

**CENTER FOR APPLIED
RESEARCH SOLUTIONS, INC.
Financial Statements
and
Supplemental Information
With Independent Auditor's Reports Thereon
December 31, 2022**

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Financial Statements For the Year Ended December 31, 2022

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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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CARS as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CARS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CARS' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CARS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CARS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Supplementary 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 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 schedule of expenditures of federal awards 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 July 31, 2023, on our consideration of CARS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of CARS' 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
July 31, 2023

FINANCIAL SECTION

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

Current Assets

Cash	\$ 5,589,012
Accounts receivable	1,665,266
Other receivable	49,903
Prepaid expenses	<u>71,697</u>

Total current assets 7,375,878

Property and equipment, net 10,000

Total assets \$ 7,385,878

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 587,000
Accrued payroll expenses	323,748
Accrued liabilities	496,503
Deferred revenue	184,719
Accrued compensated absences	<u>158,911</u>

Total current liabilities 1,750,881

Non-current Liabilities

Long term liabilities, net 300,000

Total liabilities 2,050,881

Net Assets

With donor restrictions	40,000
Without donor restrictions	<u>5,294,997</u>

Total net assets 5,334,997

Total liabilities and net assets \$ 7,385,878

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended
December 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating Revenues and Support			
Grants and contributions	\$ 10,908,095	\$ 40,000	\$ 10,948,095
Expenses			
Program services	7,697,649	-	7,697,649
Support services	2,029,231	-	2,029,231
Total expenses	<u>9,726,880</u>	<u>-</u>	<u>9,726,880</u>
Net operating income	1,181,216	40,000	1,221,216
Non-Operating Income (Expense)			
Interest income	2,677	-	2,677
Forgiveness of PPP loan	379,556	-	379,556
Other income	2,050	-	2,050
Other expense	<u>(705,000)</u>	<u>-</u>	<u>(705,000)</u>
Total non-operating expense	(320,717)	-	(320,717)
Change in net assets	860,499	40,000	900,499
Net assets at beginning of year	4,330,548	-	4,330,548
Prior period adjustment	103,950	-	103,950
Restated net assets at beginning of year	<u>4,434,498</u>	<u>-</u>	<u>4,434,498</u>
Net assets at end of year	<u><u>\$ 5,294,997</u></u>	<u><u>\$ 40,000</u></u>	<u><u>\$ 5,334,997</u></u>

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended
December 31, 2022

	Program Services - Direct Cost	Support Services - Cost of Operations	Total
Payroll related expenses	\$ 3,273,343	\$ 1,566,077	\$ 4,839,420
Travel	51,584	8,547	60,131
Telephone	85,011	9,612	94,623
Postage	24,158	177	24,335
Consultants	1,707,680	157,176	1,864,856
Print/copy	59,596	272	59,868
Subcontract	1,830,936	-	1,830,936
Office expense	160,736	30,106	190,842
Outside services	180,755	2,009	182,764
Bid and proposal	-	344	344
Fees and licenses	-	2,549	2,549
Accounting expense	-	45,542	45,542
Rent/utilities	67,967	21,117	89,084
Insurance	-	12,448	12,448
Staff development	-	4,000	4,000
Repairs and maintenance	-	6,277	6,277
IT support services	168,202	(17,570)	150,632
Interest expense	-	-	-
Other	87,681	180,548	268,229
Total	<u>\$ 7,697,649</u>	<u>\$ 2,029,231</u>	<u>\$ 9,726,880</u>

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended
December 31, 2022

Cash flows from operating activities:	
Operating income	\$ 900,499
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Forgiveness of PPP loan	(370,589)
Prior period adjustment	103,950
Increase in receivables	483,068
Increase in prepaid expenses	(38,549)
Increase in accounts payable and accrued expenses	538,220
Increase in deferred revenue	184,719
Decrease in accrued payroll expenses	89,450
Increase in accrued compensated absences	<u>26,597</u>
Net cash provided by operating activities	<u>1,917,365</u>
Net increase in cash and cash equivalents	1,917,365
Beginning cash and cash equivalents	<u>3,671,647</u>
Ending cash and cash equivalents	<u><u>\$ 5,589,012</u></u>

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements For the Year Ended December 31, 2022

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 to educate, train and disseminate educational materials. 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 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 without restrictions represent net assets that are not subject to donor-imposed stipulations and are available for general operations.

Net assets with donor restrictions represent net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from 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.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements
For the Year Ended December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable

Accounts receivable consists primarily of amounts due from grantors for cost reimbursement contracts. As of December 31, 2022, CARS believes its accounts receivable to be fully collectible, and as such, no reserve for bad debt has been recorded.

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, 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.

Grants and Contributions

Grants that meet all conditions are reported as net assets with donor restrictions if they are received with donor stipulations that require certain objectives of the grant to be met. When these donor objectives are satisfied, that is when the purpose restriction is accomplished, the funds are reclassified to net assets without donor restriction and reported in the Statements of Activities as net assets released from restrictions. Grants that are received and where restrictions are released within the same period are recorded as net assets without restrictions.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements
For the Year Ended December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Accounting Standard Implementation

CARS adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) on January 1, 2022. Pursuant to the practical expedients, CARS elected not to reassess: (i) whether expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, or (iii) initial direct costs for any existing leases. CARS elected to apply the short-term lease measurement and recognition exemption to its leases where applicable. Operating lease right-of-use assets and operating lease liabilities are recognized at the present value of the future lease payments, generally for the base noncancellable lease term, at the lease commencement date for each lease. There was minimal effect due to the adoption of this standard.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements
For the Year Ended December 31, 2022

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, 2022, 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.
3. The **LGBTQ TA Center** provides no-cost technical assistance and training to seven grantees funded through the California Reducing Disparities Project (CRDP) to implement and evaluate community-based programs that support mental health among California's Lesbian, Gay, Bisexual, Transgender, and Queer/Questioning populations. Participating community-based organizations are implementing community-defined evidence practices (CDEPs) that have shown positive results for reducing mental health disparities among priority populations. The immediate goal of CRDP is to invest in these CDEPs to evaluate and validate practices that provide credible evidence of effectiveness. The long-term goal is to support the replication and dissemination of evidence-based programs serving communities that have historically been unserved, underserved, or inappropriately served by existing mental health prevention and early intervention providers.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements
For the Year Ended December 31, 2022

NOTE 2: CONTRACTS - CONTINUED

4. 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.

5. The **National Training and Technical Assistance Center for Child, Youth, and Family Mental Health (NTTAC)** is a SAMHSA funded initiative to increase the access to, effectiveness of, and dissemination of evidence-based mental health services for young people (ages 0-21) and their families, including young people experiencing serious mental illness or serious emotional disturbance (SMI/SED). NTTAC supports building, expanding, and sustaining a system of care that is trauma informed and person centered. NTTAC is committed to equity, inclusion, and diversity, and we promote authentic partnership with youth and families. NTTAC opportunities are open to all and offered at no cost to participants. NTTAC serves mental health professionals, primary care providers, peers, educators, system leaders, and other youth and family support professionals, with a special emphasis on System of Care communities and serving young people with or at risk for SMI/SED.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements
For the Year Ended December 31, 2022

NOTE 2: CONTRACTS - CONTINUED

6. **The School Crisis Recovery and Renewal (SCRR)** is an NCTSN Treatment and Services Adaptation Center (Category II, 2020-2025). The SCRR supports students, educators, school staff, and school-based clinicians to effectively implement trauma-informed crisis recovery and renewal strategies. Nationally, the SCRR Team: 1) provides training and technical assistance (TTA) services and resources to state and local education agencies (SEAs/LEAs), district teams, school leaders, school mental health providers, support staff, educators, community partners, and other school mental health stakeholders; 2) creates curricula, training opportunities, and best-practice resources to promote long-term recovery and renewal after school crisis; 3) offers intensive consultations to a small number of districts and schools, with attention to ensuring parity across U.S. regions and promoting equitable access for schools; and 4) promotes effective and sustainable change in the way school leadership builds the skills, knowledge, and attributes necessary to recover and renew after a crisis.
7. **The Crisis and Recovery Enhancement (CARE) Technical Assistance (TA) Center** is a cross-agency team from the fields of mental health; training and technical assistance; crisis response and recovery; criminal justice diversion; and wraparound supports for youth and adults at greater risk of mental health crisis, including people experiencing homelessness. The CARE TA Center is led by the Center for Applied Research Solutions (CARS) in partnership with RI International, NAMI California, C4 Innovations, Impact Justice, and Stanford Sierra Youth & Families. This project is funded by Proposition 63, the Mental Health Services Act (MHSA), and administered by the Department of Health Care Services (DHCS), Community Services Division.

CARE TA Center team members and subject-matter experts provide trainings on a variety of topics related to strengthening behavioral health care coordination, criminal justice diversion efforts, and the crisis care continuum. CARE trainings balance knowledge transfer with practical application, including discussion of best practices and evidence-based frameworks; insights from researchers and from the field; and local and county-level innovations. The CARE TA Center helps agencies, communities; and providers address disparities in the crisis care continuum and criminal justice systems at the state, county, and local levels. Trainings include an emphasis on creating systems change to meet the needs and support the strengths of Black, Indigenous, and People of Color (BIPOC); linguistically diverse communities; lesbian, gay, bisexual, transgender, and queer identified people (LGBTQ), and vulnerable populations such as youth and people experiencing homelessness.

NOTE 3: CONCENTRATION RISK

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.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements For the Year Ended December 31, 2022

NOTE 4: CASH

At December 31, 2022, the carrying amount of CARS' deposits was \$5,589,012 and the bank balance was \$5,718,184. The CARS' bank balance was covered by Federal depository insurance up to \$250,000 per bank. As of December 31, 2022, \$5,218,184 was uninsured.

NOTE 5: ACCOUNTS RECEIVABLE

As of December 31, 2022, accounts receivable consisted of the following:

Accounts receivable - billed	\$ 1,591,169
Accounts receivable - unbilled	74,097
Total	<u>\$ 1,665,266</u>

NOTE 6: PROPERTY AND EQUIPMENT

As of December 31, 2022, property and equipment consisted of the following:

Office art - non-depreciable	\$ 10,000
Furniture	917
Computer equipment	11,689
Software costs	<u>45,344</u>
Total Cost	67,950
Less accumulated depreciation	<u>(57,950)</u>
Property and Equipment, net	<u>\$ 10,000</u>

Depreciation expense for the year ended December 31, 2022 was \$-.

NOTE 7: OPERATING LEASES

CARS leases office space in Santa Rosa, California. The Santa Rosa, California office space requires monthly payments of \$1,750 through February 28, 2026, however, both the tenant and landlord have the right to terminate the lease at the end of each 12-month period every February 28th without penalty or fee provided that either party provides a 30-day written notice to the other party of the intent to terminate the lease. CARS also entered into a lease for a copier on September 19, 2019, which requires monthly payments of \$734 per month with a lease term of 48 months. Future minimum lease payments as of December 31, 2022 are as follows:

<u>Year</u>	<u>Amount</u>
2023	<u>\$ 3,500</u>

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements For the Year Ended December 31, 2022

NOTE 8: RETIREMENT PLAN

Effective October 1, 2020, CARS implemented a safe harbor 401(k) retirement plan that includes a non-elective employer contribution of 5% with each payroll along with a separate annual contribution amount that is funded after the year-end. The employer contribution rate for each participant is based on years of service. The non-elective employer contribution of 5% with each payroll plus the annual contribution provides for a total contribution rate that ranges from a minimum of 5% for participants with less than 1 year of service to a maximum of 15% for participants with 7+ years of service. Retirement expense for the year ended December 31, 2022 totaled \$411,565.

NOTE 9: 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 10: 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, 2022, the balance of the line of credit was zero.

NOTE 11: RISK OF LOSS

CARS is exposed to various risks of loss related to theft of, damage to, and destruction of assets along with injuries to employees and litigation-related obligations. During 2022, CARS purchased certain commercial insurance coverage to provide for these risks. The Company incurred legal costs and settlement costs during the year which were accrued as expenses in 2022.

NOTE 12: PAYCHECK PROTECTION PROGRAM

On May 21, 2020, CARS received a loan from a bank in the amount of \$373,629, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, enacted on March 27, 2020. The loan bears an interest rate of 1% for 24 months up to maximum of 5 years. Under the terms of the PPP, the loan may be forgiven if it is used for qualifying expenses as described in the CARES Act and as amended by the Paycheck Protection Program Flexibility Act of 2020, enacted on June 5, 2020. On February 3, 2022, CARS received notice that the original balance of the PPP loan of \$373,629 plus the interest paid on the loan of \$5,927 had been forgiven.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Financial Statements For the Year Ended December 31, 2022

NOTE 13: LIQUIDITY

As part of CARS liquidity management, it invests cash in excess of daily requirements in short-term investments. CARS has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses. CARS has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, CARS has committed lines of credit in excess of \$300,000 (Note 10).

CARS' financial assets available within one year of the balance sheet date for general expenditures are as follows:

Total assets	\$ 7,385,878
Less fixed assets	(10,000)
Less prepaid expenses	(71,697)
Less donor restricted assets	(40,000)
	<u>\$ 7,264,181</u>

NOTE 14: PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded to properly reflect prior year revenue earned for grant agreements that contained conditions and were fully earned.

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 31, 2023, the date which the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

SUPPLEMENTARY INFORMATION



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
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

Opinion on Each Major Federal Program

We have audited CARS compliance with the types of compliance requirements identified as subject to audit 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, 2022. CARS' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CARS and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of CARS' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to CARS' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CARS' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CARS' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding CARS' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CARS' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 CARS' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Fechter & Company
Certified Public Accountants


Sacramento, California
July 31, 2023

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2022

Federal Grantor/ Pass-Through Grantor/ Program	Grantor's Number	Federal ALN Number	Award Amount	Expenditures
U.S. Department of Health and Human Services				
Community Prevention Initiative TA & Training (CPI)	18-95300	93.959	\$ 5,224,962	\$ 735,249
Pacific Southwest Mental Health Technology Transfer Center (MHTTC): Region 9	1H79SM081709	93.243	6,230,651	1,282,615
National Child Traumatic Stress Initiative Treatment & Service Adaptation Centers Project	1H79SM082722	93.243	1,800,000	593,525
National Training & Technical Assistance Center for Child, Youth, and Family Mental Health Project	H79SM082983	93.243	6,000,000	2,214,105
National Training & Technical Assistance Center for Child, Youth, and Family Mental Health Project	H79SM082983	93.104	3,000,000	901,233
Subcontractor to California Department of Health Care Services				
Behavioral Health Mobile Crisis and Non-Crisis Services	21-10349	93.958	<u>789,754</u>	<u>143,636</u>
Total U.S. Department of Health and Human Services			<u>23,045,367</u>	<u>5,870,363</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 23,045,367</u></u>	<u><u>\$ 5,870,363</u></u>

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2022

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, 2022. 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 uses the 10% de minimis indirect cost rate as allowed under the Uniform Guidance for all of its projects.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

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	_____ <u>X</u> No	
Control deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No	

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	_____ Yes	_____ <u>X</u> No	
Control deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> 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	_____ <u>X</u> No	

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2022

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	Substance Abuse and Mental Health Services Projects of Regional and National Significance
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)

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

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes _____ X No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Prior Year Findings and Questioned Costs

No matters were reported.

OTHER REPORT



**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, 2022, and the related notes to the financial statements, and have issued our report thereon dated July 31, 2023.

Report on 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.

Report on 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 blue ink that reads "Fechter & Company". The signature is stylized with a large, flowing 'F' and a long, sweeping underline that extends to the right.

Sacramento, California
July 31, 2023