

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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
for the year ended December 31, 2010**

TABLE OF CONTENTS

	<u>Pages</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10
<u>SUPPLEMENTARY INFORMATION</u>	
Schedule of Expenditures of Federal Awards	12
Notes to Schedule of Expenditures of Federal Awards	13
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14-15
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	16-17
Schedule of Findings and Questioned Costs	18-20

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

We have audited the accompanying statement of financial position of Center for Applied Research Solutions, Inc. ("CARS"), a nonprofit organization, as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of CARS' management. 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 the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of CARS taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California

June 21, 2011

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2010

ASSETS

Cash in bank	\$ 119,854
Accounts receivable	232,083
Other receivables	4,048
Prepaid expense	242
Property and equipment, net of accumulated depreciation (Note 5)	6,342
Rent deposits	<u>7,899</u>
Total assets	<u>\$ 370,468</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 129,599
Accrued retirement payable	20,114
Accrued compensated absences	19,785
Loan payable – affiliate (Note 9)	<u>359</u>
Total liabilities	<u>169,857</u>

Net assets:

Unrestricted net assets:	
Operating	<u>\$ 200,611</u>
Total net assets	<u>200,611</u>
Total liabilities and net assets	<u>\$ 370,468</u>

See notes to financial statements

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF ACTIVITIES
for the year ended December 31, 2010

Operating revenue:

Project income		\$1,828,055
----------------	--	-------------

Operating expenses:

On-site benefits	\$371,025	
On-site non-benefits	-	
Travel	77,878	
Telephone	22,076	
Postage	9,280	
Consultants	467,937	
Print/copy	49,609	
Subcontract	298,721	
Office expense	15,277	
Outside services	40,817	
Rent/utilities	60,888	
Other direct	62,748	
Direct Online Marketplace	(24)	
Indirect	<u>287,400</u>	

Total operating expenses		<u>1,763,632</u>
--------------------------	--	------------------

Operating income from projects		64,423
--------------------------------	--	--------

General and administrative expenses		<u>79,597</u>
-------------------------------------	--	---------------

Total operating income		(15,174)
------------------------	--	-----------

Other income:

Contribution income	1,370	
Other income	<u>450</u>	<u>1,820</u>

Change in net assets		(13,354)
----------------------	--	-----------

Net assets at beginning of year		<u>213,965</u>
---------------------------------	--	----------------

Net assets at end of year		<u>\$ 200,611</u>
---------------------------	--	-------------------

See notes to financial statements

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF CASH FLOWS
for the year ended December 31, 2010

Cash flows from operating activities:

Decrease in net assets \$(13,354)

Adjustments to reconcile decrease
in net assets to net cash provided
by operating activities:

Depreciation	\$	1,220
Decrease in receivables		35,035
Increase in prepaids		(252)
Increase in accounts payable		35,257
Decrease in accrued liabilities		<u>(27,942)</u>

Total adjustments 43,318

Net cash provided by operating
activities 29,964

Cash flows from investing activities:

Purchase of property and equipment (6,013)

Cash flows from financing activities:

Loans from affiliate		90,580
Loan from affiliate, repayment		<u>(90,221)</u>
		<u>359</u>

Net increase in cash and cash equivalents 24,310

Beginning cash and cash equivalents 95,544

Ending cash and cash equivalents \$ 119,854

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, 2010, CARS was awarded two 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 **Safe and Drug Free Schools and Communities Technical Assistance Project (SDFSC)** TA supports grantees of the SDFSC Governor's Program in implementing their alcohol, drug and violence prevention programming efforts.

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 pending final completion of each contract.

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.

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

4. Cash:

At December 31, 2010 the carrying amount of the Center's deposits was \$119,854 and the bank balance was \$167,311. The bank balance was covered by Federal depository insurance.

Checking account	<u>\$119,854</u>
------------------	------------------

5. Property and Equipment:

Property and equipment consist of the following:

Furniture	\$ 6,946
Computer equipment	<u>7,512</u>
	14,458
Less, accumulated depreciation	<u>8,116</u>
	<u>\$ 6,342</u>

6. Operating Lease:

The Center leases office space in Folsom, CA and Santa Rosa, CA. These leases require monthly payments of \$2,720 and \$3,850 respectively. Future minimum lease payments required under the aforementioned operating leases are:

2011	\$ 76,120
2012	79,775
2013	34,595
2014	<u>2,890</u>
	<u>\$193,380</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, 2010 totaled \$71,356.

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, 2010, other than \$359, all loans had been repaid.

10. 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 2010, CARS purchased certain commercial insurance coverage to provide for these risks.

11. Subsequent Events:

Management has evaluated subsequent events through June 21, 2011, the date these December 31, 2010 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, 2010

<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	\$1,501,056
Safe & Drug Free Schools	84.186	<u>260,279</u>
Total U.S. Department of Health and Human Services		<u>1,761,335</u>
Total Expenditures of Federal Awards		<u>\$1,761,335</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, 2010

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***

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

We have audited the financial statements of Center for Applied Research Solutions, Inc. ("CARS"), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 21, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered CARS' internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CARS' financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors of CARS and its management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Robert W. Johnson, An Accountancy Corporation

Robert W. Johnson, An Accountancy Corporation
June 21, 2011

**ROBERT
W.
JOHNSON**
An Accountancy Corporation
Certified Public Accountant

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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Center for Applied Research Solutions, Inc. ("CARS"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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. Our audit does not provide a legal determination of the Center's compliance with those requirements.

In our opinion, Center for Applied Research Solutions, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of CARS is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the Center's internal control over compliance.

A *deficiency in internal control* exists when the design or operation of 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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robert W. Johnson, An Accountancy Corporation

Robert W. Johnson, An Accountancy Corporation
June 21, 2011

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 for the year ended December 31, 2010

Section I – Summary of Auditor’s Results:

Financial Statements

Type of auditor’s report issued

Unqualified

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:

Unqualified

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, 2010

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
84.186	Safe & Drug Free Schools

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, 2010

Section II – Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.