

**CALIFA GROUP**  
**FINANCIAL STATEMENTS**  
**AND SINGLE AUDIT REPORTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

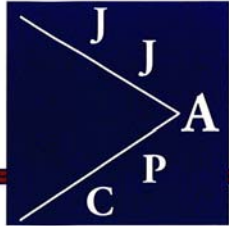
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**Califa Group**  
**Financial Statements and Single Audit Reports**  
**For the year ended June 30, 2018**  
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JJACPA, Inc.

A Professional Accounting Services Corp.

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### **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, 2018, 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, 2017, 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

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***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, 2018, 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 March 5, 2019 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.

March 5, 2019

*JJACPA, Inc.*  
**JJACPA, Inc.**

# Califa Group

## Statement of Financial Position

June 30, 2018

(with comparative balances for June 30, 2017)

ASSETS	<u>2018</u>	<u>2017</u>
<b>Current Assets:</b>		
Cash	\$ 7,915,844	\$ 5,516,818
Accounts receivable	1,247,478	2,568,462
Grants receivable	62,237	43,555
Interest receivable	30,845	11,207
<b>Total current assets</b>	<u>9,256,404</u>	<u>8,140,042</u>
<b>Noncurrent Assets:</b>		
Property and equipment, net	10,810	5,088
<b>Total noncurrent assets</b>	<u>10,810</u>	<u>5,088</u>
<b>Total assets</b>	<u>\$ 9,267,214</u>	<u>\$ 8,145,130</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,847,038	\$ 1,120,678
Unearned revenue	395,616	494,028
<b>Total current liabilities</b>	<u>2,242,654</u>	<u>1,614,706</u>
<b>Total liabilities</b>	<u>2,242,654</u>	<u>1,614,706</u>
<b>Net Position:</b>		
Unrestricted	7,024,560	6,530,424
<b>Total net position</b>	<u>7,024,560</u>	<u>6,530,424</u>
<b>Total liabilities and net position</b>	<u>\$ 9,267,214</u>	<u>\$ 8,145,130</u>

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

# Califa Group

## Statement of Activities

June 30, 2018

(with comparative balances for June 30, 2017)

	<u>2018</u>	<u>2017</u>
<b>Changes in Unrestricted Net Assets</b>		
<b>Unrestricted support:</b>		
Membership and workshop fees	\$ 424,900	\$ 900,663
Income and reimbursements	8,761,509	10,608,295
Total unrestricted support	<u>9,186,409</u>	<u>11,508,958</u>
<b>Other unrestricted revenues:</b>		
Government grants	4,546,525	4,251,752
Special grants	3,118,552	2,946,929
Investment income	130,487	58,001
Total other unrestricted revenues	<u>7,795,564</u>	<u>7,256,682</u>
<b>Total unrestricted revenues and support</b>	<u>16,981,973</u>	<u>18,765,640</u>
<b>Expenses:</b>		
Program services	15,386,592	14,028,337
Management and general	1,101,245	824,325
<b>Total expenses</b>	<u>16,487,837</u>	<u>14,852,662</u>
<b>Increase (Decrease) in unrestricted net assets</b>	<u>494,136</u>	<u>3,912,978</u>
<b>Change in Net Assets</b>	494,136	3,912,978
<b>NET POSITION:</b>		
Beginning of year	<u>6,530,424</u>	<u>2,617,446</u>
End of year	<u>\$ 7,024,560</u>	<u>\$ 6,530,424</u>

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



# Califa Group

## Statement of Cash Flows

June 30, 2018

(with comparative balances for June 30, 2017)

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from members for membership and workshop fees	\$ 424,900	\$ 900,663
Receipts from members for goods and services	9,984,081	6,142,724
Receipts from the State of California for grants	7,646,395	7,475,927
Payments to vendors for services and supplies	<u>(15,759,144)</u>	<u>(14,545,732)</u>
<b>Net cash provided by operating activities</b>	<u>2,296,232</u>	<u>(26,418)</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of fixed assets	<u>(8,055)</u>	<u>-</u>
<b>Net cash used by capital and related financing activities</b>	<u>(8,055)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income received	<u>110,849</u>	<u>54,006</u>
<b>Net increase in cash</b>	<u>2,399,026</u>	<u>27,588</u>
<b>CASH AND INVESTMENTS:</b>		
Beginning of year	<u>5,516,818</u>	<u>5,489,230</u>
End of year	<u>\$ 7,915,844</u>	<u>\$ 5,516,818</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 494,136	\$ 3,912,978
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,333	1,983
Interest income	(130,487)	(58,001)
Changes in operating assets and liabilities:		
Accounts receivable	1,320,984	(1,471,286)
Grants receivable	(18,682)	277,246
Accounts payable	726,360	299,577
Prepaid items	-	5,370
Unearned revenue	<u>(98,412)</u>	<u>(2,994,285)</u>
<b>Net cash provided by operating activities</b>	<u>\$ 2,296,232</u>	<u>\$ (26,418)</u>

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

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## **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Summary of Organization**

The Califa Group (Group) is a membership-based service bureau formed on 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.

#### ***A. Cash and Cash Equivalents***

*Cash and cash equivalents* 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).

#### ***Concentration of Credit and Market Risk***

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.

#### ***B. Property and Equipment and Depreciation***

Land, buildings and other property and equipment are stated at cost if purchased or at fair market value at date of donation if donated for assets valued at \$500 or more. 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.

#### ***C. Net Position***

*Temporarily restricted net positions* are made available for specific program services based upon certain time restrictions. As these restrictions expire, amounts are transferred to unrestricted net position in the Statement of Activities. The Group had no temporarily restricted net position for fiscal year 2017-18.

*Permanently restricted net position* are restricted in perpetuity, with the income expendable to support specific programs. The Group had no permanently restricted net position for fiscal year 2017-18.

**Califa Group**  
**Notes to Financial Statements, *continued***  
**For the year ended June 30, 2018**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

***E. Income Taxes***

The Group is exempt from taxation under Internal Revenue Service Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

***F. Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

***G. Functional Allocation of Expenses***

Costs of providing the Group's programs and other activities have been summarized in Note 10. During the year, such costs were accumulated into separate groupings as either direct for program services or direct management and administrative costs. Indirect costs were not allocated to the programs.

**2. CASH AND INVESTMENTS**

Cash and investments at June 30, 2018, at fair value were as follows:

	<u>Balance as at June 30, 2018</u>
Cash in bank	\$ 827,533
Local Agency Investment Fund (LAIF)	6,284,104
Vanguard	543,769
Boston Private Bank & Trust Company - Certificate of Deposit	260,438
	<u>\$ 7,915,844</u>

Investment income consisted of interest income in the amount of \$130,487 recorded to unrestricted net assets.

**Califa Group**  
**Notes to Financial Statements, *continued***  
**For the year ended June 30, 2018**

**3. ACCOUNTS RECEIVABLE**

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

	<u>Balance as of June 30, 2017</u>	
Cities and Counties	\$ 1,247,478	95.25%
Other	<u>62,237</u>	<u>4.75%</u>
	<u>\$ 1,309,715</u>	<u>100%</u>

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**

	<u>Cost</u>	<u>Additions</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Computers and furniture	\$ 45,516	\$ 8,055	\$ (42,761)	\$ 10,810

There were no additions or retirements to property and equipment during the year. Depreciation was \$1,983 and \$2,521 for the fiscal years ended June 30, 2018, and 2017, respectively.

**5. ACCOUNTS PAYABLE**

Accounts payable balance at June 30, 2018, consisted of amounts with the following concentrations:

	<u>Balance at June 30, 2018</u>	
CENIC	\$ 1,202,836	65%
CENIC Broadband Initiatives LLC	220,085	12%
Bay Area Discovery Museum	115,000	6%
Mango Languages	55,115	3%
Newsbank, Inc.	35,314	2%
Other	<u>218,687</u>	<u>12%</u>
	<u>\$ 1,847,038</u>	<u>100%</u>

Amounts payable to CENIC represent vendor payment for services provided related to the performance of the federal grant programs and as a whole represent 77% of accounts payable balance. Other amounts do not represent a specific concentration with any single vendor.

**Califa Group**  
**Notes to Financial Statements, *continued***  
**For the year ended June 30, 2018**

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**6. UNEARNED REVENUE**

Amounts recorded to deferred revenue in the amount of \$395,616 consisted of balances related to income, reimbursements, and deposits for the next fiscal year, which have not yet been earned.

**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:

California Revealed II FY 16/17	\$ 600
IMLS Get Involved 16/19	104,617
Infopeople FY 16/17	7,919
Early Learning ELF 2.0 FY 16/17	3,640
FY17 Library Collaborative Initiatives	453,257
Rural Gateways 15-21	130,500
FY 17/18 Creating Sustainable VAR Reality	141,825
FY 17/18 CENIC Broadband	22,500
FY 17/18 Zipbooks for Rural Libraries Year 5	290,970
FY18 Career Online High School	56,430
FY18 Expanding Reading Selections	20,500
FY 18 Early Learning with Families: Year 5	578,776
FY18 CA Library Collaborative Initiative	882,330
FY 17/18 Infopeople	362,680
FY 17/18 Get Involved: Skilled Volunteer	28,145
FY 17/18 CA Revealed III Grant	1,110,824
Indirect rate	351,012
Total Federal Grants:	4,546,525

Special:

CENIC Year 3 2016-17	273,917
PLACE NOAA Grant	177,320
FY 17/18 Digital Library of America	38,000
Starr Literacy Fund Program	13,319
Packard Fdn Project - Library Play Cafes	91,000
FY 17/18 CENIC Broadband	2,254,320
Califa - System Operations	270,676
Total Special Grants:	3,118,552

Total Government Grants	\$7,665,077
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**8. RELATED PARTY TRANSACTIONS**

The Group entered into a contract with Peninsula Library System (PLS) for administrative, accounting, and technology support for \$647,985 payable in four equal, quarterly installments. As allowed by grant provisions these amounts were charged to contractual services in program services. This was not a significant concentration of expenses since it did not constitute a 20% portion of either the category in which it was charged or total expenses for the year.

**9. 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.

**Califa Group**  
**Notes to Financial Statements, *continued***  
**For the year ended June 30, 2018**

**10. FUNCTIONAL EXPENSES**

Functional expenses as recorded in the Group's general ledger are detailed as follows:

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
Equipment replacement	-	-	-
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
Printing	-	-	-
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	16,381,454
Depreciation	-	2,333	2,333
Total expenses	\$ 15,386,592	\$ 1,101,245	\$ 16,487,837

The Group currently conducts no fundraising activities or direct requests for contributions, therefore the category has not been presented in the above Statement of Functional Expenses.



**FEDERAL SUPPLEMENTARY REPORTS**

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**Califa Group**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2018**

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 - State Library Program:</i>			
CA Library Collaborative Initiatives	45.310	40-8661	496,296
Early Learning ELF FY 16/17	45.310	40-8666	117,606
Get Involved FY 16/17	45.310	40-8667	12,327
Zipbooks for Rural Libraries 16/17	45.310	40-8705	55,047
Creating a Vision of Greatness FY 16/17	45.310	40-8705	13,642
Infopeople 16/17	45.310	40-8704	143,591
California Revealed II FY 16/17	45.310	40-8726	60,750
VR Technology FY 16/17	45.310	40-8727	144,550
Creating Sustainable VAR Reality FY 17/18 Zipbooks for Rual Libraries	45.310	40-8811	150,929
FY 18 Expanding Reading Selections	45.310	40-8674	187,029
FY 18 Early Learning with Families: Year 5	45.310	40-8802	20,500
FY 18 CA Library Collaborative Initiative	45.310	40-8753	340,494
FY 17/18 Infopeople	45.310	40-8806	265,522
FY 17/18 Get Involved: Skilled Volunteer	45.310	40-8809	396,487
FY 17/18 Ca Revealed III Grant	45.310	40-8667	19,097
			433,946
<i>Total State Library Program</i>			2,857,813
<b><u>Direct Award</u></b>			
IMLS Get Involved 16/19	45.313		97,016
<b>Total National Foundation on the Arts and the Humanities</b>			2,954,829
<b>National Science Foundation</b>			
<i>Pass-through program from Dartmouth College</i>			
<u>Education and Human Resources</u>			
Rural Gateways 15-21	47.076	R795	89,500
<b>Total National Science Foundation</b>			89,500
<b>Total Federal Expenditures</b>			\$ 3,044,329

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, 2018**

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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.

A Professional Accounting Services Corp.

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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**

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, 2018, 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 March 5, 2019.

**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) 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

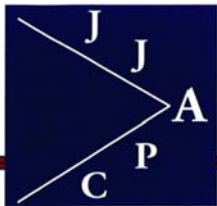
As part of obtaining reasonable assurance about whether the Group's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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.

March 5, 2019

*JJACPA, Inc.*  
**JJACPA, Inc.**



JJACPA, Inc.

A Professional Accounting Services Corp.

**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, 2018. 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.

## 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, 2018.

## 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.

March 5, 2019

*JJACPA, Inc.*  
**JJACPA, Inc.**



**Califa Group**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2018**

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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, 2018**

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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).