

WISCONSIN LIBRARY SERVICES, INC.

FINANCIAL STATEMENTS

June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wisconsin Library Services, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of Wisconsin Library Services, Inc., which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the 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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wisconsin Library Services, Inc. as of June 30, 2015, 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.

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Prior Period Financial Statements

The June 30, 2014 financial statements were reviewed by us and our report thereon, dated February 2, 2015, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
January 11, 2016

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 (Audited) and 2014 (Reviewed)

	2015	2014
ASSETS		
Cash	\$ 2,140,194	\$ 2,954,503
Accounts receivable	184,501	302,034
Prepaid expenses	673,391	353,815
Promises to give	60,000	-
Investments	294,059	-
Total assets	\$ 3,352,145	\$ 3,610,352
LIABILITIES		
Accounts payable	\$ 327,369	\$ 366,245
Deferred revenue	514,767	628,867
Member deposits	953,295	1,108,955
Accrued liabilities	-	22,869
Total liabilities	1,795,431	2,126,936
NET ASSETS		
Unrestricted	1,454,498	1,380,706
Temporarily restricted	102,216	102,710
Total net assets	1,556,714	1,483,416
Total liabilities and net assets	\$ 3,352,145	\$ 3,610,352

See accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2015 (Audited) and 2014 (Reviewed)

	2015	2014
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Co-op license program fees	\$ 8,524,579	\$ 7,104,873
Annual membership fees	81,954	76,056
Contributions	25,000	-
Other income	357,822	254,338
Investment return	11,713	9,988
Total unrestricted support and revenue	9,001,068	7,445,255
EXPENSES		
Coop expense	8,201,998	6,830,954
Personnel expense	524,462	511,956
Other projects and general operations	242,364	129,201
Travel	18,946	21,374
Total expenses	8,987,770	7,493,485
Net assets released from restrictions	60,494	50,856
Change in unrestricted net assets	73,792	2,626
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	60,000	-
Net assets released from restrictions	(60,494)	(50,856)
Change in temporarily restricted net assets	(494)	(50,856)
Change in net assets	73,298	(48,230)
Net assets - beginning of year	1,483,416	1,531,646
Net assets - end of year	\$ 1,556,714	\$ 1,483,416

See accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2015 (Audited) and 2014 (Reviewed)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 73,298	\$ (48,230)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Realized and unrealized loss on investments	6,078	-
(Increase) decrease in assets		
Accounts receivable	117,533	814,917
Prepaid expenses	(319,576)	(121,530)
Promises to give	(60,000)	-
Increase (decrease) in liabilities		
Accounts payable	(38,876)	(962,782)
Deferred revenue	(114,100)	625,097
Member deposits	(155,660)	20,570
Accrued liabilities	(22,869)	22,869
Net cash flows from operating activities	(514,172)	350,911
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(300,137)	-
Net change in cash	(814,309)	350,911
Cash - beginning of year	2,954,503	2,603,592
Cash - end of year	<u>\$ 2,140,194</u>	<u>\$ 2,954,503</u>

See accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 (Audited) and 2014 (Reviewed)

Wisconsin Library Services, Inc. (WiLS) was formed in 1970 to facilitate the sharing of Wisconsin library resources. Funding for WiLS is provided by fees assessed to member libraries and other users.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

WiLS is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by WiLS in perpetuity.

Accounts Receivable

WiLS considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been developed. If receivables become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give to be received over periods longer than a single year are discounted at an interest rate commensurate with risk involved if material to the financial statements.

Investments

WiLS carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Revenue Recognition

Revenue is recognized when WiLS has incurred expenditures or provided services in accordance with specified requirements. Such amounts earned, but not received, are reported as accounts receivable. Such amounts received, but not earned, are reported as deferred revenue. Membership revenue is an annual fee charged to member libraries that is recognized as revenue when earned.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 (Audited) and 2014 (Reviewed)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

The costs of providing various programs and activities have been summarized on a functional basis in Note 8. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following describes the program services:

Coop Services – WiLS coordinates group discount purchasing for libraries with an emphasis on electronic databases.

Consulting and Project Management – WiLS provides its members with a variety of consulting and project management services, including planning services, reports and data collection, brokering projects with experts in the library field, events for continuing education, and collaborative project management. WiLS acts as the project manager for two ebook consortia: The Wisconsin Public Library Consortium (WPLC) that provides ebooks to all public libraries in the state and the Horticulture Library Consortium (HLC) that provides ebooks to horticultural organizations around the country.

Recollection Wisconsin – WiLS coordinates the Recollection Wisconsin project, which works with libraries and cultural institutions in the state on digitizing, describing, and providing access to historical materials, along with developing a portal, teacher resources, and other materials to aid in the use and interpretation of these historical materials.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Income Tax Status

WiLS is an exempt public charity under Section 501(c)(3) of the Internal Revenue Code and therefore is not subject to federal and state income or franchise taxes.

Date of Management's Review

Management has evaluated subsequent events through January 11, 2016, the date which the financial statements were available to be issued.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 (Audited) and 2014 (Reviewed)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

WiLS maintains cash balances at two financial institutions located in Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation or the National Credit Union Association up to \$250,000. Additionally, WiLS maintains cash balances at one financial institution in Ohio, which is uninsured. At June 30, 2015 and 2014, WiLS' uninsured cash balances totaled approximately \$2,008,000 and \$2,554,000.

NOTE 3 – PROMISES TO GIVE

Promises to give at June 30, 2015 consisted of the following:

Receivable in less than one year	\$ 35,000
Receivable in one to five years	<u>25,000</u>
Promises to give	<u><u>\$ 60,000</u></u>

NOTE 4 – INVESTMENTS

Investments at fair value at June 30, 2015 consisted of the following:

Money market funds	\$ 3,121
Mutual funds	<u>290,938</u>
Investments	<u><u>\$ 294,059</u></u>

Investment return consisted of the following for the years ended June 30:

	2015	2014
Interest and dividends	\$ 17,791	\$ 9,988
Realized and unrealized loss	<u>(6,078)</u>	<u>-</u>
Investment return	<u><u>\$ 11,713</u></u>	<u><u>\$ 9,988</u></u>

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 (Audited) and 2014 (Reviewed)

NOTE 5 – RELATED PARTY TRANSACTIONS

WiLS is a membership organization. WiLS’s Board of Directors consists of representatives from various Wisconsin libraries. The Board members are associated with the libraries that are members of WiLS.

NOTE 6 – NET ASSETS

The Board has chosen to place the following limitations on unrestricted net assets at June 30, 2015 and 2014:

	2015	2014
Transition and close of business fund	\$ 200,000	\$ 200,000
New initiative fund	295,997	295,997
Undesignated	958,501	884,709
Unrestricted net assets	\$ 1,454,498	\$ 1,380,706

WiLS’ temporarily restricted net assets were available for the Recollection Wisconsin project at June 30, 2015 and 2014.

NOTE 7 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2015 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 3,121	\$ 3,121	\$ -	\$ -
Mutual funds	290,938	290,938	-	-
Investments	\$ 294,059	\$ 294,059	\$ -	\$ -

Fair values for money market funds and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 (Audited) and 2014 (Reviewed)

NOTE 8 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Program services		
Coop services	\$ 8,391,796	\$ 7,011,138
Consulting and project management	365,015	249,482
Recollection Wisconsin	82,171	60,931
Management and general	<u>148,788</u>	<u>171,934</u>
Total expenses	<u>\$ 8,987,770</u>	<u>\$ 7,493,485</u>

Membership development and fundraising expenses are immaterial and have been included in management and general expenses listed above.