

CLINICAL OUTCOMES GROUP, INC.

POTTSVILLE, PENNSYLVANIA

FOR THE YEAR ENDED DECEMBER 31, 2020

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A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Clinical Outcomes Group, Inc.
Pottsville, PA 17901

We have audited the accompanying financial statements of Clinical Outcomes Group, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related 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 from material misstatement.

An audit involves performing procedures to obtain audit 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 the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Dan + Corey P.C." in a cursive, stylized font.

June 30, 2021
Pottsville, Pennsylvania

CLINICAL OUTCOMES GROUP, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 486,271
Accounts Receivable	338,646
Prepaid Expenses	13,050
TOTAL CURRENT ASSETS	837,967
PROPERTY AND EQUIPMENT, NET	598,486
OTHER ASSETS	
Security Deposits	5,500
TOTAL ASSETS	\$ 1,441,953

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts Payable	\$ 44,303
Accrued Absences	21,400
Accrued Payroll Expenses	21,004
Accrued Payroll Taxes	3,445
Deffered Revenue	268,047
Lease Payable - Marlin Capital	1,449
Bridge Gap Loan	99,564
Renovation Loan	211,950
TOTAL LIABILITIES - ALL CURRENT	671,162
NET ASSETS	
Without Donor Restrictions:	
Undesignated	759,082
With Donor Restrictions:	
Restricted in Perpetuity	11,709
TOTAL NET ASSETS	770,791
TOTAL LIABILITIES AND NET ASSETS	\$ 1,441,953

See notes to financial statements
which are an integral part of this statement.

CLINICAL OUTCOMES GROUP, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support			
Program Service Fees	\$ 1,885,403	\$ 0	\$ 1,885,403
Grants and Awards	658,597	0	658,597
Fundraising	3,774	0	3,774
Contributions	993	0	993
Net Assets Released from Restrictions	<u>285,555</u>	<u>(285,555)</u>	<u>0</u>
Total Support	<u>2,834,322</u>	<u>(285,555)</u>	<u>2,548,767</u>
Revenue			
Other Income	29,936	0	29,936
Interest Income	<u>544</u>	<u>0</u>	<u>544</u>
TOTAL SUPPORT AND REVENUE	<u>2,864,802</u>	<u>(285,555)</u>	<u>2,579,247</u>
EXPENSES			
Program Services	1,930,198	0	1,930,198
Supporting Services	<u>563,775</u>	<u>0</u>	<u>563,775</u>
TOTAL EXPENSES	<u>2,493,973</u>	<u>0</u>	<u>2,493,973</u>
INCREASE (DECREASE) IN NET ASSETS	<u>370,829</u>	<u>(285,555)</u>	<u>85,274</u>
NET ASSETS - BEGINNING OF YEAR	<u>388,253</u>	<u>297,264</u>	<u>685,517</u>
NET ASSETS - END OF YEAR	<u>\$ 759,082</u>	<u>\$ 11,709</u>	<u>\$ 770,791</u>

See notes to financial statements
which are an integral part of this statement.

CLINICAL OUTCOMES GROUP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	PROGRAM SERVICES				SUPPORTING SERVICES		
	<u>Treatment Activities</u>	<u>Prevention Activities</u>	<u>Case Management</u>	<u>Total Programs</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES							
Salaries	\$ 634,172	\$ 30,209	\$ 401,162	\$ 1,065,543	\$ 0	\$ 414,377	\$ 414,377
Payroll Taxes	5,097	7,961	88,987	102,045	0	39,685	39,685
Employee Benefits	40,058	0	0	40,058	0	13,360	13,360
Subcontractors, Consultants	315,076	985	3,128	319,189	0	0	0
Insurance	28,285	0	0	28,285	0	1,986	1,986
Advertising	19,981	0	0	19,981	0	4,995	4,995
Training	0	0	239	239	0	72	72
Travel	277	0	0	277	0	0	0
Memorial Donations, Gifts	0	0	0	0	0	725	725
Promotional Items	4,752	0	0	4,752	0	0	0
Postage	1,083	0	0	1,083	0	0	0
Publication Expenses	2,967	0	0	2,967	0	0	0
Legal & Accounting Fees	1,422	0	0	1,422	0	5,078	5,078
Office Expenses	19,763	1,563	12,399	33,725	0	17,262	17,262
Program Expenses	99,970	15,772	0	115,742	0	0	0
Rent	51,192	0	12,167	63,359	0	15,840	15,840
Membership	1,561	0	0	1,561	0	0	0
Maintenance & Repairs	30,742	0	0	30,742	0	7,685	7,685
Utilities	19,540	0	9,619	29,159	0	7,289	7,289
Depreciation	14,578	0	0	14,578	0	3,645	3,645
Interest	4,209	0	0	4,209	0	1,403	1,403
Mileage Reimbursement	1,091	1,629	13,720	16,440	0	0	0
Technology Expenses	27,989	0	6,853	34,842	0	8,713	8,713
Miscellaneous	0	0	0	0	0	21,660	21,660
	0	0	0	0	0	0	0
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,323,805</u>	<u>\$ 58,119</u>	<u>\$ 548,274</u>	<u>\$ 1,930,198</u>	<u>\$ 0</u>	<u>\$ 563,775</u>	<u>\$ 563,775</u>

See notes to financial statements
which are an integral part of this statement.

CLINICAL OUTCOMES GROUP, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	\$ 85,274
Adjustments to Reconcile Increase in Net Assets to Cash Provided by Operating Activities:	
Depreciation	18,223
 (Increase) Decrease in Operating Assets:	
Accounts Receivable	(21,233)
Prepaid Expenses	450
 Increase (Decrease) in Operating Liabilities:	
Accounts Payable	3,395
Accrued Absences	5,032
Accrued Payroll Expenses	(51,682)
Accrued Payroll Taxes	(4,142)
Deferred Revenue	(17,509)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>17,808</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	(335,694)
NET CASH USED IN INVESTING ACTIVITIES	<u>(335,694)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Short Term Borrowings	312,963
NET CASH PROVIDED IN FINANCING ACTIVITIES	<u>312,963</u>
 NET INCREASE IN CASH	17,808
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>491,194</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 486,271</u>

See notes to financial statements
which are an integral part of this statement.

CLINICAL OUTCOMES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF ACTIVITIES

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 Service 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 women, 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 Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Current U.S. GAAP standards are contained in the Accounting Standards Codification (ASC), as set forth by the Financial Accounting Standards Board (FASB).

USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding certain types of assets, liabilities, income, and expenses. Such estimates relate primarily to fair value measurements, the valuation for promises to give, and the allocation of functional expenses. Accordingly, actual results may differ from estimated amounts.

NET ASSET CLASSIFICATION

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets without Donor Restrictions – Net assets without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received and expenses incurred in conducting the Organization's charitable mission are included in this category.

CLINICAL OUTCOMES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –
continued**

NET ASSET CLASSIFICATION - continued

Net Assets with Donor Restrictions – 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 those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed or when the stipulated purpose for which the resources was restricted has been filled.

CONTRIBUTIONS

Contributions are recorded when the Organization is notified of the promise to give. All contributions are considered to be support without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Restricted donations whose restrictions are met in the same reporting period are accounted for as temporarily restricted support and as net assets released from restrictions. In certain situations, the Organization functions as custodian for funds, the expenditures of which are directed by other parties. Custodial funds remaining at year end are not included in the Organization's net assets and are accounted for as part of a liability on the statement of financial position.

CLINICAL OUTCOMES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –
continued**

PROPERTY AND EQUIPMENT

The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives of five years. Building and improvements are depreciated using the straight-line method over estimated useful lives of 30 years.

CONTRIBUTED SERVICES

Contributed services represent the estimated fair value of services received. Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The cost of the prepaid items is recorded as an expense when consumed rather than when purchased.

CLINICAL OUTCOMES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –
continued**

INCOME TAX STATUS

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

FUNCTIONAL EXPENSE CLASSIFICATION

The cost of providing the various programs and other activities is summarized in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of management and general expenses and fund-raising expenses. Total program costs were \$1,930,198 for the year ended December 31, 2020.

DONATED SERVICES, MATERIALS, AND EQUIPMENT

Donated services, materials, and equipment are recognized as contributions when received if there is an objective basis for valuation.

There were no donated materials, expenses or services received of significant value for the year ended December 31, 2020.

ACCOUNTING STANDARDS NOT YET ADOPTED

In February 2016, the FASB issued ASU No. 2016-02 *Leases* (ASU 2016-02), which will require lessees to recognize most leases on their balance sheet, increasing their reported assets and liabilities. This update was developed to provide financial statement users with more information about an entity's leasing activities, and will require changes in processes and internal controls. This update is effective for fiscal years beginning after December 15, 2018, and will require application of the new guidance at the beginning the earliest comparable period presented. Currently the deferral of this effective date has been extended and will now be effective for fiscal years beginning after December 15, 2021.

CLINICAL OUTCOMES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –
continued**

ADOPTION OF FASB ASU NO. 2016-14

The Organization implemented the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU), *Presentation of Financial Statements of Not-for-Profit Entities*, which makes changes to the not-for-profit financial reporting model. Under the new ASU, the previously existing three-category classification of net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) is replaced with a model that combines temporarily restricted and permanently restricted in to a single category called “net assets with donor restrictions.” Differences in the nature of donor restrictions will be disclosed in the notes, with an emphasis on how and when the resources can be used. This standard is effective for fiscal years beginning after December 15, 2017. The Organization adopted this standard for the year ended December 31, 2018.

NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following at December 31, 2020:

David A. Zanis Fatherhood Fund		11,709
Total	\$	11,709

NOTE 3 – OPERATING LEASE:

The Organization leases office space at 437 N Centre Street Pottsville under an agreement that commenced on December 1, 2012 for a term of five years terminating on October 31, 2017. This lease was then extended through and ended on June 30, 2020.

On October 24, 2019 the Organization leased new office space at 1 South Second Street under an agreement that commenced November 1, 2019 for a term of five years and seven months terminating on May 30, 2025. The Organization will have the option to extend the initial term of this lease for two three-year periods.

CLINICAL OUTCOMES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 3 – OPERATING LEASE - continued

Total rent expense for the year ended December 31, 2020 was \$79,199. \$77,800 for building rental and \$1,399 for temporary storage.

Future minimum rental commitment is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 62,400
2022	62,400
2023	64,500
2024	66,700
2025	28,000
Thereafter	<u>0</u>
Total	\$ <u><u>284,000</u></u>

NOTE 4 – RETIREMENT PLANS:

The Organization maintains a Simplified Employee Pension Individual Retirement Arrangement (SEP IRA) for covered employees. There is no waiting period for employees to be covered. Under the SEP plan, the Organization matches employee contributions at the rate permitted by current law and the limits of the IRS, currently 3% of wages. Cash contributions to the plan during the year ended December 31, 2020 aggregated \$32,161.

NOTE 5 – PROPERTY AND EQUIPMENT:

Property and equipment consists of the following as of December 31, 2020:

Building and Improvements	\$ 585,591
Office Equipment	100,932
Less: Accumulated Depreciation	<u>(88,037)</u>
	\$ <u><u>598,486</u></u>

Depreciation expense for the year ended December 31, 2020 was \$18,223.

CLINICAL OUTCOMES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6 – SECURITY DEPOSIT:

The deposits consist of:

Security Deposit on One South Second Street	\$5,500
	=====

NOTE 7 – CONCENTRATION OF CREDIT RISK:

The Organization maintains its cash balances in two banks in Eastern Pennsylvania. The amounts in excess of F.D.I.C. Insurance were \$7,487.

NOTE 8 – 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 \$21,400 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, 2020, because company policy dictates that sick time would not be paid out upon termination.

NOTE 9 – BRIDGE GAP LOAN

In response to the COVID-19 state and national emergency, Community Care, in consultation with its county contractors, developed an Alternative Payment Arrangement for ambulatory services only, intended to ensure member access to services. The initial amount received in 2020 from Community Care was \$129,361 and was received in three separate payments between March of 2020 and April of 2020. Upon a reconciliation completed on behalf of Community Care it was determined that a provider payback to Community Care in the amount of \$99,564 was required. The \$99,564 has been recorded as a current liability as of December 31, 2020 and will be paid back in 3 equal installments, with the first installment due May 31, 2021, second installment due June 30, 2021 and third installment due July 31, 2021.

NOTE 10 – RENOVATION LOAN

On May 21, 2020 Clinical Outcomes Group, Inc. secured a loan with Truist Bank in in the amount of \$216,000 for renovation costs associated with their leased office space on 1 S 2nd Street in Pottsville, PA. This debt has been classified as a current liability as this loan was paid back in full during February 2021 with proceeds received from the sale of a property owned by Clinical Outcomes Group, Inc. located at Front & Coal Streets, in Pottsville, PA. The balance of this loan at December 31, 2020 was \$211, 950

CLINICAL OUTCOMES GROUP, INC.
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 11 – CORONAVIRUS (COVID-19) PANDEMIC DECLARATION:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 6, 2020, Pennsylvania Governor Tom Wolf proclaimed the existence of a disaster emergency throughout the Commonwealth of Pennsylvania. As provided in the order, he prohibited the Operation of Businesses that are not Life Sustaining. As such, he ordered all non-life sustaining businesses in Pennsylvania to close their physical locations as of 8 p.m. March 19th, 2020.

We cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our financial position, results of operations, and cash flows in 2021.

NOTE 12 – SUBSEQUENT EVENTS:

The Organization has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2020 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through June 30, 2021, the date these financial statements were available to be issued.

SALE OF BUILDING AND SUBSEQUENT REPAYMENT OF LOAN

On January 29, 2021, Clinical Outcomes Group, Inc. sold the property at Front & Coal Streets, in Pottsville, PA. A portion of the total proceeds from the sale of this property were used to repay, in full, the Building Renovation Loan with Truist Bank. The loan repayment was completed on February 16, 2021.