

CLINICAL OUTCOMES GROUP, INC.
(A Non-Profit Corporation)
POTTSVILLE, PENNSYLVANIA
DECEMBER 31, 2017

CLINICAL OUTCOMES GROUP, INC.

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L. SAMUEL DEEGAN, P.C.

Certified Public Accountant

321 West Market Street

Pottsville, PA 17901

Telephone (570) 622-2011

Fax (570) 622-1399

*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, 2017, 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, 2017 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".

L. Samuel Deegan
Certified Public Accountant
Pottsville, Pennsylvania
June 30, 2018

CLINICAL OUTCOMES GROUP, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

CASH	\$ 457,365
ACCOUNTS RECEIVABLE	133,984
UNDEPOSITED FUNDS	<u>740</u>

TOTAL CURRENT ASSETS 592,089

EQUIPMENT

BUILDINGS AND OFFICE EQUIPMENT	388,896
LESS: ACCUMULATED DEPRECIATION	<u>(90,858)</u>
NET EQUIPMENT	298,038

TOTAL ASSETS \$ 890,127

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

ACCOUNTS PAYABLE	\$ 29,383
ACCRUED ABSENCES	41,897
ACCRUED PAYROLL EXPENSES	5,897
DEFERRED REVENUE	116,657

TOTAL CURRENT LIABILITIES 193,834

TOTAL LIABILITES 193,834

NET ASSETS

UNRESTRICTED 696,293

TOTAL NET ASSETS 696,293

TOTAL LIABILITIES AND NET ASSETS \$ 890,127

See Notes to Financial Statements

CLINICAL OUTCOMES GROUP, INC.
STATEMENT OF UNRESTRICTED REVENUES, EXPENSES AND
CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

**UNRESTRICTED REVENUE, GAINS AND
OTHER SUPPORT**

SUPPORT	
PROGRAM SERVICE FEES AND GRANTS	\$ 1,866,950
FUNDRAISING	1,999
CONTRIBUTIONS	<u>73</u>
TOTAL SUPPORT	1,869,022
REVENUE	
REGISTRATION FEES	-
OTHER INCOME	7,284
INTEREST EARNED	<u>611</u>
TOTAL REVENUE	7,895
TOTAL UNRESTRICTED REVENUE, GAINS AND OTHER SUPPORT	1,876,917
EXPENSES	
PROGRAM SERVICES	1,427,946
SPECIAL EVENTS	-
MANAGEMENT AND GENERAL	<u>421,773</u>
TOTAL EXPENSES	<u>1,849,719</u>
CHANGE IN NET ASSETS	27,198
NET ASSETS AT BEGINNING OF YEAR	<u>669,095</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 696,293</u></u>

CLINICAL OUTCOMES GROUP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>PROGRAM SERVICES</u>	<u>FUND RAISING</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
SALARIES	716,408	\$ -	\$ 292,617	\$ 1,009,025
PAYROLL TAXES	91,189	-	37,246	128,435
EMPLOYEE BENEFITS	110,969	-	45,325	156,294
COMPENSATED ABSENCES	13,167	-	5,121	18,288
SUBCONTRACTORS,CONSULTANTS	260,413	-	-	260,413
INSURANCE	17,074	-	4,268	21,342
TRAINING	2,562	-	3,201	5,763
TRAVEL	4,371	-	-	4,371
MEMORIAL DONATIONS, GIFTS	-	-	871	871
PROMOTIONAL ITEMS	3,958	-	-	3,958
POSTAGE	750	-	-	750
PUBLICATION EXPENSES	7,024	-	-	7,024
LEGAL & ACCOUNTING FEES	6,160	-	1,540	7,700
OFFICE EXPENSES	14,991	-	3,755	18,746
PROGRAM EXPENSES	36,301	-	-	36,301
EDUCATIONAL MATERIALS	360	-	-	360
RENT	53,858	-	13,465	67,323
MEMBERSHIP	1,957	-	-	1,957
MAINTENANCE & REPAIRS	1,752	-	438	2,190
UTILITIES	26,793	-	6,698	33,491
DEPRECIATION	20,482	-	5,120	25,602
INTEREST	-	-	-	-
MILEAGE REIMBURSEMENT	28,969	-	-	28,969
TECHNOLOGY EXPENSES	8,438	-	2,108	10,546
MISCELLANEOUS	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 1,427,946</u>	<u>\$ -</u>	<u>\$ 421,773</u>	<u>\$ 1,849,719</u>

CLINICAL OUTCOMES GROUP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from:		
Program Service Fees	\$	1,912,868
Other Income		9,356

Payments for Expenses:		
Compensation and Related Expenses		(1,372,096)
Payments Made to Vendors		<u>(503,531)</u>

Net Cash Provided (Used) by Operating Activities		46,597
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Capital Assets		(273,802)
Net Investment Earnings and Purchases		<u>611</u>

Net Cash Provided by Investing Activities		(273,191)
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CASH FLOWS FROM FINANCING ACTIVITIES

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Net Cash Provided by Financing Activities		-
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Net Decrease in Cash and Cash Equivalent		(226,594)
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Cash and Cash Equivalent - Beginning of Year		<u>683,959</u>
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Cash and Cash Equivalent - End of Year	\$	<u><u>457,365</u></u>
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RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Change in Net Assets	\$	27,198
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Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		25,602
Investment Earnings		611

Change in Operating Assets and Liabilities:

Decrease (Increase) In:		
Accounts Receivables		(70,738)
(Decrease) Increase In:		
Accrued Expenses & Payables		(52,733)
Deferred Revenue		<u>116,657</u>

Net Cash Used by Operating/Investing Activities	\$	<u><u>46,597</u></u>
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CLINICAL OUTCOMES GROUP, INC.
(A Nonprofit Corporation)
Notes to Financial Statements
December 31, 2017

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, 2017 of the \$457,365 deposited in financial institutions, \$207,365 was uninsured and uncollateralized by FDIC. 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, 2017

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
Building and Improvements	30 years

During 2017 \$261,487 was used to purchase a building and \$12,315 was use to purchase computer equipment and furniture.

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.

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.

Program income in the amount of \$1,867,607 was recorded on the accrual basis during 2017. 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, Teamster, Pottsville Emergency Management Services, and privately paying clients. An Award for Excellence in the amount of \$500,000 was received during 2017. \$383,343 was recorded in income in 2017 and \$116,657 was deferred and not recorded in income until 2018 when the amounts were expended as per award requirements.

Fund raising revenue in the amount of \$1,999, rental income in the amount of \$1,350 and, an insurance reimbursement of \$2,414 were recognized.

CLINICAL OUTCOMES GROUP, INC.
(A Nonprofit Corporation)
Notes to Financial Statements
December 31, 2017

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 2017.

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 2017.

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 \$41,897 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, 2017 amounts to \$82,130, 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, 2017

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,	
2018	\$68,700

Total rent expense for the year ended December 31, 2017, totaled \$67,323.

A new building was purchased in 2017 however the Organization anticipates paying rent until 2019. The current lease was extended until December 31, 2018. Effective July 1, 2018 rent will increase to \$6,000 per month.

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. \$62,150 had been charged off as uncollectible accounts during 2017.

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, 2017 aggregated \$24,357.

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.

NOTE J – SUBSEQUENT EVENTS

Management has considered subsequent events through June 30, 2018, the date of this report.