

CLINICAL OUTCOMES GROUP, INC.
(A Non-Profit Corporation)
POTTSVILLE, PENNSYLVANIA
DECEMBER 31, 2018

CLINICAL OUTCOMES GROUP, INC.

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*We Want to Help
Our Clients Achieve
What They Want in Life
and Have Fun Doing It.*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Clinical Outcomes Group, Inc.
Pottsville, Pennsylvania

We have audited the accompanying statement of financial position of Clinical Outcomes Group, Inc. (a non-profit organization) as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the 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.

Auditors' 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 also involves performing procedures to obtain 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 appropriateness of accounting policies used and the reasonableness of significant estimates made by the management, as well as evaluating the overall financial statement presentation.

Business Development Specialists
Member: American Institute of Certified Public Accountants
Member: Pennsylvania Institute of Certified Public Accountants

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clinical Outcomes Group, Inc. as of December 31, 2018 and the change 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.

A handwritten signature in cursive script that reads "L. Samuel Deegan". The signature is written in black ink and is positioned above the printed name and title.

L. Samuel Deegan
Certified Public Accountant
Pottsville, Pennsylvania
July 24, 2019

**CLINICAL OUTCOMES GROUP, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018**

ASSETS

CURRENT ASSETS

CASH	\$ 469,268
ACCOUNTS RECEIVABLE	150,764
UNDEPOSITED FUNDS	<u>-</u>

TOTAL CURRENT ASSETS 620,032

EQUIPMENT

BUILDINGS AND IMPROVEMENTS NOT BEING DEPRECIATED	279,452
FURNITURE AND EQUIPMENT BEING DEPRECIATED	112,576
LESS: ACCUMULATED DEPRECIATION	<u>(109,332)</u>
NET EQUIPMENT	282,696

TOTAL ASSETS \$ 902,728

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

ACCOUNTS PAYABLE	
ACCRUED ABSENCES	\$ 36,769
ACCRUED PAYROLL EXPENSES	12,502
PAYROLL LIABILITIES	107,016
UNEARNED REVENUE	21,070
	<u>162,644</u>

TOTAL CURRENT LIABILITIES

340,001

TOTAL LIABILITIES

340,001

NET ASSETS:

WITH DONOR PURPOSE RESTRICTIONS	176,244
WITHOUT DONOR RESTRICTIONS	<u>386,483</u>

TOTAL NET ASSETS 562,727

TOTAL LIABILITIES AND NET ASSETS \$ 902,728

CLINICAL OUTCOMES GROUP, INC.
STATEMENT OF UNRESTRICTED REVENUES, EXPENSES AND
CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

REVENUE, GAINS AND OTHER SUPPORT

SUPPORT	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
PROGRAM SERVICE FEES	\$ 1,390,737	\$ 5,217	\$ 1,395,954
GRANTS AND AWARDS	79,472	454,012	533,484
FUNDRAISING	524	1,894	2,418
CONTRIBUTIONS	129	-	129
RELEASED FROM RESTRICTIONS	405,322	(405,322)	-
TOTAL SUPPORT	1,876,184	55,801	1,931,985
REVENUE			
OTHER INCOME	\$ 699	-	699
INTEREST EARNED	441	-	441
TOTAL REVENUE	1,140	-	1,140
TOTAL UNRESTRICTED REVENUE, GAINS AND OTHER SUPPORT	1,877,324	55,801	1,933,125
EXPENSES			
PROGRAM SERVICES:			
TREATMENT	1,094,509	-	1,094,509
PREVENTION	45,266	-	45,266
CASE MANAGEMENT	459,913	-	459,913
TOTAL PROGRAM SERVICES	1,599,688	-	1,599,688
SUPPORTING SERVICES:			
SPECIAL EVENTS	-	-	-
MANAGEMENT AND GENERAL	467,004	-	467,004
TOTAL EXPENSES	2,066,692	-	2,066,692
CHANGE IN NET ASSETS	(189,368)	55,801	(133,567)
NET ASSETS AT BEGINNING OF YEAR	579,637	116,657	696,294
NET ASSETS AT END OF YEAR	\$ 390,269	\$ 172,458	\$ 562,727

CLINICAL OUTCOMES GROUP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from:		
Program Service Fees and support	\$	1,915,195
Other Income		699
Payments for Expenses:		
Compensation and Related Expenses		(1,333,429)
Payments Made to Vendors		<u>(568,620)</u>
Net Cash Provided (Used) by Operating Activities		13,845

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Capital Assets		(3,123)
Net Investment Earnings and Purchases		<u>441</u>
Net Cash Provided by Investing Activities		(2,682)

CASH FLOWS FROM FINANCING ACTIVITIES

		-
		<u>-</u>
Net Cash Provided by Financing Activities		-
Net Decrease in Cash and Cash Equivalent		11,163
Cash and Cash Equivalent - Beginning of Year		<u>458,105</u>
Cash and Cash Equivalent - End of Year	\$	<u><u>469,268</u></u>

CLINICAL OUTCOMES GROUP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	PROGRAM ACTIVITIES			SUPPORTING ACTIVITIES			TOTAL
	TREATMENT ACTIVITIES	PREVENTION ACTIVITIES	CASE MANAGEMENT	TOTAL PROGRAM	FUND RAISING	MANAGEMENT AND GENERAL	
SALARIES	497,940	22,711	301,597	822,248	\$ -	\$ 319,763	\$ 1,142,011
PAYROLL TAXES	4,761	7,436	83,119	95,316	-	37,068	132,384
EMPLOYEE BENEFITS	135,898	-	-	135,898	-	45,325	181,223
COMPENSATED ABSENCES	(21,164)	-	-	(21,164)	-	(8,231)	(29,395)
SUBCONTRACTORS,CONSULTANTS	280,766	878	2,787	284,431	-	-	284,431
INSURANCE	21,411	-	-	21,411	-	1,503	22,914
TRAINING	(11,990)	-	18,020	6,030	-	17,391	23,421
TRAVEL	1,213	-	-	1,213	-	-	1,213
MEMORIAL DONATIONS, GIFTS	-	-	-	-	-	3,108	3,108
PROMOTIONAL ITEMS	1,203	-	-	1,203	-	-	1,203
POSTAGE	800	-	-	800	-	-	800
PUBLICATION EXPENSES	4,918	-	-	4,918	-	-	4,918
LEGAL & ACCOUNTING FEES	4,283	-	-	4,283	-	15,300	19,583
OFFICE EXPENSES	4,299	340	2,697	7,336	-	3,755	11,091
PROGRAM EXPENSES	65,362	10,312	-	75,674	-	-	75,674
EDUCATIONAL MATERIALS	360	-	-	360	-	-	360
RENT	46,366	-	11,020	57,386	-	14,347	71,733
MEMBERSHIP	1,941	-	-	1,941	-	-	1,941
MAINTENANCE & REPAIRS	15,334	-	-	15,334	-	3,833	19,167
UTILITIES	18,826	-	9,268	28,094	-	7,023	35,117
DEPRECIATION	14,779	-	-	14,779	-	3,695	18,474
INTEREST	-	-	-	-	-	-	-
MILEAGE REIMBURSEMENT	2,404	3,589	30,230	36,223	-	-	36,223
TECHNOLOGY EXPENSES	4,799	-	1,175	5,974	-	1,494	7,468
MISCELLANEOUS	-	-	-	-	-	1,630	1,630
TOTAL	\$ 1,094,509	\$ 45,266	\$ 459,913	\$ 1,599,688	\$ -	\$ 467,004	\$ 2,066,692

CLINICAL OUTCOMES GROUP, INC.
(A Nonprofit Corporation)
Notes to Financial Statements
December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Clinical Outcomes Group, Inc. (COGI) is a private, not-for-profit corporation exempt from federal income tax under 501(c)(3) of the Internal Revenue Code of 1954. COGI is a dynamic, public health non-profit that exists to meet the unmet needs of vulnerable populations. In our communities, we have identified the following as our vulnerable populations: individuals suffering from addiction disorders, pregnant woman, veterans, children, and others who are susceptible to public health issues. COGI strives to provide high quality, low cost, and easily accessible public health services to any individual or community in need located in Schuylkill County, PA and surrounding areas. COGI provides outpatient substance abuse treatment to both adolescents and adults in the form of individual and group counseling, medication assisted therapy, case coordination/case management, and certified recovery specialist services. Additional agency programs include Abuse Intervention Services, Anger Control Education, and prevention/education.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with 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.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as cash on hand, demand deposits, and temporary cash investments with a maturity of one year or less.

As of December 31, 2018, of the \$469,268 deposited in financial institutions, \$207,562 was uninsured and uncollateralized by FDIC. Federal Deposit Insurance Corporation limits coverage to \$250,000 per account holder.

CLINICAL OUTCOMES GROUP, INC.
(A Nonprofit Corporation)
Notes to Financial Statements
December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Statements of Not-for-Profit Organizations the Council is required to report information regarding its financial position and activities according to two classes of net assets: Net Assets Without Donor Restrictions and Net Assets with Donor Restrictions. Net assets Without Donor Restrictions are net assets available for use in general operations and not subject to donor or certain grantor restrictions. The governing board may designate from assets without donor restrictions assets for specific uses. No board designations have been made.

Net Assets with Donor Restrictions are net assets subject to donor or certain grantor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been filled or both.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost with depreciation provided using the MACRS method over the estimated useful lives of the various assets in amounts sufficient to relate these assets to operations.

Equipment/furnishings	5 years
Building and Improvements	30 years

During 2018 \$3,123 was used to purchase computers and signature pads. A building and improvements in the amount of \$279,452 have been acquired but have not been put into use as of December 31, 2018, and therefore are not being depreciated at this time.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activity and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on total staff hours.

CLINICAL OUTCOMES GROUP, INC.
(A Nonprofit Corporation)
Notes to Financial Statements
December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New Accounting Pronouncement

On August 18, 2016 the Financial Accounting Standards Board issued 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-For-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Clinical Outcomes, Inc. has adjusted the presentation of these statements accordingly. The beginning balance as of January 1, 2018 of assets with donor restrictions has been restated to comply with this pronouncement from \$0 to \$116,657 and the beginning balance of assets without donor restrictions has been restated from Unrestricted of \$696,294 to \$579,637.

NOTE B – REVENUES AND DEFERRED REVENUES

Program Income

Revenue from grants and program service fees is recognized in the period that the grants specify and related expenses are incurred. The organization chooses to report donor-restricted support whose restrictions are met in the same reporting period as unrestricted support. Program income in the amount of \$1,395,954 and grant income of \$533,484 was recorded on the accrual basis during 2018. Most funds were disbursed to COGI using the cost reimbursement method. Funding organizations include: Community Care Behavioral Health Organization, PA Department of Public Welfare, Schuylkill County Drug and Alcohol, Capital Blue Cross, Highmark, Magellan, SWIC, and privately paying clients. An Award for Excellence in the amount of \$500,000 was received during 2018. Total income recorded for the Center of Excellence from the 2018 award \$373,355. \$116,657 that had been deferred from a similar 2017 award was recorded in 2018. Total Center of Excellence income recorded in 2018 was \$454,012. \$162,644 of the 2018 award is deferred until 2019. Fund raising revenue in the amount of \$2,418, sale of equipment revenue of \$500, contributions of \$129 and medical records fees of \$199 were recognized.

CLINICAL OUTCOMES GROUP, INC.
(A Nonprofit Corporation)
Notes to Financial Statements
December 31, 2018

NOTE B – REVENUES AND DEFERRED REVENUES (Cont'd)

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

NOTE C - INCOME TAXES

The Corporation has been determined to be exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Consequently, no provision has been made in the accompanying financial statements for income taxes. The Organization files Form 990, Return of Organization Exempt from Income Tax with the Federal government. The Organization has evaluated its tax positions and determined that it has no uncertain tax positions as of December 31, 2018.

NOTE D – DONATED MATERIALS, EQUIPMENT AND SERVICES

Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated fair values at the date of receipt. No donated materials or expenses for donated space have been recorded during 2018.

Donated services are recognized as contributions in if they (a) enhance nonfinancial assets or (b) require specialized skills and are performed by people with those skills, and (c) would otherwise be purchased by the Organization. No donated services were recorded during 2018.

NOTE E – COMPENSATED ABSENCES

Employees of the organization are entitled to paid vacation, sick days and personal days off, depending on length of service. An accrual of \$12,502 has been made to record maximum vacation time available to be paid out in case of employee's separation from the company. No provision has been made for the cost of sick time available to be used at December 31, 2018, because company policy dictates that sick time would not be paid out upon terminations and this amount of carry-over would in all likelihood never be used.

CLINICAL OUTCOMES GROUP, INC.
(A Nonprofit Corporation)
Notes to Financial Statements
December 31, 2018

NOTE F – LEASES

The Organization leases office space under an agreement that commenced on December 1, 2012 for a term of five years terminating on October 31, 2017.

The total minimum rental commitments as of December 31, 2018, due in future years, are as follows:

Year Ended December 31,
2019 \$72,000

Total rent expense for the year ended December 31, 2018, totaled \$71,732. \$70,626 for building rental and \$1,107 for temporary storage at \$92 per month.

A new building was purchased in 2017 however the Organization anticipates paying rent until 2020. The current lease was extended until December 31, 2019.

NOTE G – ACCOUNTS RECEIVABLES

Accounts receivable are stated at unpaid balances. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected, therefore no provision has been made for uncollectible accounts. Actual results may differ from those portrayed in the financial statements.

NOTE H – IRA

A simple IRA is available to all regular employees immediately upon employment. Employees may contribute pre-tax earnings to their retirement plan as permitted by current law and tax limits. The Organization matches employee contributions at the rate permitted by current law and the limits of the IRA, currently 3% of wages. Cash contributions to the plan during the year ended December 31, 2018 aggregated \$29,843.

NOTE I – LITIGATION

The Organization was a defendant in a legal action involving a former employee. During 2018 a settlement was paid by the insurance company and an additional \$8,000 was paid by the organization.

CLINICAL OUTCOMES GROUP, INC.
(A Nonprofit Corporation)
Notes to Financial Statements
December 31, 2018

NOTE J – LIQUIDITY AND AVAILABILTY OF FINANCIAL ASSETS

Financial assets available for general expenditure without donor or other restrictions
Limiting their use, within one year of the balance sheet date, comprise the following:

	2018
Financial assets at year-end:	
Cash and Cash Equivalents	\$ 469,268
Accounts Receivable	150,764
Less donor- imposed restrictions:	(176,244)
Financial assets available to meet cash needs for general expenditures within one year	\$ 443,788

NOTE K – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets exist for the following purposes as of December 31, 2018:

Center of Excellence Funds not Expended	\$ 162,644
COGI Cares	1,067
PCCD JAG Re-Entry	826
David A. Zanis Fatherhood Fund	11,707
	\$ 176,244

NOTE L – SUBSEQUENT EVENTS

Management has considered subsequent events through July 24, 2019, the date of this report.