

**WISCONSIN LIBRARY SERVICES, INC.**

FINANCIAL STATEMENTS

June 30, 2019 and 2018

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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, 2019, and the related statements of activities, functional expenses, 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, 2019, 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.

**Prior Period Financial Statements**

The 2018 financial statements were reviewed by us, and our report thereon, dated December 21, 2018, 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.

**Adoption of New Accounting Pronouncement**

As discussed in Note 1 to the financial statements, Wisconsin Library Services, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
January 2, 2020

**WISCONSIN LIBRARY SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2019 (Audited) and 2018 (Reviewed)

	2019	2018
<b>ASSETS</b>		
Cash	\$ 2,374,131	\$ 2,383,817
Accounts receivable	356,297	224,780
Prepaid expenses	452,520	681,469
Investments	369,169	351,273
<b>Total assets</b>	<b>\$ 3,552,117</b>	<b>\$ 3,641,339</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 368,023	\$ 380,804
Deferred revenue	414,004	656,954
Member deposits	973,283	865,082
Payroll taxes payable	22,004	20,201
Total liabilities	1,777,314	1,923,041
<b>NET ASSETS</b>		
Without donor restrictions	1,774,803	1,718,298
<b>Total liabilities and net assets</b>	<b>\$ 3,552,117</b>	<b>\$ 3,641,339</b>

See accompanying notes.

**WISCONSIN LIBRARY SERVICES, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

	<u>2019</u>	<u>2018</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUES</b>		
Co-op license program fees	\$ 9,151,332	\$ 9,188,277
Annual membership fees	85,570	83,312
Other income	813,146	557,944
Investment return, net	<u>32,924</u>	<u>36,231</u>
 Total revenues	 10,082,972	 9,865,764
<b>EXPENSES</b>		
Program services		
Co-op services	8,902,586	8,870,991
Consulting and project management	953,510	818,510
Management and general	<u>170,371</u>	<u>147,498</u>
 Total expenses	 <u>10,026,467</u>	 <u>9,836,999</u>
 <b>Change in net assets</b>	 56,505	 28,765
 Net assets at beginning of year	 <u>1,718,298</u>	 <u>1,689,533</u>
 <b>Net assets at end of year</b>	 <u><u>\$ 1,774,803</u></u>	 <u><u>\$ 1,718,298</u></u>

See accompanying notes.

**WISCONSIN LIBRARY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2019 (Audited)

	<u>Program Services</u>		<u>Supporting Activities</u>	<u>Total Expenses</u>
	<u>Co-op Services</u>	<u>Consulting and Project Management</u>	<u>Management and General</u>	
Database and other outside services	\$ 8,902,586	\$ -	\$ -	\$ 8,902,586
Personnel	-	859,532	63,296	922,828
Other projects and general operations	-	78,188	79,574	157,762
Bad debt expense	-	-	22,462	22,462
Travel	-	15,790	5,039	20,829
<b>Total expenses</b>	<b><u>\$ 8,902,586</u></b>	<b><u>\$ 953,510</u></b>	<b><u>\$ 170,371</u></b>	<b><u>\$ 10,026,467</u></b>

See accompanying notes.

**WISCONSIN LIBRARY SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 56,505	\$ 28,765
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Bad debt expense	22,462	-
Net realized and unrealized gain on investments	(14,181)	(19,019)
(Increase) decrease in assets		
Accounts receivable	(153,979)	74,653
Prepaid expenses	228,949	(414,231)
Increase (decrease) in liabilities		
Accounts payable	(12,781)	89,141
Deferred revenue	(242,950)	(41,595)
Member deposits	108,201	(100,023)
Payroll taxes payable	1,803	16,198
	<u>(5,971)</u>	<u>(366,111)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends retained in investments	<u>(3,715)</u>	<u>(5,712)</u>
<b>Net change in cash</b>	(9,686)	(371,823)
Cash at beginning of year	<u>2,383,817</u>	<u>2,755,640</u>
<b>Cash at end of year</b>	<u><u>\$ 2,374,131</u></u>	<u><u>\$ 2,383,817</u></u>

See accompanying notes.



**WISCONSIN LIBRARY SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 (Audited) and 2018 (Reviewed)

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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**

**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 investment return, along with interest, dividends, and investment fees, 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.

**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.

**Adoption of New Accounting Pronouncement**

WiLS adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. WiLS has adjusted the presentation of these financial statements accordingly. The update has been applied retrospectively to all periods presented.

**WISCONSIN LIBRARY SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 (Audited) and 2018 (Reviewed)

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Expense Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and travel, which are allocated on the basis of estimates of time and effort.

The following describes the program services and supporting activities that are included in the accompanying financial statements:

*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.

*Management and general*—Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of WiLS' program strategy; secure proper administrative functioning of the board of directors; and maintain and manage the financial and budgetary responsibilities of WiLS.

**Date of Management's Review**

Management has evaluated subsequent events through January 2, 2020, the date which the financial statements were available to be issued.

**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 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, 2019 and 2018, WiLS' uninsured cash balances totaled approximately \$2,030,000 and \$1,926,000.

**WISCONSIN LIBRARY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 (Audited) and 2018 (Reviewed)

**NOTE 3 – INVESTMENTS**

Investments at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Money market account	\$ 6,669	\$ 6,101
Mutual funds	362,500	345,172
Investments	\$ 369,169	\$ 351,273

**NOTE 4 – NET ASSETS**

As of June 30, 2019 and 2018, the Board of Directors has chosen to place the following limitations on net assets without donor restrictions:

	2019	2018
Transition and close of business fund	\$ 200,000	\$ 200,000
New initiative fund	295,997	295,997
Undesignated	1,278,806	1,222,301
Net assets without donor restrictions	\$ 1,774,803	\$ 1,718,298

**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.

**NOTE 6 – FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at June 30, 2019 and 2018 were as follows:

	Assets at Fair Value			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - 2019	\$ 362,500	\$ 362,500	\$ -	\$ -
Mutual funds - 2018	\$ 345,172	\$ 345,172	\$ -	\$ -

**WISCONSIN LIBRARY SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 (Audited) and 2018 (Reviewed)

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NOTE 6 – FAIR VALUE MEASUREMENTS (continued)

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

NOTE 7 – LIQUIDITY AND AVAILABILITY

The following represents WiLS' financial assets as of the date of the statement of financial position, reduced by amounts not available for general expenditures within one year because of contractual or donor-imposed restrictions or board designations. General expenditures are defined as all budgeted programmatic and operational expenses for fiscal year 2020.

Cash	\$ 2,374,131
Accounts receivable	356,297
Investments	<u>369,169</u>
Financial assets, at year-end	3,099,597
Less those unavailable for general expenditures within one year, due to:	
Board designations	
Transition and close of business fund	(200,000)
New initiative fund	<u>(295,997)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,603,600</u>

As part of WiLS' liquidity management, it has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations that come due.