

WISCONSIN LIBRARY SERVICES, INC.

FINANCIAL STATEMENTS

June 30, 2018 and 2017

CONTENTS

Independent Accountant's Review Report.....	1
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Cash Flows	4
Notes to Financial Statements	5



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, 2018, 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 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 2018 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2017 Financial Statements

The 2017 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated January 26, 2018. We have not performed any auditing procedures since that date.

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December 21, 2018

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WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 (Reviewed) and 2017 (Audited)

	2018	2017
ASSETS		
Cash	\$ 2,383,817	\$ 2,755,640
Accounts receivable	224,780	299,433
Prepaid expenses	681,469	267,238
Investments	351,273	326,542
Total assets	\$ 3,641,339	\$ 3,648,853
LIABILITIES		
Accounts payable	\$ 380,804	\$ 291,663
Deferred revenue	656,954	698,549
Member deposits	865,082	965,105
Payroll taxes payable	20,201	4,003
Total liabilities	1,923,041	1,959,320
NET ASSETS		
Unrestricted	1,717,733	1,667,702
Temporarily restricted	565	21,831
Total net assets	1,718,298	1,689,533
Total liabilities and net assets	\$ 3,641,339	\$ 3,648,853

See accompanying notes and independent accountant's review report.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2018 (Reviewed) and 2017 (Audited)

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Co-op license program fees	\$ 9,188,277	\$ 9,192,620
Annual membership fees	83,312	82,922
Recollection Wisconsin fees and contributions	76,423	83,401
Other income	557,944	530,966
Investment return	36,231	47,782
	<u>9,942,187</u>	<u>9,937,691</u>
EXPENSES		
Co-op expense	8,895,908	8,861,524
Personnel expense	821,526	764,595
Other projects and general operations	162,562	149,479
Travel	33,426	24,081
Bad debt expense	-	8,755
	<u>9,913,422</u>	<u>9,808,434</u>
Net assets released from restrictions	<u>21,266</u>	<u>13,059</u>
Change in unrestricted net assets	50,031	142,316
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restrictions	<u>(21,266)</u>	<u>(13,059)</u>
Change in net assets	28,765	129,257
Net assets - beginning of year	<u>1,689,533</u>	<u>1,560,276</u>
Net assets - end of year	<u><u>\$ 1,718,298</u></u>	<u><u>\$ 1,689,533</u></u>

See accompanying notes and independent accountant's review report.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 (Reviewed) and 2017 (Audited)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 28,765	\$ 129,257
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Bad debt expense	-	8,755
Net realized and unrealized gain on investments	(19,019)	(33,195)
(Increase) decrease in assets		
Accounts receivable	74,653	(52,524)
Prepaid expenses	(414,231)	287,733
Promises to give	-	25,000
Increase (decrease) in liabilities		
Accounts payable	89,141	(76,825)
Deferred revenue	(41,595)	92,378
Member deposits	(100,023)	(87,184)
Payroll taxes payable	16,198	(14,704)
Net cash flows from operating activities	(366,111)	278,691
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends retained in investments	(5,712)	(3,219)
Net change in cash	(371,823)	275,472
Cash - beginning of year	2,755,640	2,480,168
Cash - end of year	<u>\$ 2,383,817</u>	<u>\$ 2,755,640</u>

See accompanying notes and independent accountant's review report.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 (Reviewed) and 2017 (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 reports 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.

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.

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 support 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.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 (Reviewed) and 2017 (Audited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of providing various programs and activities have been summarized on a functional basis in Note 7. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following describes the program services:

Co-op 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. In addition, WiLS acts as project manager for a number of consortia including three ebook consortia (the Wisconsin Public Library Consortium, the Horticulture Library Consortium, and the Wisconsin Schools Digital Library Consortium) and the WISPALS Consortium, which 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 revenues 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 December 21, 2018, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

WiLS maintains cash balances at 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 other institutions located in Ohio and Illinois, which are uninsured. At June 30, 2018 and 2017, WiLS' uninsured cash balances totaled approximately \$1,926,000 and \$2,532,000.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 (Reviewed) and 2017 (Audited)

NOTE 3 – INVESTMENTS

Investments at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Money market account	\$ 6,101	\$ 8,914
Mutual funds	<u>345,172</u>	<u>317,628</u>
Investments	<u>\$ 351,273</u>	<u>\$ 326,542</u>

Investment return for the years ended June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 17,212	\$ 14,587
Net realized and unrealized gain	<u>19,019</u>	<u>33,195</u>
Investment return	<u>\$ 36,231</u>	<u>\$ 47,782</u>

NOTE 4 – NET ASSETS

The Board as of June 30, 2018 and 2017 has chosen to place the following limitations on unrestricted net assets:

	<u>2018</u>	<u>2017</u>
Transition and close of business fund	\$ 200,000	\$ 200,000
New initiative fund	295,997	295,997
Undesignated	<u>1,221,736</u>	<u>1,171,705</u>
Unrestricted net assets	<u>\$ 1,717,733</u>	<u>\$ 1,667,702</u>

WiLS' temporarily restricted net assets at June 30, 2018 and 2017 were available for the Recollection Wisconsin project.

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, 2018 (Reviewed) and 2017 (Audited)

NOTE 6 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 were as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	
	2018	2017
Mutual funds	\$ 345,172	\$ 317,628

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

NOTE 7 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Program services		
Co-op services	\$ 8,870,991	\$ 8,838,785
Consulting and project management	797,243	710,332
Recollection Wisconsin	97,690	96,460
Management and general	147,498	162,857
Total expenses	\$ 9,913,422	\$ 9,808,434

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