

WISCONSIN LIBRARY SERVICES, INC.

FINANCIAL STATEMENTS

June 30, 2016 and 2015

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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 financial statements of Wisconsin Library Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. 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'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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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 accordance with accounting principles generally accepted in the United States of America.

Report on 2015 Financial Statements

The 2015 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated January 11, 2016. We have not performed any auditing procedures since that date.

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November 30, 2016

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WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 (Reviewed) and 2015 (Audited)

	2016	2015
ASSETS		
Cash	\$ 2,480,168	\$ 2,140,194
Accounts receivable	255,664	184,501
Prepaid expenses	554,971	673,391
Promises to give	25,000	60,000
Investments	290,128	294,059
Total assets	\$ 3,605,931	\$ 3,352,145
LIABILITIES		
Accounts payable	\$ 368,488	\$ 327,369
Deferred revenue	606,171	514,767
Member deposits	1,052,289	953,295
Payroll taxes payable	18,707	-
Total liabilities	2,045,655	1,795,431
NET ASSETS		
Unrestricted	1,525,386	1,454,498
Temporarily restricted	34,890	102,216
Total net assets	1,560,276	1,556,714
Total liabilities and net assets	\$ 3,605,931	\$ 3,352,145

See accompanying notes and independent accountant's review report.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2016 (Reviewed) and 2015 (Audited)

	2016	2015
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Co-op license program fees	\$ 8,873,391	\$ 8,524,579
Annual membership fees	99,753	81,954
Contributions	-	25,000
Other income	390,171	357,822
Investment return	10,125	11,713
Total unrestricted support and revenue	9,373,440	9,001,068
EXPENSES		
Coop expense	8,591,943	8,201,998
Personnel expense	612,940	524,462
Other projects and general operations	141,026	242,364
Travel	23,969	18,946
Total expenses	9,369,878	8,987,770
Net assets released from restrictions	67,326	60,494
Change in unrestricted net assets	70,888	73,792
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	-	60,000
Net assets released from restrictions	(67,326)	(60,494)
Change in temporarily restricted net assets	(67,326)	(494)
Change in net assets	3,562	73,298
Net assets - beginning of year	1,556,714	1,483,416
Net assets - end of year	\$ 1,560,276	\$ 1,556,714

See accompanying notes and independent accountant's review report.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 (Reviewed) and 2015 (Audited)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,562	\$ 73,298
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Net realized and unrealized loss on investments	10,268	6,078
(Increase) decrease in assets		
Accounts receivable	(71,163)	117,533
Prepaid expenses	118,420	(319,576)
Promises to give	35,000	(60,000)
Increase (decrease) in liabilities		
Accounts payable	41,119	(38,876)
Deferred revenue	91,404	(114,100)
Member deposits	98,994	(155,660)
Payroll taxes payable	18,707	(22,869)
Net cash flows from operating activities	346,311	(514,172)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(6,337)	(300,137)
Net change in cash	339,974	(814,309)
Cash - beginning of year	2,140,194	2,954,503
Cash - end of year	<u>\$ 2,480,168</u>	<u>\$ 2,140,194</u>

See accompanying notes and independent accountant's review report.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 (Reviewed) and 2015 (Audited)

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 revenue 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, 2016 (Reviewed) and 2015 (Audited)

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, the Horticulture Library Consortium (HLC) that provides ebooks to horticultural organizations around the country, and the WISPALS Consortium that provides library catalog and other services to Technical College Libraries.

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 November 30, 2016, the date which the financial statements were available to be issued.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 (Reviewed) and 2015 (Audited)

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, 2016 and 2015, WiLS' uninsured cash balances totaled approximately \$2,242,000 and \$2,008,000.

NOTE 3 – PROMISES TO GIVE

Promises to give at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 25,000	\$ 35,000
Receivable in one to five years	-	25,000
	<u> </u>	<u> </u>
Promises to give	<u>\$ 25,000</u>	<u>\$ 60,000</u>

NOTE 4 – INVESTMENTS

Investments at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 3,547	\$ 3,121
Mutual funds	286,581	290,938
	<u> </u>	<u> </u>
Investments	<u>\$ 290,128</u>	<u>\$ 294,059</u>

Investment return for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 20,393	\$ 17,791
Net realized and unrealized loss	(10,268)	(6,078)
	<u> </u>	<u> </u>
Investment return	<u>\$ 10,125</u>	<u>\$ 11,713</u>

NOTE 5 – RELATED PARTY TRANSACTIONS

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

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 (Reviewed) and 2015 (Audited)

NOTE 6 – NET ASSETS

The Board as of June 30, 2016 and 2015 has chosen to place the following limitations on unrestricted net assets:

	2016	2015
Transition and close of business fund	\$ 200,000	\$ 200,000
New initiative fund	295,997	295,997
Undesignated	1,029,389	958,501
Unrestricted net assets	\$ 1,525,386	\$ 1,454,498

WiLS' temporarily restricted net assets at June 30, 2016 and 2015 were available for the Recollection Wisconsin project.

NOTE 7 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2016 and 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	\$ 3,547	\$ 3,547	\$ -	\$ -
Mutual funds	286,581	286,581	-	-
Investments - 2016	\$ 290,128	\$ 290,128	\$ -	\$ -
Money market funds	\$ 3,121	\$ 3,121	\$ -	\$ -
Mutual funds	290,938	290,938	-	-
Investments - 2015	\$ 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, 2016 (Reviewed) and 2015 (Audited)

NOTE 8 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the years ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Program services		
Coop services	\$ 8,456,966	\$ 8,391,796
Consulting and project management	677,881	365,015
Recollection Wisconsin	84,612	82,171
Management and general	<u>150,419</u>	<u>148,788</u>
Total expenses	<u>\$ 9,369,878</u>	<u>\$ 8,987,770</u>

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