

**CENTER FOR APPLIED
RESEARCH SOLUTIONS, INC.**

**Financial Statements and
Supplemental Information
With Independent Auditor's Reports Thereon
December 31, 2018**

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Financial Statements
For the Year Ended December 31, 2018

Table of Contents

FINANCIAL SECTION

Independent Auditor’s Report..... 1-2

Statement of Financial Position 3

Statement of Activities..... 4

Statement of Functional Expenses 5

Statement of Cash Flows 6

Notes to Financial Statements..... 7-13

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards..... 14

Notes to Schedule of Expenditures of Federal Awards 15

Independent Auditor’s Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government*
Auditing Standards 16-17

Independent Auditor’s Report on Compliance for Each Major
Program and on Internal Control Over Compliance and
Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance..... 18-20

Schedule of Findings and Questioned Costs..... 21-22

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Center for Applied Research Solutions, Inc.
Santa Rosa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Center for Applied Research Solutions, Inc. (CARS) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

Board of Directors
Center for Applied Research Solutions, Inc.
Santa Rosa, California

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 CARS as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2019, on our consideration of CARS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering CARS' internal control over financial reporting and compliance.

Fechter & Company
Certified Public Accountants



Sacramento, California
August 12, 2019

FINANCIAL SECTION

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Current Assets

Cash	\$ 1,252,135
Accounts receivable	824,575
Other receivable	179
Prepaid expenses	<u>14,501</u>

Total current assets 2,091,390

Property and equipment, net 30,169

Other assets

Security deposit	<u>10,515</u>
------------------	---------------

Total assets \$ 2,132,074

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 202,672
Accrued payroll expenses	93,451
Accrued compensated absences	<u>93,053</u>

Total current liabilities 389,176

Net Assets

Without donor restrictions	<u>1,742,898</u>
----------------------------	------------------

Total liabilities and net assets \$ 2,132,074

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

Operating revenues	
Project income	\$ 6,209,936
Expenses	
Program services	4,642,809
Support services	<u>1,015,191</u>
Total expenses	<u>5,658,000</u>
Net operating income	551,936
Other income	
Other income	<u>3,610</u>
Change in net assets	555,546
Net assets at beginning of year	<u>1,187,352</u>
Net assets at end of year	<u><u>\$ 1,742,898</u></u>

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	Support Services	
	Direct Cost	Cost of Operations	Total
Payroll related expenses	\$ 1,674,508	\$ 711,063	\$ 2,385,571
Travel	238,418	21,418	259,836
Telephone	58,245	360	58,605
Postage	6,298	679	6,977
Consultants	642,402	57,305	699,707
Print/copy	146,286	2,342	148,628
Subcontract	1,422,701	-	1,422,701
Office expense	46,302	21,921	68,223
Outside services	67,475	-	67,475
Bid and proposal	-	107,183	107,183
Fees and licenses	-	8,196	8,196
Accounting expense	-	29,738	29,738
Rent/utilities	174,856	3,800	178,656
Insurance	-	10,681	10,681
Repairs and maintenance	-	10,138	10,138
Depreciation expense	-	16,759	16,759
IT support services	119,288	-	119,288
Other	46,030	13,608	59,638
Total	<u>\$ 4,642,809</u>	<u>\$ 1,015,191</u>	<u>\$ 5,658,000</u>

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ 555,546
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	16,759
Increase in receivables	(49,480)
Increase in prepaid expenses	(4,826)
Decrease in accounts payable	(222,531)
Increase in accrued payroll expenses	66,493
Increase in accrued compensated absences	29,938
	<hr/>
Total adjustments	(163,647)
	<hr/>
Net cash provided by operating activities	391,899
	<hr/>
Cash flows from investing activities:	
Purchase of fixed assets	(1,581)
	<hr/>
Net cash used by investing activities	(1,581)
	<hr/>
Net increase in cash and cash equivalents	390,318
Beginning cash and cash equivalents	861,817
	<hr/>
Ending cash and cash equivalents	<u>\$ 1,252,135</u>

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Center for Applied Research Solutions, Inc. (CARS) was incorporated in 2001 as a California nonprofit public benefit corporation. Its mission is to improve the lives of youth, families, and communities by facilitating the exchange of knowledge and experience among the prevention research community, practitioners, policy makers, and the public.

The Corporation has offices in Santa Rosa and Sacramento, California.

The financial statements of CARS have been prepared in conformity with generally accepted accounting principles (GAAP). The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing financial reporting principles. Significant accounting policies are described below.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements have been prepared on the accrual basis whereby revenues are recorded as earned and expenses as the liability is incurred.

Basis of Presentation

CARS follows FASB's standards for financial statements of not-for-profit organizations. Under those standards, CARS is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. CARS has no net assets with donor restrictions.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consists primarily of amounts due from grantors for cost reimbursement contracts. As of December 31, 2018, CARS believes its accounts receivable to be fully collectible, and as such, no reserve for bad debt has been recorded.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (five to seven years).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 may differ from those estimates.

Compensated Absences

Vested or accumulated annual leave that will use current expendable resources is shown as a liability; sick pay is not vested.

Revenue Recognition

CARS receives progress payments for work performed on its contracts. Ten percent (10%) of the invoiced amounts are withheld and paid quarterly for one of its contracts.

Income Taxes

CARS is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires CARS to report information regarding its exposure to various tax positions taken. CARS has evaluated its uncertain tax positions and related income tax contingencies. CARS does not believe that any material uncertain tax positions exist. CARS' tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one project or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll-related expense, occupancy, telephone, office expense, information technology and other which are allocated based on estimates of time and effort.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Implementation of Pronouncement

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-For-Profit Entities, which requires changes to financial reporting by not-for-profit entities. This change requires the reporting of the statement of functional expenses. This change also reduces the number of classes of net assets to be net assets with donor restrictions and net assets without donor restrictions. This pronouncement is effective for years for fiscal years beginning after December 15, 2017. CARS' initial year of implementation is the year ended December 31, 2018.

NOTE 2: CONTRACTS

CARS has met the training and technical assistance (TA) needs of public and nonprofit organizations in California and nationwide. As a training and TA organization, CARS staff and consultants have focused their technical assistance and training in six broad areas:

- Substance abuse prevention
- Mental health
- Evaluation
- Volunteerism and nonprofit organizational development
- Mentoring
- Public management and supervision

For the year ended December 31, 2018, CARS performed training and technical services under the following contracts:

1. The **Community Prevention Initiative (CPI)** is a long-term statewide training and technical assistance (TTA) project funded through the California Department of Health Care Services, Substance Use Disorder Prevention, Treatment & Recovery Services Division (DHCS). This project is designed to help California communities address substance abuse through data-driven processes, evidence-based implementation, and outcome-based decision making. CARS provides a large number of no-cost customized TA consultations, regional trainings and webinars for California's organizations providing substance abuse prevention services.
2. The **California Community College Student Mental Health Program (CCC-SMHP)** is a CalMHSA funded prevention and early intervention initiative in support of student mental health at California's community colleges. The goal of the program is to increase the capacity of the CCC system to plan, implement and sustain effective student mental health systems, and to advance mental health collaborations with county services and the community at large.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 2: CONTRACTS - CONTINUED

3. The **Now is the Time (NITT) Technical Assistance Center**, provides technical assistance under two SAMHSA-funded NITT initiatives. The NITT Project AWARE program is designed to build and expand the capacity of state and local educational agencies to increase awareness of mental health issues among school-aged youth; to provide training for school personnel and other adults to detect and respond to mental health issues in children and young adults; and to connect children, youth, and families who may experience behavioral health issues with appropriate services. The purpose of the NITT Healthy Transitions (NITT-HT) program is to improve access to treatment and support services for youth and young adults ages 16-25 that either have, or are at risk of developing, a serious mental health condition.
4. The **National Mentoring Resource Center (NMRC)** is a project of the Office of Juvenile Justice and Delinquency Prevention (OJJDP) that provides resources and no-cost training and technical assistance (TTA) to mentoring programs, to support them in using evidence-based practices to improve outcomes for young people. TTA is provided by MENTOR: The National Mentoring Partnership's (MENTOR) network of affiliate Mentoring Partnerships and experts in the field. CARS manages and oversees the provision of TTA for the California Mentoring Partnership (CMP) affiliate as a member of the CMP Leadership Team. We provide TTA on recruiting and retaining mentors and mentees, effective mentor and mentee training, program design, developing program policies and procedures, program evaluation, and other relevant topics.
5. The project **Linking Actions for Unmet Needs in Children's Health (LAUNCH) Technical Assistance Center** provides training and technical assistance for SAMHSA-funded Project LAUNCH Grantees. The Project LAUNCH initiative is designed to promote the wellness of young children ages birth to 8 by addressing the physical, social, emotional, cognitive, and behavioral aspects of their development. The long-term goal of Project LAUNCH is to ensure that all children enter school ready to learn and able to succeed.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 2: CONTRACTS - CONTINUED

6. The **Mental Health Technology Transfer Center (MHTTC) Network** includes a Network Coordinating Office, 10 MHTTC Regional Centers, a Tribal Affairs Center, and a Hispanic and Latino Center. Our collaborative network supports resource development and dissemination, training and technical assistance, and workforce development to the mental health field. The MHTTC Network works with organizations and treatment practitioners involved in the delivery of mental health services to strengthen their capacity to deliver effective evidence-based practices (EBPs) to individuals, including the full continuum of services spanning mental health promotion, prevention, treatment, and recovery support.

The Pacific Southwest MHTTC serves the priorities of SAMHSA Region 9, including: Arizona, California, Hawaii, Nevada, American Samoa, Guam, Marshall Islands, Federated States of Micronesia, Northern Mariana Islands, and Palau. It offers a collaborative MHTTC model in order to provide training, technical assistance (TTA), and resource dissemination that supports the mental health workforce to adopt and effectively implement EBPs across the mental health continuum of care. The Pacific Southwest MHTTC also provides TTA and resources at a national level on specialty area focused on youth and young adults of transition age.

CARS receives significant amounts of revenue from governmental contracts. Should funding from these grants be changed due to a change in budgeting or due to cutbacks, such reduction in funding might have an adverse effect on the CARS' programs and activities.

NOTE 3: CASH

At December 31, 2018, the carrying amount of CARS' deposits was \$1,249,545 and the bank balance was \$1,324,120. The CARS' bank balance was covered by Federal depository insurance up to \$250,000. As of December 31, 2018, \$1,074,120 was uninsured.

NOTE 4: PROPERTY AND EQUIPMENT

As of December 31, 2018, property and equipment consisted of the following:

Office art - non-depreciable	\$10,000
Furniture	14,240
Computer equipment	9,364
Software costs	45,344
Tenant improvements	12,985
Total Cost	<u>91,933</u>
Less accumulated depreciation	<u>(61,764)</u>
Property and Equipment, net	<u>\$30,169</u>

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 4: PROPERTY AND EQUIPMENT - CONTINUED

Depreciation expense for the year ended December 31, 2018 was \$16,759 and is included in the statement of functional expenses as a cost of operations and not allocated as program services.

NOTE 5: OPERATING LEASES

CARS leases office space in Santa Rosa, California, and Sacramento, California. The Santa Rosa, California office space requires monthly payments of \$6,900 through February 28, 2021. The Sacramento, California office space requires monthly payments of \$5,423 through June 30, 2019, and increases 2% per year through June 30, 2022, with a right to cancel the last year. Future minimum lease payments as of December 31, 2018 are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$148,525
2020	149,834
2021	<u>61,447</u>
Total	<u>\$359,806</u>

NOTE 6: RETIREMENT PLAN

CARS maintains a SEP-IRA retirement plan for the benefit of its employees. 15% of covered compensation is contributed to the plan. Retirement expense for the year ended December 31, 2018 totaled \$254,618.

NOTE 7: CONTINGENCY

Federally funded programs are subject to special audit. Such audits could result in claims against the resources of CARS. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 8: CREDIT LINE

CARS has an ongoing \$300,000 line of credit with a bank. The interest rate is variable and is based on changes in an index calculation of the bank's own prime rate. The credit line is collateralized by accounts receivable. At December 31, 2018, the balance of the line of credit was zero.

NOTE 9: RISK OF LOSS

CARS is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During 2018, CARS purchased certain commercial insurance coverage to provide for these risks.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 10: SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 12, 2019, the date these December 31, 2018, financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2018

Federal Grantor/ Pass-Through Federal Funding/ Program/	Grantor's Number	Federal CFDA Number	Award Amount	Expenditures
U.S. Department of Education				
Carol M. White PEP Grant - Kids on Track...Through Fitness and Nutrition		84.215F	\$ 30,000	\$ 10,000
TN Dept. of Education Building Strong Brains Train-the-Trainer	33109-07718	84.027A	2,400	2,400
Total U.S. Department of Education			32,400	12,400
U.S. Department of Health and Human Services				
Direct programs:				
Now is the Time (NITT)	283-12-3000	93.243	3,376,564	2,452,893
Linking Actions for Unmet Needs in Children's Health (LAUNCH)	283-12-3003	93.243	1,915,551	1,214,241
Center for MH Services Logistical Support, OD Support, Consumer Support and Operation Support		93.243	14,355	14,355
Mental Health Technology Transfer Center: Region 9 Regional Center	1H79SM081 709-01	93.243	1,244,754	268,618
Alaska Project AWARE		93.243	15,000	14,999
Pass-through programs from:				
California Department of Health Care Services: Community Prevention Initiative TA & Training	15-92002 & 18-95300	93.959	6,302,687	1,121,986
Total U.S. Department of Health and Human Services			12,868,911	5,087,092
U.S. Department of Justice				
Pass-through programs from:				
National Mentoring Resource Center		16.726	123,051	123,051
Total U.S. Department of Justice			123,051	123,051
Total Expenditures of Federal Awards			\$ 13,024,362	\$ 5,222,543

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Center for Applied Research Solutions, Inc. under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CARS, it is not intended to and does not present the financial position, or its related statement of activities, functional expenses or cash flows.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

CARS is using the indirect cost rates for the contracts in place prior to implementing the new requirements under Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

For all new projects, CARS will use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Center for Applied Research Solutions, Inc.
Santa Rosa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Center for Applied Research Solutions, Inc. (CARS), as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated August 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CARS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CARS' internal control. Accordingly, we do not express an opinion on the effectiveness of the CARS' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Center for Applied Research Solutions, Inc.
Santa Rosa, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CARS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fechter & Company
Certified Public Accountants

A handwritten signature in cursive script that reads "Fechter & Company, CPAs".

Sacramento, California
August 12, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Center for Applied Research Solutions, Inc.
Santa Rosa, California

Report on Compliance for Each Major Federal Program

We have audited Center for Applied Research Solutions, Inc.'s (CARS) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of CARS' major federal programs for the year ended December 31, 2018. CARS' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CARS' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CARS' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CARS' compliance.

Opinion on Each Major Federal Program

In our opinion, CARS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

CARS' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of CARS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CARS' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CARS' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Center for Applied Research Solutions, Inc.
Santa Rosa, California

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by *Uniform Guidance, 2 CFR*

We have audited the financial statements of CARS as of and for the year ended December 31, 2018, and have issued our report thereon dated August 12, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Uniform Guidance, 2 CFR* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Fechter & Company
Certified Public Accountants

A handwritten signature in cursive script that reads "Fechter & Company, CPAs".

Sacramento, California
August 12, 2019

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? _____ Yes _____ X No

Control deficiencies identified that are not
considered to be material weaknesses? _____ Yes _____ X None reported

Noncompliance material to financial
statements noted? _____ Yes _____ X No

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____ Yes _____ X No

Control deficiencies identified that
are not considered to be material weaknesses? _____ Yes _____ X None reported

Type of auditor’s report issued on
compliance for major programs: Unmodified

Any audit findings disclosed that are required to
be reported in accordance with Uniform Grant
Guidance, at CFR Part 200.151 (d)(1)(vi)? _____ Yes _____ X No

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section I – Summary of Auditor’s Results, continued

The following programs were tested as major federal award programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.243	Mental Health Technology Transfer Center: Region 9 Regional Center
93.959	Community Prevention Initiative TA & Training
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.