

**CALIFA GROUP**  
**FINANCIAL STATEMENTS**  
**AND SINGLE AUDIT REPORTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**



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**Califa Group**  
**Financial Statements and Single Audit Reports**  
**For the year ended June 30, 2023**  
**Table of Contents**

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	<u>Page</u>
<b>List of Officials</b> .....	i
<b>Independent Auditor’s Report</b> .....	1-2
<b>Financial Statements:</b>	
Statement of Financial Position.....	5
Statement of Activities .....	6
Statement of Functional Expenses.....	7-8
Statement of Cash Flows .....	9
Notes to Financial Statements .....	11-17
<b>Federal Supplementary Reports:</b>	
Schedule of Expenditures of Federal Awards .....	19
Notes to Schedule of Expenditures of Federal Awards.....	20
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	21-22
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance.....	23-25
Schedule of Findings and Questioned Costs .....	26-27

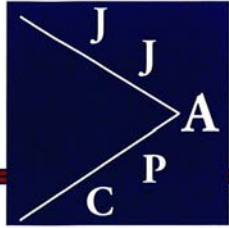
**Califa Group**  
**Financial Statements and Single Audit Reports**  
**For the year ended June 30, 2023**  
**Table of Contents**  
**List of Officials**

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**Board Members**

- Shawn P. Calhoun – President, University of San Francisco
- Misty Jones – Vice President, San Diego Public Library
- Gary Shaffer – Treasurer, Glendale Public Library
- Todd Deck – Sacramento Public Library
- Sara Jones – Washington State Library
- Erik Mitchell – University of California San Diego Library
- James Ochsner – Sutter County Library
- Carl Pritzkat – Publishers Weekly
- Yolande Wilburn – Santa Cruz Public Libraries



JJACPA, Inc.

A Professional Accounting Services Corp.

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## Independent Auditor's Report

Governing Board  
Califa Group  
San Francisco, California

### **Report on the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Califa Group (Group), which comprise the statement of financial position as of June 30, 2023 and 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 the Group as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 the Group 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 the Group's ability to continue as a going concern for 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 GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 the Group's 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 the Group's 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 October 27, 2023, on our consideration of the Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Group's internal control over financial reporting and compliance.

October 27, 2023

*JJACPA, Inc.*  
**JJACPA, Inc.**  
**Dublin, CA**

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**Califa Group**  
**Statement of Financial Position**  
**June 30, 2023**  
**(with comparative balances for June 30, 2022)**

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
Cash	\$ 4,318,381	\$ 4,353,534
Accounts receivable	216,896	1,675,672
Grants receivable	131,412	84,059
Interest receivable	15,387	8,131
Prepaid items	1,196,875	1,562,476
Property and equipment, net	13,167	12,242
<b>Total assets</b>	<b>\$ 5,892,118</b>	<b>\$ 7,696,114</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 151,002	\$ 2,031,959
Unearned revenue	2,948,855	2,478,205
<b>Total liabilities</b>	<b>3,099,857</b>	<b>4,510,164</b>
<b>Net Assets:</b>		
Without donor restrictions		
Undesignated	2,792,261	3,185,950
<b>Total net position</b>	<b>2,792,261</b>	<b>3,185,950</b>
<b>Total liabilities and net position</b>	<b>\$ 5,892,118</b>	<b>\$ 7,696,114</b>

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

**Califa Group****Statement of Activities****June 30, 2023****(with comparative balances for June 30, 2022)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2022</u>
<b>REVENUES, SUPPORT AND GAINS</b>				
Membership and workshop fees	\$ 310,451	\$ -	\$ 310,451	\$ 459,424
Income and reimbursements	5,502,991	-	5,502,991	13,483,327
Government grants	3,717,683	-	3,717,683	3,374,540
Special grants	-	-	-	8,787,792
Investment income	78,932	-	78,932	31,903
Unrealized gain (loss) on investments	19,180	-	19,180	(138,500)
<b>TOTAL REVENUES, SUPPORT AND GAINS</b>	<u>9,629,237</u>	<u>-</u>	<u>9,629,237</u>	<u>25,998,486</u>
<b>EXPENSES AND LOSSES</b>				
Program services	7,048,505	-	7,048,505	24,710,866
Management and general	2,974,421	-	2,974,421	1,492,374
<b>Total expenses</b>	<u>10,022,926</u>	<u>-</u>	<u>10,022,926</u>	<u>26,203,240</u>
<b>Increase (Decrease) in unrestricted net assets</b>	<u>(393,689)</u>	<u>-</u>	<u>(393,689)</u>	<u>(204,754)</u>
<b>Change in Net Assets</b>	<u>(393,689)</u>	<u>-</u>	<u>(393,689)</u>	<u>(204,754)</u>
<b>NET POSITION:</b>				
Beginning of year	3,185,950	-	3,185,950	4,048,321
Adjustments	-	-	-	(657,617)
Beginning, as adjusted	<u>3,185,950</u>	<u>-</u>	<u>3,185,950</u>	<u>3,390,704</u>
End of year	<u>\$ 2,792,261</u>	<u>\$ -</u>	<u>\$ 2,792,261</u>	<u>\$ 3,185,950</u>

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

**Califa Group**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2023**

Account Description	Program Services	Management and General	Total
Salaries	\$ -	\$ 561,350	\$ 561,350
Employee benefits	-	309,256	309,256
Business license fees and taxes	-	1,214	1,214
General insurance	-	13,617	13,617
Interest and bank charges	-	4,036	4,036
IT services	-	68,369	68,369
Membership dues	-	2,826	2,826
Office Expense	-	1,210	1,210
Office furniture	-	392	392
Platform costs	1,287	-	1,287
Postage	-	711	711
Accounting	-	115,997	115,997
Legal	-	1,706	1,706
Professional services: Program Contractors	1,683,217	-	1,683,217
Professional services: Other	-	1,819,805	1,819,805
Program supplies	131,050	-	131,050
Reimbursable from members - CENIC	385,043	-	385,043
Rent	-	50,662	50,662
Travel and meetings	85,744	-	85,744
Meals and Meetings	2,336	-	2,336
Advertising	-	1,017	1,017
Utilities	-	11,366	11,366
Vendor Pass-thru expenses	4,759,828	-	4,759,828
Miscellaneous expenses	-	7,042	7,042
Total expenses before depreciation	7,048,505	2,970,576	10,019,081
Depreciation	-	3,845	3,845
Total expenses	\$ 7,048,505	\$ 2,974,421	\$ 10,022,926

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

**Califa Group**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2022**

Account Description	Program Services	Management and General	Total
Salaries	\$ -	\$ 704,206	\$ 704,206
Employee benefits	-	145,555	145,555
Business license fees and taxes	-	1,302	1,302
Event expenses	1,978	-	1,978
General insurance	-	11,350	11,350
Interest and bank charges	-	66	66
IT services	-	59,958	59,958
Membership dues	-	4,739	4,739
Office Expense	-	1,118	1,118
Office furniture	-	642	642
Platform costs	1,477	-	1,477
Postage	-	891	891
Accounting	-	51,714	51,714
Legal	-	7,213	7,213
Professional services: Program Contractors	5,959,568	-	5,959,568
Professional services: Other	3,282,667	439,983	3,722,650
Program supplies	55,986	-	55,986
Reimbursable from members - CENIC	10,404,935	-	10,404,935
Rent	-	50,295	50,295
Advertising	-	852	852
Travel and meetings	53,026	-	53,026
Utilities	-	9,168	9,168
Vendor Pass-thru expenses	4,947,919	-	4,947,919
Meals	3,310	-	3,310
Miscellaneous expenses	-	986	986
Total expenses before depreciation	24,710,866	1,490,038	26,200,904
Depreciation	-	2,336	2,336
Total expenses	\$ 24,710,866	\$ 1,492,374	\$ 26,203,240

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

## Califa Group

### Statement of Cash Flows

June 30, 2023

(with comparative balances for June 30, 2022)

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from members for membership and workshop fees	\$ 310,451	\$ 459,424
Receipts from members for goods and services	7,451,597	9,182,254
Receipts from the State of California for grants	3,670,330	12,471,455
Payments to vendors for services and supplies	<u>(11,534,437)</u>	<u>(28,866,972)</u>
<b>Net cash provided by operating activities</b>	<u>(102,059)</u>	<u>(6,753,839)</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of fixed assets	<u>(4,770)</u>	<u>(9,053)</u>
<b>Net cash used by capital and related financing activities</b>	<u>(4,770)</u>	<u>(9,053)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income received	<u>71,676</u>	<u>30,011</u>
<b>Net increase in cash</b>	<u>(35,153)</u>	<u>(6,732,881)</u>
<b>CASH AND INVESTMENTS:</b>		
Beginning of year	<u>4,353,534</u>	<u>11,086,415</u>
End of year	<u>\$ 4,318,381</u>	<u>\$ 4,353,534</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (393,689)	\$ (204,754)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,845	2,336
Prior year adjustments	-	(657,617)
Interest income	(78,932)	(31,903)
Net realized and unrealized (gain) losses from change in fair value of investments	(19,180)	138,500
Changes in operating assets and liabilities:		
Accounts receivable	1,458,776	(871,293)
Grants receivable	(47,353)	309,123
Accounts payable	(1,880,957)	(1,834,613)
Prepaid items	365,601	(831,455)
Other assets	-	948,580
Unearned revenue	489,830	(3,720,743)
<b>Net cash provided by operating activities</b>	<u>\$ (102,059)</u>	<u>\$ (6,753,839)</u>
<i>Supplemental disclosures</i>		
Advertising	\$ 1,017	\$ 852
Noncash contributions	\$ -	\$ -

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

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## **1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

### **Summary of Group**

The Califa Group (Group) is a non-profit corporation as described in Section 501(c)(6) of the Internal Revenue Code and is exempt from federal and state income taxes. It was formed in November 6, 2003 that began operations on July 1, 2004, designed to provide member-enhanced, value-added services to all California libraries. On behalf of its members, Califa brokers and facilitates the delivery of products and services for those libraries. Califa sponsors statewide projects and receives substantially all of its funding from California libraries through membership fees with certain portions of its funding originating with the State and Federal governments and private foundations.

### **Program and Supporting Services**

*Management and General* – Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Group's program strategy through the Executive Director; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of the Group; and manage the financial and budgetary responsibilities of the Group.

### **Comparative Financial Information**

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2022, from which the summarized information was derived.

### **Cash, Cash Equivalents, and Restricted Cash**

*Cash and cash equivalents, and restricted cash* consist of cash held in a checking account and certificate of deposits with Boston Private Bank & Trust Company and in an investment pool managed by the State of California named the Local Agency Investment Fund (LAIF).

Financial instruments that potentially expose the Group to concentrations of credit and market risk consist primarily of cash and certificate of deposits in Boston Private Bank & Trust Company and LAIF. Cash and certificate of deposits are maintained at high quality financial institutions and credit exposure is limited at any one institution. The Group has not experienced any losses on its cash equivalents. The Group's investments do not represent significant concentrations of market risk inasmuch as the Group's investment portfolio is adequately diversified among issuers, industries, and geographic regions through Boston Private Bank & Trust Company and LAIF.

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

**Califa Group**  
**Notes to Financial Statements**  
**For the year ended June 30, 2023**

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**1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

*Cash, Cash Equivalents, and Restricted Cash, Continued*

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash and cash equivalents - without donor restriction	<u>\$ 4,318,381</u>	<u>\$ 4,353,534</u>

*Receivables and Credit Policies*

Accounts receivable consist primarily of fees from member libraries. At June 30, 2023 and 2022, the amounts were \$216,896 and \$1,675,672, respectively.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statement of financial position. Contract liabilities are reported as unearned revenue in the accompanying statements of financial position.

*Property and Equipment*

Purchased property and equipment are carried at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. It is the policy of the Group to capitalize property and equipment over \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expense as incurred. Replacements and capital improvements are added to property and equipment.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2023.

*Investments*

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment gain/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.



## **1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

### ***Net Assets***

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

### ***Revenue and Revenue Recognition***

Contributions are recognized when a donor makes a promise to give to the Group, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net position if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net position depending on the nature of the restrictions.

As presented in the Statement of Activities on Page 6, the primary source of revenue is received from the Federal Government and State of California with the detail grant classifications.

### ***Contributed Services***

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Group. Many individuals volunteer their time and perform a variety of tasks that assist the Group in providing program services, administration and development. These services do not meet the criteria for recognition as contributed services as defined above.

### ***Advertising Costs***

Advertising costs are expensed as incurred in amount of \$1,017 and \$852 during the years ended June 30, 2023 and 2022, respectively.

### ***Functional Allocation of Expenses***

The costs of programs and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### ***Income Taxes***

The Group is organized as a California nonprofit public benefit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as Organizations described in IRC Section 501(c)(3), which qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. The Group is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Group is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that the entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

**Califa Group**  
**Notes to Financial Statements**  
**For the year ended June 30, 2023**

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**2. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	Balance as of June 30, 2023	Balance as of June 30, 2022
Cash and cash equivalents	\$ 4,318,381	\$ 4,353,534
Accounts receivable	216,896	1,675,672
Grants receivable	131,412	84,059
Interest receivable	15,387	8,131
	<u>\$ 4,682,076</u>	<u>\$ 6,121,396</u>

The Group's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC). The FDIC currently insures the first \$250,000 of the Group's Cash at each financial institution.

**3. PROPERTY AND EQUIPMENT**

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance Jul 1, 2022	Additions	Adjustments/ Retirements	Balance Jun 30, 2023
Computers and Furniture	\$ 26,374	\$ 4,770	\$ -	\$ 31,144
Total cost	26,374	4,770	-	31,144
Less: accumulated depreciation	(14,132)	-	(3,845)	(17,977)
Net book value	<u>\$ 12,242</u>	<u>\$ 4,770</u>	<u>\$ (3,845)</u>	<u>\$ 13,167</u>

Depreciation was \$3,845 for the fiscal year ended June 30, 2023.

**4. DEFINED CONTRIBUTION PENSION PLAN**

All qualified Group employees participate in the Section 401 (a) qualified defined contribution pension plan as allowed under the Internal Revenue Code. The plan type sponsored by the Group is a Money Purchase Plan. This plan is a defined contribution retirement plan in which the employer's contribution is nondiscretionary and is based on a formula that is not related to profits. The plan sponsor guarantees no benefit and bears no investment risk while the plan participants bear all investment risk and have no guaranteed level of benefits. An administrative committee comprised of Group personnel governs the plan.

Eligible employees begin participating the first day of their employment. The plan is entirely funded by Group contributions of 7.5% of the participant's gross pay, which vests fully and immediately for participants. Plan provisions and contribution requirements are established and may be amended by the Group. Participants are eligible to begin receiving benefits at age 62.

**Califa Group**  
**Notes to Financial Statements**  
**For the year ended June 30, 2023**

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**4. DEFINED CONTRIBUTION PENSION PLAN, CONTINUED**

The Group’s payroll for employees covered by the plan for the year ended June 30, 2023, was \$561,350. Total employee contributions paid by the Group amounted to \$42,101 or 7.5% of covered payroll. All of the Group’s employees are covered by the plan.

**5. UNEARNED REVENUE**

Amounts recorded to unearned revenue in the amount of \$2,948,855 consisted of balances related to income, reimbursements, grants, and deposits for the next fiscal year, which have not yet been earned.

**6. NET ASSETS**

Net assets consist of amounts without donor restrictions. Without donor restrictions amounts reflect balances available for current operations of \$2,792,261.

**7. OTHER UNRESTRICTED REVENUES - GOVERNMENT GRANTS**

As presented in the Statement of Activities on Page 6, the primary source of revenue is received from the Federal Government and State of California with the detail grant classifications as follows:

**Unrestricted Revenues:**

Federal:

California Revealed	\$ 1,073,437
Get Involved	59,819
Play Café	156,488
IMLS Data	73,237
IMLS Second Responders	52,208
IMLS Makerspace	136,814
Community Connections Collaboration	166,064
OPEN+ Year 2	142,367
IMLS Building Radical Empathy	59,007
IMLS Creative Aging	63,370
Oral History	100
Indirect rate	92,917
Total Federal Grants:	<u>2,075,828</u>

Special:

Nevada State Library - Sandi Project	1,599,540
Califa -system operations	42,315
Total Special Grants:	<u>1,641,855</u>
Total Government Grants	<u>\$ 3,717,683</u>

## **8. CONTINGENT LIABILITIES**

The Group's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Group has no provision for the possible disallowance of program costs on their financial statements.

## **9. NEW PRONOUNCEMENTS**

On March 30, 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2021-03, *Intangibles—Goodwill and Other (Topic 350)—Accounting Alternative for Evaluating Triggering Events*. The amendments in this Update provide private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in Subtopic 350-20 as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired.

In September 2020, FASB issued ASU 2020-07 - *Not-for-Profit (NFP) Entities (Topic 958), Presentation and Disclosures by NFP Entities for Contributed Nonfinancial Assets*. The amendments in this Update apply to NFP that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. The main provisions in this amendment require that a NFP (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. (2) Also, a NFP disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statement disclosures.

On May 30, 2019, the FASB issued ASU 2019-06, - *Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958)* which extends certain private-company accounting alternatives to not-for-profit entities. Specifically, the ASU permits such entities to elect alternative approaches to account for goodwill and certain identifiable intangible assets acquired in a business combination.

## **9. NEW PRONOUNCEMENTS, CONTINUED**

On March 21, 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. This ASU specifically addresses the use of proceeds from sales of collections and related disclosures. Collections include groupings of art, historical treasures or similar assets that are held for the public, preserved and protected; and, when sold, the proceeds are reserved for specified uses.

In June 2019, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Group has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are intended to improve financial statement presentation by not-for-profit (NFP) organizations—a model that has existed for more than 20 years. The new guidance will affect substantially all NFPs, including charities, foundations, private colleges and universities, nongovernmental health care providers, cultural institutions, religious organizations, and trade associations, among others, and requires NFPs to improve their presentation and disclosures to provide more relevant information about their resources (and the changes in those resources) to their donors, grantors, creditors, and other users.

## **10. SUBSEQUENT EVENTS**

The Group has evaluated subsequent events from their year-end June 30, 2023, through October 27, 2023, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or additional disclosure within the financial statements.

**FEDERAL SUPPLEMENTARY REPORTS**

**Califa Group**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2023**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identification Number	Federal Expenditures
<b>National Foundation on the Arts and the Humanities</b>			
<i>Pass-through programs from the California State Library -</i>			
<u><i>State Library Program:</i></u>			
Get Involved 22/23	45.310	40-9201	\$ 46,516
CA Revealed 22/23	45.310	40-9200	1,034,160
Get Involved 20/21	45.310	40-9049	13,059
CA Revealed 21/22	45.310	40-9043	39,277
<i>Total State Library Program</i>			1,133,012
<u><i>Direct Award</i></u>			
IMLS Embedded Evaluation 22/23	45.313		74,400
IMLS Second Responders 22/23	45.313		47,356
IMLS Makerspace 22/23	45.313		85,329
IMLS Creative Aging 22/23	45.313		63,370
IMLS Makerspace 21/22	45.313		4,050
IMLS Building Radical Empathy 22/23	45.313		59,007
<i>Total Direct Award</i>			333,512
<b>Total Federal Expenditures</b>			\$ 1,466,524

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this supplementary information.

**Califa Group**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2023**

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Group and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

**2. DESCRIPTION OF MAJOR PROGRAMS**

**State Library Program (CFDA #45.310)**

As authorized by the Library Services and Technology Act; Museum and Library Services Act of 1996, Title II, Public Law 104-208, to consolidate Federal library services programs; to stimulate excellence and promote access to learning and information resources in all types of libraries for individuals of all ages; to promote library services that provide all users access to information through State, regional, and international electronic networks; to provide linkages among and between libraries; and to promote targeted library services to people of diverse geographic, cultural, and socioeconomic backgrounds, to individuals with disabilities, and to people with limited functional literacy or information skills.

**3. INDIRECT COST ELECTION**

Califa has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.





**JJACPA, Inc.**

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

*Independent Auditor's Report*

Governing Board  
Califa Group  
San Francisco, California

We have audited 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, the financial statements of Califa Group (Group), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 27, 2023.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Group's 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 financial statements. 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**

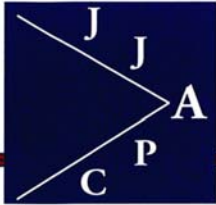
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

October 27, 2023

*JJACPA, Inc.*

**JJACPA, Inc.**

**Dublin, CA**



**JJACPA, Inc.**

A Professional Accounting Services Corp.

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

Governing Board  
Califa Group  
San Francisco, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Califa Group's (Group) 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 the Group's major federal programs for the year ended June 30, 2023. The Group's 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, the Group complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***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 (GAAS); 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 the Group 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 the Group's 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 the Group's 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 the Group's 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 GAAS, *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 the Group's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the Group's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Group's 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 the Group's 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.

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.

October 27, 2023

*JJACPA, Inc.*

**JJACPA, Inc.**  
**Dublin, CA**

**Califa Group**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2023**

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Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	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 2 CFR 200.516(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
#45.310	State Library Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Califa Group**  
**Schedule of Findings and Questioned Costs, continued**  
**For the year ended June 30, 2023**

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Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Status of Prior Year Audit Findings

No prior year audit findings.

Section V – Corrective Action Plan

There were neither current year findings nor questioned costs (see Section III above).