FECHTER & COMPANY
Certified Public Accountants

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Financial Statements
and
Supplemental Information
With
Independent Auditor's Reports Thereon

December 31, 2025

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Financial Statements
As of and for the Year Ended
December 31, 2025

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FECHTER & COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST
(1976 - 2022)

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, 2025, 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, 2025, 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.

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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 September 8, 2026, 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
September 8, 2026

FINANCIAL SECTION

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2025

Assets

Current Assets	
Cash	$ 9,680,783
Accounts receivable	1,226,617
Other receivable	22,331
Prepaid expenses	85,876
Total current assets	11,015,608
Non-Current Assets	
Property and equipment, net	105,901
Right-of-use leased assets, net	20,039
Total non-current assets	125,941
Total assets	$ 11,141,548

Liabilities and Net Assets

Current Liabilities	
Accounts payable	$ 321,669
Accrued payroll expenses	407,713
Accrued compensated absences	203,623
Current portion of lease liablity	4,703
Total current liabilities	937,708
Non-current Liabilities	
Long term lease liability, net	15,241
Total liabilities	952,949
Net Assets	
With donor restrictions	15,000
Without donor restrictions	10,173,599
Total net assets	10,188,599
Total liabilities and net assets	$ 11,141,548

The accompanying notes are an integral part of these financial statements.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended
December 31, 2025

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating Revenues and Support			
Grants and contributions	$ 13,231,113	$ 15,000	$ 13,246,113
Net assets released from restrictions	30,000	(30,000)	-
Total operating revenues and support	13,261,113	(15,000)	13,246,113
Expenses			
Program services	9,970,721	-	9,970,721
Support services	1,577,683	-	1,577,683
Total expenses	11,548,405	-	11,548,405
Net operating income	1,712,709	(15,000)	1,697,709
Non-Operating Income (Expense)			
Interest income	1,146	-	1,146
Total non-operating income	1,146	-	1,146
Change in net assets	1,713,855	(15,000)	1,698,855
Net assets at beginning of year	8,459,745	30,000	8,489,745
Net assets at end of year	$ 10,173,599	$ 15,000	$ 10,188,599

The accompanying notes are an integral part of these financial statements.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended
December 31, 2025

	Program Services - Direct Cost	Support Services - Cost of Operations	Total
Payroll related expenses	$ 6,482,905	$ 811,669	$ 7,294,574
Subcontractors	1,776,023	-	1,776,023
Consultants	656,084	332,008	988,092
Professional services	-	103,948	103,948
Conference and meetings	175,894	-	175,894
Outside services	124,122	28,861	152,983
IT support services	207,514	10,889	218,403
Office expense	70,027	98,162	168,189
Travel	236,536	18,413	254,949
Telephone	63,987	10,570	74,557
Rent/utilities	84,512	29,902	114,413
Print/copy	87,160	2,981	90,141
Insurance	-	41,114	41,114
Other	-	29,299	29,299
Bid and proposal	-	12,663	12,663
Postage	5,957	3,896	9,853
Fees and licenses	-	11,875	11,875
Depreciation expense	-	29,408	29,408
Repair and maintenance	-	2,024	2,024
Total	$ 9,970,721	$ 1,577,683	$ 11,548,405

The accompanying notes are an integral part of these financial statements.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended
December 31, 2025

Cash flows from operating activities:	
Change in net assets	$ 1,698,855
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	29,408
Decrease in receivables	1,049,140
Decrease in prepaid expenses	113,067
Increase in right-of-use assets	(9,082)
Decrease in accounts payable and accrued expenses	(210,679)
Decrease in accrued payroll expenses	(20,184)
Decrease in accrued compensated absences	(67,265)
Increase in lease liabilities	9,106
Net cash provided by operating activities	2,592,365
Cash flows from investing activities:	
Purchase of fixed assets	(24,235)
Net cash used by investing activities	(24,235)
Net increase in cash and cash equivalents	2,568,130
Beginning cash and cash equivalents	7,112,653
Ending cash and cash equivalents	$ 9,680,783

The accompanying notes are an integral part of these financial statements.

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.

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

For the year ended December 31, 2025, CARS performed training and technical services under the following contracts:

1. With **Advance Behavioral Health Prevention California** (ABHPC) is an innovative training and technical assistance (TTA) program for behavioral health services in California. ABHPC works to enhance primary prevention through training events, individualized technical assistance, professional development opportunities, and on-demand resources.

   As part of the Department of Health Care Services Big 5 by 2025 initiative, ABHPC focuses on behavioral health using evidence-based strategies and best practices in primary prevention, as well as utilizing an approach that centers the social drivers of health and a community-centered lens.

   ABHPC is funded by the California Department of Health Care Services (DHCS) with TTA administered through the Center for Applied Research Solutions (CARS). The CARS ABHPC TTA team works in coordination with DHCS and with a pool of expert consultants to provide TTA services.

   TTA supports those providing primary prevention services to youth, families, and communities. ABHPC services are centered in health equity considerations, and community-based processes that center community voices. Available at no cost, these ABHPC services range from individualized consultation and coaching, customized training development and implementation, and curriculum-based trainings available either onsite or virtually.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Prevention Pathways program is specifically designed to offer capacity building services for workforce development, sustainability, and networking. This program supports the SUD prevention workforce with training and information rooted in prevention science, emerging and cutting-edge training topics including health equity, social drivers of health, and seeks to build a collaborative network of peers where both new and experienced prevention staff can learn, grow, and collaborate. Below are the program resources for SUD prevention workforce members to access.

2. 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.

3. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. The **School Crisis Recovery and Renewal (SCRR)** is a National Child Traumatic Stress Network (NCTSN) Treatment and Services Adaptation Center (Category II, 2020-2025) that supports students, educators, school staff, and school-based clinicians to effectively implement trauma-informed crisis recovery and renewal strategies. The SCRR project is a new initiative that launched in June 2020 and is funded by SAMHSA. 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, and 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) promote effective and sustainable change in the ways school leadership build the skills, knowledge, and attributes necessary to recover and renew after a crisis; 4) offers intensive consultations to a small number of districts and schools who have experienced crisis readiness and response support, and are ready for and interested in making meaning of their experience(s); 5) cultivates effective and sustainable school leadership so that school communities build the skills, knowledge, and attributes necessary to recover and renew after a crisis; and 6) is educator and student centered and directed.

Basis of Accounting

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 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 CARS 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consists primarily of amounts due from grantors for cost reimbursement and deliverable-based contracts. As of December 31, 2025, 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. CARS's policy is to capitalize assets that have a cost of at least $1,500 and an expected life of over 1 year. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Furniture	7 years
Computer and computer-related equipment	5 years
Software costs	3 years
Tenant improvements	Life of lease

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, 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 is shown as a liability using pay rates at year-end; sick pay is not vested.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 Statement 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.

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.

Leases

CARS accounts for leases under Accounting Standard Codification (ASC) 842, *Leases* and has elected to apply the short-term lease measurement and recognition exemption to its leases where applicable. CARS uses the interest rate on the date of lease inception obtained from the agreement, if stated, or a risk-free interest rate obtained from U.S. Bond Treasury.

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.

NOTE 2: CONCENTRATION RISK

CARS receives significant amounts of revenue from governmental contracts. For the year ending December 31, 2025, approximately 77% of CARS' revenue and 31% of accounts receivable were attributable to 4 major grant sources. Should funding from these grants be changed due to a change in budgeting or due to cutbacks, such reduction in funding might have an adverse effect on the CARS' programs and activities.

NOTE 3: CASH

At December 31, 2025, the carrying amount of CARS' deposits was $9,680,783 and the bank balance was $9,705,884. The CARS' bank balance was covered by the FDIC up to $250,000 per bank. As of December 31, 2025, $9,205,884 was uninsured.

NOTE 4: ACCOUNTS RECEIVABLE

As of December 31, 2025, accounts receivable consisted of the following:

Accounts receivable - billed	$ 1,226,617
Accounts receivable - unbilled	-
Total	$ 1,226,617

NOTE 5: PROPERTY AND EQUIPMENT

As of December 31, 2025, property and equipment consisted of the following:

Office art - non-depreciable	$ 10,000
Furniture	917
Computer equipment	158,813
Software costs	49,078
Total Cost	218,808
Less accumulated depreciation	(112,907)
Property and Equipment, net	$ 105,901

Depreciation expense for the year ended December 31, 2025 was $29,408.

NOTE 6: LEASES (INCLUDING RELATED PARTY)

Short-Term Lease – Office Space

CARS leases office space in Santa Rosa, California from the CARS President, CEO/CFO who also serves as a member of the CARS board. The lease 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. The annual rent paid by CARS under the related-party lease is less than the owners' annual cost of owning and maintaining the office space.

Future minimum lease payments as of December 31, 2025 are as follows:

Year	Amount
2026	$ 6,188

Long-Term Lease – Copier

CARS entered into a noncancelable lease agreement in October 2024 for a copier. The lease meets the criteria for a lease under ASC 842, *Leases*, and has a term of 63 months with fixed monthly payments of $447. CARS has recorded a lease liability and an intangible right-to-use asset as of the lease commencement date.

The following is a summary of the right-to-use leased asset as of December 31, 2025:

	December 31, 2024	Additions	Disposals	December 31, 2025
Right-to-use leased asset	$ 25,699	$ -	$ -	$ 25,699
Accumulated amortization	(1,110)	(4,550)	-	(5,660)
Right-to-use leased asset, net	$ 24,589	$ (4,550)	$ -	$ 20,039

The maturities of the operating lease liability as of December 31, 2025, are as follows:

2026	$ 5,369
2027	5,369
2028	5,369
2029	5,369
Total future payments	21,476
Less: Imputed Interest	(1,532)
Lease liability	$ 19,944

NOTE 6: LEASES (INCLUDING RELATED PARTY) - CONTINUED

Total operating lease expense was $5,369 for the year ended December 31, 2025. The weighted-average remaining lease term was 4.0 years and the weighted-average discount rate was 3.84% as of December 31, 2025.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following December 31, 2025:

Golden Bridge School	$	5,000
NY Life Foundation		10,000
Total net assets with donor restrictions	$	15,000

Net assets were released from donor restrictions by incurring expenses that satisfied the restricted purposes as follows:

Gerber program	$	30,000
Total releases from restrictions	$	30,000

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, 2025 totaled $514,897.

NOTE 9: COMMITMENTS

CARS has contract commitments for space used for conferences. These contractual commitments may have non-cancellable provisions that, in the event that CARS does not utilize the event period, would be subject to penalty or forfeiture of deposit monies. The deposited funds are recorded as prepaid expenses for the event and the costs are recognized when the event takes place along with the revenue for such event. CARS has non-cancellable commitments for events in May 2026. CARS is subject to progressively increasing cancellation fees based on how late cancellations are made and, as of December 31, 2025, the total potential cancellation fees were estimated to be $150,450.

NOTE 10: CONTINGENCIES

CARS receives grants for specific purposes that are subject to review and audit by the funding source. Such audits could result in the funding source's request for reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

NOTE 11: CREDIT LINE

In July 2025, CARS entered into a $500,000 revolving line of credit agreement with BMO Bank N.A. The line of credit bears interest at a variable rate equal to *The Wall Street Journal* prime rate plus 0.30% and requires monthly payments of accrued interest only.

The line of credit is subject to a demand feature under which the bank may require repayment in full upon 90 days' advance written notice. The obligation is secured by substantially all assets of CARS pursuant to a commercial security agreement.

There were no amounts outstanding under the revolving line of credit as of December 31, 2025.

NOTE 12: 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 2025, CARS purchased certain commercial insurance coverage to provide for these risks.

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 $500,000 (Note 11).

CARS' financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

Total assets	$ 11,141,548
Less fixed assets	(125,941)
Less prepaid expenses	(85,876)
Total funds	10,929,732
Less donor restricted funds	(15,000)
Funds available within one year for general expenditures	$ 10,914,732

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 8, 2026, 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

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title/ Project Description	Assitance Listing Number	Award Amount	Total Federal Expenditures	Passed Through to Subreceipients
U.S. Department of Health and Human Services				
Direct Programs:				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104			
National Training & Technical Assistance Center for Child, Youth, and Family Mental Health Project	93.104	$ 15,000,000	$ 2,375,419	$ 1,313,371
Injury Prevention and Control Research and State and Community Based Programs	93.136			
Georgia's Expansion of Suicide Prevention Activities	93.136	875,020	68,455	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance.	93.243			
National Child Traumatic Stress Initiative Treatment & Service Adaptation Centers Project	93.243	3,000,000	356,596	8,925
Total U.S. Department of Health and Human Services		18,875,020	2,800,470	1,322,296
TOTAL FEDERAL AWARDS		$ 18,875,020	$ 2,800,470	$ 1,322,296

See Notes to Schedule of Expenditures of Federal Awards.

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

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, 2025. 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

The organization elected to use the de minimis indirect cost rate for indirect cost reimbursements. For awards prior to October 1, 2025, a rate of 10% of modified total direct costs (MTDC) was applied. For awards beginning on or after October 1, 2025, the organization applied the revised de minimis rate of 15% as permitted.

OTHER AUDITOR REPORTS

FECHTER & COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST
(1976 - 2022)

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, 2025, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2026.

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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.

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

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying schedule of findings and questioned costs as Finding 2025-001.

CARS's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on CARS's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. CARS's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Fechter + Company

Sacramento, California
September 8, 2026

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, 2025. 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 its major federal program for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit 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.

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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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying schedule of findings and questioned costs as Findings 2025-001 and 2025-002. Our opinion on each major federal program is not modified with respect to these matters.

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, as discussed below, we did identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 to be a significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on CARS' responses to the internal control over compliance findings identified in the accompanying Schedule of Findings and Questioned Costs. CARS' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Fechter + Company

Sacramento, California
September 8, 2026

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
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 200.516(a)?	Yes

The following programs were tested as major federal award programs:

Assistance Listing Number	Name of Federal Program
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:	$1,000,000
Auditee qualified as low-risk auditee?	Yes

CENTER FOR APPLIED RESEARCH SOLUTIONS, INC.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

Section II – Financial Statement Findings

Finding 2025-001 – SEFA Reporting: Inadequate Reporting of Amounts Provided to Subrecipients

Internal Control Deficiency: Significant Deficiency - Insufficient review over SEFA preparation
See Finding in Section III

Section III – Federal Award Findings and Questioned Costs

Finding 2025-001 – SEFA Reporting: Inadequate Reporting of Amounts Provided to Subrecipients

Federal Programs: Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
Assistance Listing Number: 93.104
Compliance Requirement: Financial Reporting
Internal Control Deficiency: Significant Deficiency - Insufficient review over SEFA preparation
Compliance Finding: Nonmaterial noncompliance with SEFA financial reporting requirements
Questioned Costs: None

Criteria: Uniform Guidance (2 CFR §200.510(b)) requires the Schedule of Expenditures of Federal Awards (SEFA) to include, for each federal program, the amount provided to subrecipients from federal awards when the auditee passes federal funds through to another entity. 2 CFR 200.331 establishes the criteria for distinguishing subrecipients from contractors.

Condition: The SEFA as originally prepared and presented to the auditors did not separately disclose amounts passed through to subrecipients for the major program. During audit procedures, the auditors made inquiry of management regarding the classification of certain disbursements. Upon that inquiry, management determined that a group of entities (representing 55% of the total major program expenditures) previously coded as vendors were subrecipients under 2 CFR 200.331. The SEFA was subsequently revised to separately identify these amounts on the face of the schedule. Total SEFA expenditures were unchanged by the revision. The same system classification failure caused an immaterial incorrect presentation in ALN 93.243 as well. (*See also Finding 2025-002 regarding subrecipient monitoring deficiencies arising from the same misclassification.)*

Cause: Management did not have adequate procedures or controls in place to evaluate and document whether entities receiving federal funds met the Uniform Guidance definition of a subrecipient versus a contractor (vendor). As a result, certain entities were incorrectly classified as vendors, and the related pass-through expenditures were not identified as amounts provided to subrecipients for purposes of SEFA reporting. The condition was not detected by management or those charged with governance prior to auditor inquiry.

Effect: Amounts provided to subrecipients were omitted from the SEFA for the major program above as well as ALN 93.243, resulting in incomplete reporting required under Uniform Guidance. The misclassification of subrecipients as vendors caused the SEFA to not accurately disclose pass-through activity and could impair the ability of federal agencies, pass-through entities, and other users of the SEFA to assess the extent of subrecipient relationships and related monitoring responsibilities. The SEFA was

revised prior to issuance to correctly reflect amounts provided to subrecipients; accordingly, no misstatement remains in the schedule as issued.

Recommendation: Management should establish and document procedures for evaluating each recipient of federal award funds to determine whether the relationship meets the Uniform Guidance criteria for a subrecipient or contractor prior to first payment is processed. In addition, management should implement formal review, with evidence of review retained, of the SEFA to ensure all subrecipient payments are properly identified, accumulated, and disclosed as amounts provided to subrecipients prior to issuance.

Management's Response and Corrective Action Plan is found on page 29-31.

Finding 2025-002 – Inadequate Internal Controls Over and Noncompliance with Subrecipient Monitoring Requirements.

Federal Program: Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
Assistance Listing Number: 93.104
Compliance Requirement: Subrecipient Monitoring
Internal Control Deficiency: Significant Deficiency - Insufficient controls over subrecipient monitoring
Compliance Finding: Nonmaterial noncompliance with subrecipient monitoring
Questioned Costs: None

Criteria: 2 CFR 200.332 requires a pass-through entity to identify required subaward information, evaluate each subrecipient's fraud risk and risk of noncompliance, monitor subrecipient activities, verify required audits under Subpart F, and consider audit or monitoring results for corrective action, adjustments, or enforcement.

Condition: The entity did not have formal policies and procedures for subrecipient monitoring, incorrectly classified the subrecipients as vendors, did not perform or document formal subrecipient risk assessments, did not obtain or request subrecipient audit reports, and approved subrecipient agreements that included incorrect Assistance Listing Numbers (ALN). The entity did review and approve sampled reimbursement requests for allowability and performed monitoring of programmatic performance and progress; however, those procedures did not address all required subrecipient monitoring elements under 2 CFR 200.332. *(See also Finding 2025-001 regarding the SEFA reporting deficiency arising from the same misclassification.)*

Cause: The entity had not established formal subrecipient monitoring policies and procedures sufficient to ensure required monitoring activities were consistently performed and documented.

Effect: The entity may not identify subrecipient noncompliance, audit findings, corrective action needs, or incorrect federal award information on a timely basis. Incorrect ALNs in subrecipient agreements increase the risk that subrecipients report the award under the wrong federal program.

Recommendation: The entity should develop, document, and implement internal control procedures over federal award agreements and subrecipient monitoring to ensure compliance with 2 CFR 200.331 and 2 CFR 200.332. The procedures should require, at a minimum, documented subrecipient-versus-contractor determinations at the onset of each agreement, documented subrecipient risk assessments, accurate identification of required subaward information including the ALN, review of financial and performance reports, verification of required Subpart F audits, review and follow-up of audit findings or other significant developments, and documentation of monitoring procedures performed. Management should also establish a documented review control over subrecipient agreements to ensure required federal award information is accurate before execution and retain evidence of review, approval, monitoring conclusions, and any required corrective action.

Management's Response and Corrective Action Plan is found on page 29-31.

Section IV – Prior Year Findings and Questioned Costs
None

Finding 2025-001- SEFA Reporting: Inadequate Reporting of Amounts Provided to Subrecipients

Management Response

Management concurs with this finding, in part. CARS acknowledges that its SEFA preparation process did not include a formally documented procedure for evaluating and documenting subrecipient-versus-contractor determinations or a documented supervisory review control over the preparation of the SEFA.

However, during the period under audit, management did review agreements at the time of award and considered the nature of each relationship in determining the appropriate classification based on its understanding of the subrecipient criteria established under Uniform Guidance, 2 CFR § 200.331. Accordingly, while CARS acknowledges that its evaluation and review processes were not formally documented, management believes it is important to distinguish the absence of formal documentation and controls from an absence of management review or consideration of the appropriate classification.

CARS' classification approach had also been discussed with the auditors during the annual Single Audits conducted for Years 1 through 4 of the current federal award. No exceptions related to the classification of these entities were identified during those prior audits. CARS recognizes, however, that responsibility for determining the appropriate classification of subrecipients and contractors and for ensuring accurate SEFA reporting rests with management.

Based on additional training regarding subaward management under 2 CFR Part 200, together with the matters identified and discussed during the current audit, CARS agrees that establishing a formal written policy and documented review process will strengthen its internal controls and help ensure consistent application of the Uniform Guidance requirements.

Upon identification of the classification issue during the current audit, CARS evaluated the affected entities and revised the SEFA prior to issuance of the audit report to properly reflect amounts provided to subrecipients. The revision did not change total federal expenditures reported on the SEFA.

Corrective Action

CARS will develop and implement written procedures for subrecipient-versus-contractor determinations and will establish formal SEFA preparation and review procedures, including documented supervisory review prior to issuance.

Responsible Party: Ranelle Bensch, Director of Finance & Compliance
Target Implementation Date: January 2027

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Finding 2025-002 – Inadequate Internal Controls Over and Noncompliance with Subrecipient

Management Response

Management concurs with this finding, in part. As discussed in Finding 2025-001, during the period under audit, CARS had historically classified the affected entities as contractors/vendors based on management's review and understanding of the nature of those relationships. As a result of those classifications, CARS did not apply all of the formal subrecipient monitoring requirements of 2 CFR § 200.332 to these entities. Specifically, formal subrecipient risk assessments were not performed or documented, verification of required audits under Subpart F was not incorporated into a formal monitoring process, and certain subrecipient agreements contained incorrect Assistance Listing Numbers (ALNs).

CARS believes it is important to distinguish the identified deficiencies from an absence of risk evaluation, oversight or monitoring of the entities. Although CARS did not perform or document formal subrecipient risk assessments in accordance with 2 CFR § 200.332, management considered factors relevant to organizational risk during the initial proposal and partner-selection process. These considerations included CARS' prior experience with the organizations, their demonstrated performance and funding histories, organizational capabilities, and experience administering federally funded programs, as applicable. The basis for partner selection and related considerations were reflected in the proposal documentation.

During the period under audit, CARS reviewed and approved reimbursement requests for allowability and performed ongoing programmatic monitoring of performance and progress. However, because the entities were classified as contractors/vendors, these risk evaluation and monitoring activities were performed within CARS' existing proposal, vendor, and program oversight processes rather than within a formal subrecipient monitoring framework designed to address all requirements of 2 CFR § 200.332.

Based on additional training regarding subaward management under 2 CFR Part 200 and the matters identified during the current audit, management recognizes that formal written policies, documented classification determinations, and additional monitoring controls are necessary to ensure that entities determined to be subrecipients are consistently monitored in accordance with applicable Uniform Guidance requirements.

CARS began corrective action and, prior to issuance of the audit report, completed the following:

1. Confirmed the correct Assistance Listing Number for the NTTAC federal award and identified subrecipient agreements requiring correction;

2. Issued modifications to affected subrecipient agreements, as necessary, to communicate the correct ALN for the applicable Year 5 modifications;

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3. Reviewed available subrecipient SEFA information related to FY2025 expenditures to evaluate the accuracy of the reported ALN and communicated necessary corrections, as applicable; and

4. Obtained and reviewed available Single Audit information for the affected subrecipients and confirmed that no findings related to federal funding received from CARS were identified in the reports reviewed.

Corrective Action

CARS will formalize and document its existing procedures as they specifically relate to subrecipients and the applicable requirements of 2 CFR § 200.331 and § 200.332. The policy and related procedures will include documented subrecipient-versus-contractor determinations; subrecipient risk assessments; verification of required subaward information, including the Assistance Listing Number (ALN); review of financial and programmatic performance information; verification of applicable Subpart F audit requirements; review and follow-up of audit findings or other significant developments; and documentation and retention of monitoring activities, conclusions, and corrective actions, as applicable.

CARS will also establish a documented pre-execution review and approval control for applicable federally funded agreements to verify the appropriate classification of the relationship and the accuracy and completeness of required federal award information before execution.

As part of implementation, CARS will review applicable existing federally funded agreements under the new policy. If an existing relationship is determined to meet the criteria of a subrecipient rather than a contractor, CARS will appropriately classify the agreement, correct applicable federal award information, including the ALN, as necessary, and apply and document the required subrecipient monitoring procedures prospectively.

Responsible Party: Ranelle Bensch, Director of Finance & Compliance
Target Implementation Date: March 2027

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