

**CLINICAL OUTCOMES GROUP, INC.**  
**(A Non-Profit Corporation)**  
**POTTSVILLE, PENNSYLVANIA**  
**DECEMBER 31, 2016**

**CLINICAL OUTCOMES GROUP, INC.**

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**DECEMBER 31, 2016**

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**L. SAMUEL DEEGAN, P.C.**

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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, 2016, and the related statements of unrestricted revenues, expenses and other changes in unrestricted net assets, 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.

### **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 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*

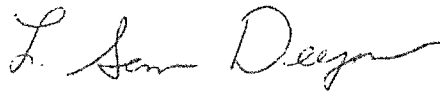
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **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, 2016 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.

### **Emphasis of Matter**

As discussed in Note J to the financial statements, the 2016 financial statements have been restated to correct material misstatements. Our Opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "L. Samuel Deegan".

L. Samuel Deegan  
Certified Public Accountant  
Pottsville, Pennsylvania  
Original Date June 22, 2017  
Restated June 1, 2018

**CLINICAL OUTCOMES GROUP, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2016**  
**RESTATED**

**ASSETS**

**CURRENT ASSETS**

|                     |            |
|---------------------|------------|
| CASH                | \$ 683,959 |
| ACCOUNTS RECEIVABLE | 64,007     |
| PREPAID EXPENSES    | <u>-</u>   |

**TOTAL CURRENT ASSETS** 747,966

**EQUIPMENT**

|                                |                 |
|--------------------------------|-----------------|
| BUILDINGS AND OFFICE EQUIPMENT | 115,094         |
| LESS: ACCUMULATED DEPRECIATION | <u>(65,256)</u> |
| NET EQUIPMENT                  | 49,838          |

**TOTAL ASSETS** \$ 797,804

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

**CURRENT LIABILITIES**

|                          |               |
|--------------------------|---------------|
| ACCOUNTS PAYABLE         | \$ 20,817     |
| ACCRUED ABSENCES         | 23,609        |
| ACCRUED PAYROLL EXPENSES | <u>84,283</u> |

**TOTAL CURRENT LIABILITIES** 128,709

**TOTAL LIABILITES** 128,709

**NET ASSETS**

UNRESTRICTED 669,095

**TOTAL NET ASSETS** 669,095

**TOTAL LIABILITIES AND NET ASSETS** \$ 797,804

**CLINICAL OUTCOMES GROUP, INC.**  
**STATEMENT OF UNRESTRICTED REVENUES, EXPENSES AND**  
**CHANGES IN UNRESTRICTED NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**RESTATED**

**UNRESTRICTED REVENUE, GAINS AND  
OTHER SUPPORT**

SUPPORT

|                                 |              |
|---------------------------------|--------------|
| PROGRAM SERVICE FEES AND GRANTS | \$ 1,501,466 |
| CONTRIBUTIONS                   | <u>172</u>   |

|               |           |
|---------------|-----------|
| TOTAL SUPPORT | 1,501,638 |
|---------------|-----------|

REVENUE

|                   |            |
|-------------------|------------|
| REGISTRATION FEES | 2,570      |
| OTHER INCOME      | -          |
| INTEREST EARNED   | <u>608</u> |

|               |       |
|---------------|-------|
| TOTAL REVENUE | 3,178 |
|---------------|-------|

|  |                  |
|--|------------------|
| <b>TOTAL UNRESTRICTED REVENUE, GAINS AND<br/>OTHER SUPPORT</b> | <b>1,504,816</b> |
|--|------------------|

**EXPENSES**

|                        |                |
|------------------------|----------------|
| PROGRAM SERVICES       | 1,224,139      |
| SPECIAL EVENTS         | -              |
| MANAGEMENT AND GENERAL | <u>326,485</u> |

|                       |                         |
|-----------------------|-------------------------|
| <b>TOTAL EXPENSES</b> | <b><u>1,550,624</u></b> |
|-----------------------|-------------------------|

|                             |                 |
|-----------------------------|-----------------|
| <b>CHANGE IN NET ASSETS</b> | <b>(45,808)</b> |
|-----------------------------|-----------------|

|  |                       |
|--|-----------------------|
| <b>NET ASSETS AT BEGINNING OF YEAR</b> | <b><u>714,903</u></b> |
|--|-----------------------|

|                                  |                                 |
|----------------------------------|---------------------------------|
| <b>NET ASSETS AT END OF YEAR</b> | <b><u><u>\$ 669,095</u></u></b> |
|----------------------------------|---------------------------------|

**CLINICAL OUTCOMES GROUP, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**RESTATED**

|                            | <u>PROGRAM<br/>SERVICES</u> | <u>FUND<br/>RAISING</u> | <u>MANAGEMENT<br/>AND GENERAL</u> | <u>TOTAL</u>        |
|----------------------------|-----------------------------|-------------------------|-----------------------------------|---------------------|
| SALARIES                   | 645,098                     | \$ -                    | \$ 245,428                        | \$ 890,526          |
| PAYROLL TAXES              | 69,576                      | -                       | 25,073                            | 94,649              |
| EMPLOYEE BENEFITS          | 16,963                      | -                       | 6,822                             | 23,785              |
| COMPENSATED ABSENCES       | (7,887)                     | -                       | (2,629)                           | (10,516)            |
| SUBCONTRACTORS,CONSULTANTS | 288,075                     | -                       | -                                 | 288,075             |
| INSURANCE                  | 14,514                      | -                       | 2,561                             | 17,075              |
| TRAINING                   | 12,177                      | -                       | 2,149                             | 14,326              |
| TRAVEL                     | 3,653                       | -                       | -                                 | 3,653               |
| DONATED PUBLIC SERVICE ADS | -                           | -                       | -                                 | -                   |
| PROMOTIONAL ITEMS          | -                           | -                       | -                                 | -                   |
| POSTAGE                    | 1,948                       | -                       | -                                 | 1,948               |
| PUBLICATION EXPENSES       | -                           | -                       | -                                 | -                   |
| LEGAL & ACCOUNTING FEES    | 6,515                       | -                       | 1,150                             | 7,665               |
| OFFICE EXPENSES            | 18,237                      | -                       | 3,218                             | 21,455              |
| PROGRAM EXPENSES           | 45,957                      | -                       | -                                 | 45,957              |
| EDUCATIONAL MATERIALS      | 29                          | -                       | -                                 | 29                  |
| RENT                       | 55,590                      | -                       | 9,810                             | 65,400              |
| DONATED SPACE              | -                           | -                       | -                                 | -                   |
| DONATED STAFF TIME         | -                           | -                       | -                                 | -                   |
| MEMBERSHIP                 | 2,806                       | -                       | -                                 | 2,806               |
| MAINTENANCE & REPAIRS      | 2,111                       | -                       | 373                               | 2,484               |
| UTILITIES                  | 21,565                      | -                       | 3,806                             | 25,370              |
| DEPRECIATION               | -                           | -                       | 21,386                            | 21,386              |
| INTEREST                   | -                           | -                       | -                                 | -                   |
| MILEAGE REIMBURSEMENT      | 14,099                      | -                       | -                                 | 14,099              |
| TECHNOLOGY EXPENSES        | 6,135                       | -                       | 1,083                             | 7,218               |
| MISCELLANEOUS              | 6,978                       | -                       | 6,256                             | 13,234              |
|                            | <u>645,098</u>              | <u>\$ -</u>             | <u>\$ 245,428</u>                 | <u>\$ 890,526</u>   |
| TOTAL                      | <u>\$ 1,224,139</u>         | <u>\$ -</u>             | <u>\$ 326,485</u>                 | <u>\$ 1,550,624</u> |

**CLINICAL OUTCOMES GROUP, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**RESTATED**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |    |                  |
|---|----|------------------|
| Cash Received from:                                     |    |                  |
| Program Service Fees                                    | \$ | 1,859,724        |
| Special Events  |    | 172              |
| Payments for Expenses:                                  |    |                  |
| Compensation and Related Expenses                       |    | (999,337)        |
| Payments Made to Vendors                                |    | <u>(542,443)</u> |
| <b>Net Cash Provided (Used) by Operating Activities</b> |    | <b>318,116</b>   |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|  |  |                 |
|--|--|-----------------|
| Purchase of Capital Assets                       |  | (31,168)        |
| Net Investment Earnings and Purchases            |  | <u>608</u>      |
| <b>Net Cash Provided by Investing Activities</b> |  | <b>(30,560)</b> |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|  |  |                |
|--|--|----------------|
| Prior Period Adjustments Affecting Cash          |  | <u>18,111</u>  |
| <b>Net Cash Provided by Financing Activities</b> |  | <b>18,111</b>  |
| <b>Net Increase in Cash and Cash Equivalent</b>  |  | <b>305,667</b> |

|   |           |                       |
|---|-----------|-----------------------|
| <b>Cash and Cash Equivalent - Beginning of Year</b> |           | <u>378,292</u>        |
| <b>Cash and Cash Equivalent - End of Year</b>       | <b>\$</b> | <u><u>683,959</u></u> |

**RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

|   |           |                       |
|---|-----------|-----------------------|
| Change in Net Assets  | \$        | (45,808)              |
| Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities: |           |                       |
| Depreciation  |           | 21,386                |
| Investment Earnings   |           | (608)                 |
| Change in Operating Assets and Liabilities:   |           |                       |
| Decrease (Increase) In:   |           |                       |
| Accounts Receivables  |           | 355,687               |
| (Decrease) Increase In:   |           |                       |
| Accrued Expenses & Payables   |           | <u>(12,541)</u>       |
| <b>Net Cash Used by Operating/Investing Activities</b>  | <b>\$</b> | <u><u>318,116</u></u> |



**CLINICAL OUTCOMES GROUP, INC.**  
**(A Nonprofit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2016**

**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. The Organization is designed to provide accessible and innovative public health and social services. COGI provides programs and services focusing on tobacco cessation, prevention and education; drug and alcohol services including: outpatient, intensive outpatient, case coordination, and medication assisted therapy, and abuse intervention services.

**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, 2016 of the \$1,001,642 deposited in financial institutions, \$697,141 was uninsured and uncollateralized by FDIC and \$304,501 is covered by FDIC insurance. Federal Deposit Insurance Corporation limits coverage to \$250,000 per account holder.

**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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**CLINICAL OUTCOMES GROUP, INC.**  
**(A Nonprofit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2016**

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

**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  |
| Improvements          | 30 years |

During 2016 \$31,167 was used to purchase of computer equipment and security equipment.

**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.

**NOTE B – REVENUES**

**Program Service Fees**

Revenue from grants and program service fees is recognized in the period that the grants specify and related expenses are incurred.

Program service fees in the amount of \$1,837,260 were recorded on the accrual basis during 2016. Funds were disbursed to COGI using the cost reimbursement method. Funding organizations include: Community Care Behavioral Health Organization, Health Promotion Council, the Pennsylvania Department of Health, the Pottsville Emergency Management Service, the Schuylkill County Drug and Alcohol Program, PA Department of Public Welfare, Integrated Behavioral Health (IBH), Temple University, and privately paying clients.

Registration fees in the amount of \$2,570 were received from Abuse Intervention Clients.

**CLINICAL OUTCOMES GROUP, INC.**  
**(A Nonprofit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2016**

**NOTE B – 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.

**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 2016.

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 2015.

**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 \$26,254 has been made to record maximum vacation time available to be paid out in case of employee's separation from the company. The cost of sick time available to be used at December 31, 2016 amounts to \$76,945, but 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, 2016**

**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, 2017, due in future years, are as follows:

| Year Ended December 31, |          |
|-------------------------|----------|
| 2017                    | \$65,400 |

Total rent expense for the year ended December 31, 2016, totaled \$65,400. The Organization is in the process of negotiating the purchase of a building in the near future and will no longer be subject to the terms of the lease agreement at that time.

**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. No provision for uncollectible accounts has been recorded in 2016.

**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, 2016 aggregated \$18,939.

**NOTE I – LITIGATION**

The Organization is a defendant in a legal action involving a former employee. While the final outcome cannot be determined at this time, management is of the opinion that the ultimate liability, if any, will be covered by the insurance policy in effect at the time of the lawsuit. A \$500 deductible has been paid. No progress was made on this case during 2016.

**CLINICAL OUTCOMES GROUP, INC.**  
**(A Nonprofit Corporation)**  
**Notes to Financial Statements**  
**December 31, 2016**

**NOTE J – RESTATEMENT**

The Company has restated its previously issued financial statements for the year ended December 31, 2016 to correct a material error uncovered during in the 2017 audit process. Adjustments have been made to decrease cash by \$321,313 and income by \$ 335,794, material amounts. These errors occurred as a result of a system transition and billing issues that have since been rectified. Immaterial adjustments were made to expenses also during this process totaling \$3630. Prior period adjustments were made totaling \$18,111.

**NOTE K – SUBSEQUENT EVENTS**

Management has considered subsequent events through June 1, 2018, the date of this report.