CALIFA GROUP

FINANCIAL STATEMENTS

AND SINGLE AUDIT REPORTS

FOR THE YEAR ENDED JUNE 30, 2019

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Califa Group
Financial Statements and Single Audit Reports
For the year ended June 30, 2019
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List of Officials

Board Members

- Shawn P. Calhoun – Gleeson Library
- Heather Cousin – Thousand Oaks Library
- Mark Fink – Yolo County Library
- Sandy Hirsh – San Jose State University
- Misty Jones – San Diego Public Library
- Sara Jones – Marin County Free Library
- Eve Melton – Kaiser Permanente Northern California
- Hillary Theyer – Torrance Public Library

Independent Auditor's Report

Governing Board
Califa Group
San Mateo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Califa Group (Group), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Group's June 30, 2018, financial statements in which an unqualified opinion was expressed on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Governing Board
Califa Group
San Mateo, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 May 1, 2020 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.

JJACPA, Inc.

May 1, 2020

JJACPA, Inc.
Dublin, CA

Califa Group

Statement of Financial Position

June 30, 2019

(with comparative balances for June 30, 2018)

ASSETS	**2019**	**2018**
Cash	$ 11,935,615	$ 7,915,844
Accounts receivable	1,409,730	1,247,478
Grants receivable	19,250	62,237
Interest receivable	65,552	30,845
Prepaid items	766,850	-
Other assets	1,290,939	-
Property and equipment, net	8,085	10,810
Total assets	$ 15,496,021	$ 9,267,214
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Accounts payable and accrued liabilites	$ 3,369,595	$ 1,847,038
Unearned revenue	8,023,046	395,616
Othe liabilities	197,902	-
Total liabilities	11,590,543	2,242,654
Net Assets:		
Without donor restrictions		
Undesignated	3,905,478	7,024,560
Total net position	3,905,478	7,024,560
Total liabilities and net position	$ 15,496,021	$ 9,267,214

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

Califa Group

Statement of Activities

June 30, 2019

(with comparative balances for June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	2018
REVENUES, SUPPORT AND GAINS				
Membership and workshop fees	$ 381,871	$ -	$ 381,871	$ 424,900
Income and reimbursements	11,904,646	-	11,904,646	8,761,509
Government grants	2,247,817	-	2,247,817	4,546,525
Special grants	2,347,360	-	2,347,360	3,118,552
Investment income	190,133	-	190,133	130,487
Miscellaneous	-		-	-
TOTAL REVENUES, SUPPORT AND GAINS	17,071,827	-	17,071,827	16,981,973
EXPENSES AND LOSSES				
Program services	19,340,955	-	19,340,955	15,386,592
Management and general	849,954	-	849,954	1,101,245
Total expenses	20,190,909	-	20,190,909	16,487,837
Increase (Decrease) in unrestricted net assets	(3,119,082)	-	(3,119,082)	494,136
Change in Net Assets	(3,119,082)	-	(3,119,082)	494,136
NET POSITION:				
Beginning of year	7,024,560	-	7,024,560	6,530,424
End of year	$ 3,905,478	$ -	$ 3,905,478	$ 7,024,560

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

Califa Group
Statement of Functional Expenses
For the year ended June 30, 2019

Account Description	Program Services	Management and General	Total
Salaries	$ -	$ 488,011	$ 488,011
Employee benefits	-	102,516	102,516
Advertising	2,500	1,309	3,809
Business license fees and taxes	1,878	84	1,962
Computer Equipment	-	12,256	12,256
Event expenses	16,962	-	16,962
General insurance	-	5,273	5,273
Interest and bank charges	-	390	390
IT services	52,554	23,240	75,794
Membership dues	2,046	1,549	3,595
Meals and meetings	8,101	-	8,101
Office Expense	35	6,910	6,945
Office furniture	85	2,376	2,461
Platform costs	3,943	-	3,943
Postage	774	1,305	2,079
Printing	-	222	222
Professional services	3,359,307	94,981	3,454,288
Program equipment	286,000	-	286,000
Program supplies	1,211,391	-	1,211,391
Reimbursable from members - CENIC	9,644,304	-	9,644,304
Rent	-	55,925	55,925
Travel and meetings	103,977	10,576	114,553
Utilities	600	9,685	10,285
Uncollectible accounts	265,961	27,061	293,022
Vendor Pass-thru expenses	4,380,537	-	4,380,537
Miscellaneous expenses	-	3,560	3,560
Total expenses before depreciation	19,340,955	847,229	20,188,184
Depreciation	-	2,725	2,725
Total expenses	$ 19,340,955	$ 849,954	$ 20,190,909

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

Califa Group
Statement of Functional Expenses
For the year ended June 30, 2018

Account Description	Program Services	Management and General	Total
Salaries	$ -	$ 77,852	$ 77,852
Employee benefits	-	26,198	26,198
Business license fees and taxes	-	17,287	17,287
Communication	3,614	35,096	38,710
Computer Equipment	55,550	-	55,550
Contractual Services	2,631,185	630,737	3,261,922
ENKI Materials	-	136,713	136,713
General insurance	-	8,747	8,747
Library Books/Materials	190,103	-	190,103
Membership dues	-	5,942	5,942
Office Expense	423,096	2,295	425,391
Office furniture	-	3,686	3,686
Postage	3,340	421	3,761
Professional Services	908,014	51,022	959,036
Reimbursable from members - CENIC	4,484,701	-	4,484,701
Rent	-	17,903	17,903
Service fees	-	5,232	5,232
Subscriptions	-	5,649	5,649
Supplies	360,926	47,597	408,523
Travel and meetings	84,919	26,195	111,114
Vendor Pass-thru expenses	6,207,468	-	6,207,468
Workshop expenses	33,676	340	34,016
Total expenses before depreciation	15,386,592	1,098,912	16,485,504
Depreciation	-	2,333	2,333
Total expenses	$ 15,386,592	$ 1,101,245	$ 16,487,837

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

Califa Group

Statement of Cash Flows

June 30, 2019

(with comparative balances for June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from members for membership and workshop fees	$ 381,871	$ 424,900
Receipts from members for goods and services	18,078,885	9,984,081
Receipts from the State of California for grants	4,638,164	7,646,395
Payments to vendors for services and supplies	(19,234,575)	(15,759,144)
Net cash provided by operating activities	3,864,345	2,296,232
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of fixed assets	-	(8,055)
Net cash used by capital and related financing activities	-	(8,055)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	155,426	110,849
Net increase in cash	4,019,771	2,399,026
CASH AND INVESTMENTS:		
Beginning of year	7,915,844	5,516,818
End of year	$ 11,935,615	$ 7,915,844
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ (3,119,082)	$ 494,136
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,725	2,333
Interest income	(190,133)	(130,487)
Changes in operating assets and liabilities:		
Accounts receivable	(162,252)	1,320,984
Grants receivable	42,987	(18,682)
Accounts payable	1,522,557	726,360
Prepaid items	(766,850)	-
Other assets	(1,290,939)	-
Unearned revenue	7,627,430	(98,412)
Net cash provided by operating activities	$ 3,864,345	$ 2,296,232
Supplemental disclosures		
Advertising	$ 3,809	$ -
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 government 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.

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2019, 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.

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:

	Balance as at 30-Jun-19
Cash in bank	$ 541,910
Local Agency Investment Fund (LAIF)	10,540,250
Vanguard	590,984
Boston Private Bank & Trust Company - Certificate of Deposit	262,471
	$ 11,935,615

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Receivables and Credit Policies

Accounts receivable consist primarily of fees from member libraries. At June 30, 2019 and 2018, the amounts were $1,409,637 and $1,247,478, 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 related 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, 2019.

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 return/(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.

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.

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 4, 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, and $3,809 and $0 during the years ended June 30, 2019 and 2018, 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 Groups described in IRC Section 501(c)(3), 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.

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from donors, governmental agencies, and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Group.

Accounting Pronouncements Issued but Not Adopted

In June 2018, the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958), "Clarifying the Scope and the Accounting Guidance for Contribution Received and Contribution Made" to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU will be effective for the Group for annual periods beginning after December 31, 2018.

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, 2019
Cash and cash equivalents	$ 11,935,615
Accounts receivable	1,409,637
	$ 13,345,252

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. ACCOUNTS RECEIVABLE

Accounts receivable balances consisted of total amounts receivable from member libraries with the following concentrations:

	Balance as of June 30, 2019	
Cities and Counties	$ 169,259	11.33%
Libraries	1,045,040	69.93%
Other	280,140	18.75%
	$ 1,494,439	100%

No individual amount was considered by management to indicate a higher degree of risk of collectability, therefore an allowance account was not deemed necessary. Management’s assessment was based upon the current nature of the receivables and the experience and knowledge of the Group’s members.

4. PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance Jul 1, 2018	Additions	Adjustments/ Retirements	Balance Jun 30, 2019
Computers and Furniture	$ 53,571	$ -	$ (37,643)	$ 15,928
Total cost	53,571	-	(37,643)	15,928
Less: accumulated depreciation	(42,761)	(2,725)	37,643	(7,843)
Net book value	$ 10,810	$ (2,725)	$ -	$ 8,085

There were deletions of $37,643 to property and equipment during the year. Depreciation was $2,725 for the fiscal years ended June 30, 2019.

5. UNEARNED REVENUE

Amounts recorded to deferred revenue in the amount of $8,023,046 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 without donor restrictions. Without donor restrictions amounts reflect balances available for current operations of $3,925,938.

7. OTHER UNRESTRICTED REVENUES - GOVERNMENT GRANTS

As presented in the Statement of Activities on Page 4, 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:	
InfoPEOPLE	$17,000
Califa Program	740,762
California Revealed	874,398
Virtual Reality	175,000
ELF	338,909
Get Involved	19,015
ZipBook	(9,280)
Bookshare	15,750
IMLS Get Involved	21,263
IMLS Secondnet	55,000
Total Federal Grants:	2,247,817
Special:	
Broadband	1,565,500
Broadband Program Manager	5,118
Play Café	150,000
Califa -system operations	626,742
Total Special Grants:	2,347,360
Total Government Grants	$4,595,177

7. 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.

8. SUBSEQUENT EVENTS

For the purpose of the accompanying consolidated financial statements, subsequent events have been evaluated through May 1, 2020, which is the date these financial statements were available to be issued.

FEDERAL SUPPLEMENTARY REPORTS

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Califa Group
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identification Number	Federal Expenditures
National Foundation on the Arts and the Humanities			
Pass-through programs from the California State Library -			
State Library Program:			
California Revealed 18/19	45.310	40-8832	867,194
Virtual Reality 18/19	45.310	40-8833	175,000
Early Learning with Families (ELF) 18/19	45.310	40-8835	338,909
Bookshare 18/19	45.310	40-8836	17,500
Get Involved 18/19	45.310	40-8837	19,015
Califa Grant 18/19	45.310	40-8897	740,762
Total State Library Program			2,158,380
Direct Award			
IMLS Get Involved 16/19	45.313		35,354
IMLS Secondnet	45.313		39,288
Total National Foundation on the Arts and the Humanities			74,642
National Science Foundation			
Pass-through program from Dartmouth College			
Education and Human Resources			
Rural Gateways 15-21	47.076	R795	88,225
Total National Science Foundation			88,225
Total Federal Expenditures			$ 2,321,247

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

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.

<u>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*</u>

Governing Board
Califa Group
San Mateo, 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 Califa Group (Group), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 1, 2020.

<u>Internal Control over Financial Reporting</u>

In planning and performing our audit of the financial statements, we considered the Group's 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 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

JJACPA, Inc.

May 1, 2020

JJACPA, Inc.
Dublin, CA

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Governing Board
Califa Group
San Mateo, California

Report on Compliance for Each Major Federal Program

We have audited the Califa Group's (Group) compliance with the types of compliance requirements described 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, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Group's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Group's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Group's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Group complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Group is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Group's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Group's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

JJACPA, Inc.

May 1, 2020

JJACPA, Inc.
Dublin, CA

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:

CFDA Number	Name of Federal Program or Cluster
#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

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).