

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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
for the year ended December 31, 2012**

ROBERT W. JOHNSON
Certified Public Accountant

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**ROBERT
W.
JOHNSON**

**An Accountancy Corporation
Certified Public Accountant**

6234 BIRDCAGE STREET • CITRUS HEIGHTS, CA 95610-5949 • (916) 723-2555

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Center for Applied Research Solutions, Inc. ("CARS"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, 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. 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 Center for Applied Research Solutions, Inc. as of December 31, 2012, 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.

Other Matters

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 Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations 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 May 29, 2013 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.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California

May 29, 2013

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2012

ASSETS

Cash in bank (Note 4)	\$ 127,234
Accounts receivable	292,028
Loan receivable – affiliate (Note 9)	-
Prepaid expense	268
Property and equipment, net of accumulated depreciation (Note 5)	9,950
Rent deposits	<u>8,039</u>
 Total assets	 <u>\$ 437,519</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 127,274
Accrued retirement payable	23,205
Accrued compensated absences	<u>40,460</u>
 Total liabilities	 <u>190,939</u>

Net assets:

Unrestricted net assets:	
Operating	\$ <u>246,580</u>
 Total net assets	 <u>246,580</u>
 Total liabilities and net assets	 <u>\$ 437,519</u>

See notes to financial statements

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF ACTIVITIES
for the year ended December 31, 2012

Operating revenue:

Project income	\$2,010,814
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Operating expenses:

On-site benefits	\$480,601	
Travel	92,923	
Telephone	26,951	
Postage	5,511	
Consultants	474,098	
Print/copy	62,809	
Subcontract	265,452	
Office expense	22,836	
Outside services	6,081	
Rent/utilities	75,226	
Conference	45,064	
Other direct	33,052	
Indirect	<u>344,597</u>	

Total operating expenses	<u>1,935,201</u>
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Operating income from projects	75,613
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General and administrative expenses	<u>64,359</u>
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Total operating income	11,254
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Other income:

Interest income	132	
Other income	<u>5,191</u>	<u>5,323</u>

Change in net assets	16,577
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Net assets at beginning of year	<u>230,003</u>
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Net assets at end of year	<u>\$ 246,580</u>
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See notes to financial statements

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF CASH FLOWS
for the year ended December 31, 2012

Cash flows from operating activities:

Increase in net assets		\$ 16,577
Adjustments to reconcile increase in net assets to net cash provided to operating activities:		
Depreciation	\$ 8,727	
Decrease in receivables	32,383	
Increase in prepaids	(247)	
Increase in rent deposits	(150)	
Increase in accounts payable	5,546	
Decrease in accrued liabilities	<u>(16)</u>	
Total adjustments		<u>46,243</u>
Net cash provided to operating activities		62,820
Cash flows from investing activities:		
Purchase of property and equipment		(13,668)
Cash flows from financing activities:		
Loans from affiliate	10,000	
Loan from affiliate, repayment	(10,000)	
Advance on credit line	50,000	
Credit line repayment	<u>(50,000)</u>	<u>-</u>
Net increase in cash and cash equivalents		49,152
Beginning cash and cash equivalents		<u>78,082</u>
Ending cash and cash equivalents		<u>\$ 127,234</u>

See notes to financial statements

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization:

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 Folsom, California.

2. Contracts:

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

- Alcohol and other drug prevention
- Evaluation
- Volunteerism and nonprofit organizational development
- Mentoring
- Public management and supervision

For the year ended December 31, 2012, CARS was awarded three contracts from the State of California as follows:

1. **The Community Prevention Initiative (CPI)** provides training and technical assistance support to California agencies and organizations involved in community-based prevention.
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 initiative aims to build college capacity to address student mental health through the provision of technical assistance and training services and by funding a select group of colleges to implement grants.
3. **Community Alliance for CLAS** provides free training and technical assistance based on cultural competency needs in order to reduce health disparities and improve outcomes among the state's diverse racial, ethnic, linguistic, sexual minority, and other cultural populations.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS, continued

3. Summary of Significant Accounting Policies:

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. The more significant of the Center's 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

The Center follows Financial Accounting Standards Board's standards for financial statements of not-for-profit organizations. Under those standards, the Center 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.

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).

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS, continued

3. Summary of Significant Accounting Policies, continued:

Cash and Cash Equivalents

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

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

The Center receives progress payments for work performed on its contracts. Ten percent (10%) of the invoiced amounts are withheld on most contracts pending quarterly or final completion of the contract deliverables.

Income Taxes

CARS is a not-for-profit 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 the Center to report information regarding its exposure to various tax positions taken. The Center has evaluated its uncertain tax positions and related income tax contingencies. The Center does not believe that any material uncertain tax positions exist. The Center's 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.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS, continued

4. Cash:

At December 31, 2012 the carrying amount of the Center's deposits was \$127,234 and the bank balance was \$176,246. The bank balance was covered by Federal depository insurance.

Checking accounts (3)	<u>\$127,234</u>
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5. Property and Equipment:

Property and equipment consist of the following:

Furniture	\$ 14,240
Computer equipment	7,512
Tenant improvements	<u>12,985</u>
	34,737
Less, accumulated depreciation	<u>24,787</u>
	<u>\$ 9,950</u>

6. Operating Lease:

The Center leases office space in Folsom, CA and Santa Rosa, CA. These leases require monthly payments of \$2,805 and \$4,650 respectively. Future minimum lease payments required under the aforementioned operating leases are:

2013	\$ 90,395
2014	58,690
2015	<u>9,300</u>
	<u>\$158,385</u>

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS, continued

7. Retirement Plan:

The Center has a SEP-IRA retirement plan. 15% of covered compensation is contributed to the plan. Contributions to the plan for the year ended December 31, 2012 totaled \$87,551.

8. Contingency:

Federally funded programs are subject to special audit. Such audits could result in claims against the resources of the Center. 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.

9. Related Party Transactions:

CARS occasionally borrows money during the year to meet temporary working capital needs from a for-profit corporation of which CARS' Executive Director is the president. These loans are non-interest bearing and without collateral. At December 31, 2012, all loans had been repaid.

10. Credit Line:

The Center has an ongoing \$100,000 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, 2012 no balance was owed on the line of credit.

11. Risk of Loss:

Center for Applied Research Solutions, Inc. is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During 2012, CARS purchased certain commercial insurance coverage to provide for these risks.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS, continued

12. Subsequent Events:

Management has evaluated subsequent events through May 29, 2013, the date these December 31, 2012 financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 for the year ended December 31, 2012

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>		
Passed through California Department of Alcohol and Drugs:		
Community Prevention Initiative TA & Training	93.959	\$1,326,032
Community Alliance for CLAS	93.959	<u>322,133</u>
Total U.S. Department of Health and Human Services		<u>1,648,165</u>
<u>U.S. Department of Education</u>		
Pass through California Department of Alcohol and Drugs:		
Safe & Supportive Schools	84.184	<u>9,608</u>
Total U.S. Department of Education		<u>9,608</u>
Total Expenditures of Federal Awards		<u>\$1,657,773</u>

See notes to the schedule

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended December 31, 2012

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal program activity of Center for Applied Research Solutions, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of, the basic financial statements.

**ROBERT
W.
JOHNSON**

**An Accountancy Corporation
Certified Public Accountant**

6234 BIRDCAGE STREET • CITRUS HEIGHTS, CA 95610-5949 • (916) 723-2555

**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***

Independent Auditor's Report

Board of Directors
Center for Applied Research Solutions, Inc.
Folsom, 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 Center for Applied Research Solutions, Inc.(CARS), as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated May 29, 2013.

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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's 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.

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.

Robert W. Johnson, An Accountancy Corporation

Robert W. Johnson, An Accountancy Corporation
May 29, 2013

**ROBERT
W.
JOHNSON**

**An Accountancy Corporation
Certified Public Accountant**

6234 BIRDCAGE STREET • CITRUS HEIGHTS, CA 95610-5949 • (916) 723-2555

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB
CIRCULAR A-133**

Independent Auditor's Report

Board of Directors
Center for Applied Research Solutions, Inc.
Folsom, 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 *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended December 31, 2012. The Center's 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 of CARS is responsible for compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Center's 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 the major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Center for Applied Research Solutions, Inc. 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, 2012.

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 the Center's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's 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 such that there is a reasonable possibility that a 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 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Center for Applied Research Solutions, Inc. as of and for the year ended December 31, 2012, and have issued our report thereon dated May 29, 2013, 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 OMB Circular A-133 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.

Robert W. Johnson, An Accountancy Corporation

Robert W. Johnson, An Accountancy Corporation
May 29, 2013

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 for the year ended December 31, 2012

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 section 510(a)
of Circular A-133?

_____ Yes X No

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
for the year ended December 31, 2012

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>
93.959	Community Prevention Initiative TA & Training

Dollar threshold used to
distinguish between type A
and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
for the year ended December 31, 2012

Section II – Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.