

WISCONSIN LIBRARY SERVICES, INC.

FINANCIAL STATEMENTS

June 30, 2014

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statement of financial position of Wisconsin Library Services, Inc. as of June 30, 2014, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of WILS management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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Wegner CPAs, LLP
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WISCONSIN LIBRARY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2014

| | |
|---|----------------------------|
| ASSETS | |
| Cash | \$ 2,954,503 |
| Accounts receivable | 302,034 |
| Prepaid expenses | <u>353,815</u> |
| Total assets | <u>\$ 3,610,352</u> |
| LIABILITIES | |
| Accounts payable | \$ 366,245 |
| Deferred revenue | 628,867 |
| Member deposits | 1,108,955 |
| Accrued liabilities | <u>22,869</u> |
| Total liabilities | 2,126,936 |
| NET ASSETS | |
| Unrestricted | 1,380,706 |
| Temporarily restricted | <u>102,710</u> |
| Total net assets | <u>1,483,416</u> |
| Total liabilities and net assets | <u>\$ 3,610,352</u> |

See independent accountant's review report and accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2014

UNRESTRICTED NET ASSETS

SUPPORT AND REVENUE

| | |
|----------------------------|--------------|
| Co-op license program fees | \$ 7,104,873 |
| Annual membership fees | 76,056 |
| Other income | 203,000 |
| Interest income | 61,326 |
| | <hr/> |

Total unrestricted support and revenue 7,445,255

EXPENSES

| | |
|---------------------------------------|-----------|
| Coop expense | 6,830,954 |
| Personnel expense | 511,956 |
| Other projects and general operations | 129,201 |
| Travel | 21,374 |
| | <hr/> |

Total expenses 7,493,485

Net assets released from restrictions

50,856

Change in unrestricted net assets 2,626

TEMPORARILY RESTRICTED NET ASSETS

Net assets released from restrictions

(50,856)

Change in net assets (48,230)

Net assets - beginning of year

1,531,646

Net assets - end of year

\$ 1,483,416

See independent accountant's review report and accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENT OF CASH FLOWS
Year ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------------------|
| Change in net assets | \$ (48,230) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | |
| (Increase) decrease in assets | |
| Accounts receivable | 814,917 |
| Prepaid expenses | (121,530) |
| Increase (decrease) in liabilities | |
| Accounts payable | (962,782) |
| Deferred revenue | 625,097 |
| Member deposits | 20,570 |
| Accrued liabilities | 22,869 |
| | <hr/> |
| Net cash flows from operating activities | 350,911 |
| Cash - beginning of year | <hr/> 2,603,592 |
| Cash - end of year | <hr/> <hr/> \$ 2,954,503 |

See independent accountant's review report and accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.

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.

Expense Allocation

The costs of providing various programs and activities have been summarized on a functional basis in Note 4. 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.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. 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. WiLS's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, WiLS is no longer subject to such examinations for tax years before 2011.

Date of Management's Review

Management has evaluated subsequent events through February 2, 2015, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

WiLS maintains cash balances at two financial institutions located in Madison, Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation or the National Credit Union Association up to \$250,000. At June 30, 2014, WiLS' uninsured cash balances totaled \$2,134,952.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 – NET ASSETS

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

| | |
|---------------------------------------|---------------------|
| Transition and close of business fund | \$ 200,000 |
| New initiative fund | 295,997 |
| Undesignated | <u>884,709</u> |
| Unrestricted net assets | <u>\$ 1,380,706</u> |

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

NOTE 4 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the year ended June 30, 2014 are as follows:

| | |
|-----------------------------------|---------------------|
| Program services | |
| Coop services | \$ 7,011,138 |
| Consulting and project management | 249,482 |
| Recollection Wisconsin | 60,931 |
| Management and general | <u>171,934</u> |
| Total expenses | <u>\$ 7,493,485</u> |

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

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.