)

- j) Uncertain Tax Positions – As of June 30, 2012, 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, 2009 through 2011.
- k) Advertising Cost – Advertising costs are expensed when incurred.

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, 2012, investments included the following:

	Market Value	Cost
Certificates of Deposit	\$304,538	\$303,192
U.S. Government Debt Securities	74,997	74,965
Cash and Money Funds	61,696	61,696
Total Investments	\$441,231	\$439,853

Components of investment income include the following:

Interest	\$ 6,432
Unrealized Gain on Investments	869
Realized Loss on Investments	(1,842)
Total Investment Income	\$ 5,459

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 Permanente Grant – EMR Implementation \$31,482

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. \$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, 2012.

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, 2012, \$122,046 of contributed services was recorded. This represents 1,976 hours contributed by licensed physicians, pharmacists, social workers and nurses, 1,172 hours contributed by interpreters and 56 hours contributed by clinic coordinators.

For the year ended June 30, 2012, the Clinic was able to obtain free radiology and lab services from various professional organizations in the amount of \$1,430,490 and Kaiser Permanente contributed medical services valued at \$79,230.

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 3,259 hours for the year ended June 30, 2012.

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 3% of compensation for the calendar year to the SIMPLE IRA. For the fiscal year ending June 30, 2012, the Clinic made contributions totaling \$10,216.

NOTE 9 – Evaluation of Subsequent Events

The Clinic's management has evaluated subsequent events through December 6, 2012, the date which the financial statements were available to be issued.