

**WISCONSIN LIBRARY SERVICES, INC.**

FINANCIAL STATEMENTS

June 30, 2020 and 2019

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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., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, 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 company 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 2020 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

### ***Report on 2019 Financial Statements***

The 2019 financial statements were audited by us, and we expressed an unmodified opinion on them in our report, dated January 2, 2020. We have not performed any auditing procedures since that date.

**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. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs, as of July 1, 2019. Our opinion is not modified with respect to this matter.



Wegner CPAs, LLP  
Madison, Wisconsin  
January 8, 2021

**WISCONSIN LIBRARY SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2020 (Reviewed) and 2019 (Audited)

	2020	2019
<b>ASSETS</b>		
Cash	\$ 2,092,977	\$ 2,374,131
Accounts receivable	523,056	356,297
Prepaid expenses	702,374	452,520
Investments	382,197	369,169
<b>Total assets</b>	<b>\$ 3,700,604</b>	<b>\$ 3,552,117</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 119,639	\$ 368,023
Deferred revenue	508,556	414,004
Member deposits	1,212,272	973,283
Payroll taxes payable	-	22,004
<b>Total liabilities</b>	<b>1,840,467</b>	<b>1,777,314</b>
<b>NET ASSETS</b>		
Without donor restrictions	1,860,137	1,774,803
<b>Total liabilities and net assets</b>	<b>\$ 3,700,604</b>	<b>\$ 3,552,117</b>

See accompanying notes and independent accountant's review report.

**WISCONSIN LIBRARY SERVICES, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

	<u>2020</u>	<u>2019</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUES</b>		
Co-op license program fees	\$ 8,651,892	\$ 9,151,332
Annual membership fees	85,968	85,570
Consulting and project management	377,800	394,844
Consortial management	319,952	297,554
Other income	177,095	120,748
Investment return, net	13,951	32,924
	<u>9,626,658</u>	<u>10,082,972</u>
<b>EXPENSES</b>		
Program services		
Co-op services	8,354,403	8,902,586
Consulting and project management	984,971	953,510
Management and general	201,950	170,371
	<u>9,541,324</u>	<u>10,026,467</u>
<b>Change in net assets</b>	85,334	56,505
Net assets at beginning of year	<u>1,774,803</u>	<u>1,718,298</u>
<b>Net assets at end of year</b>	<u><u>\$ 1,860,137</u></u>	<u><u>\$ 1,774,803</u></u>

See accompanying notes and independent accountant's review report.

**WISCONSIN LIBRARY SERVICES, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

	<u>Program Services</u>		<u>Supporting Activities</u>	<u>Total Expenses Year Ended June 30, 2020</u>
	<u>Co-op Services</u>	<u>Consulting and Project Management</u>	<u>Management and General</u>	
Database and other outside services	\$ 8,354,403	\$ -	\$ -	\$ 8,354,403
Personnel	-	907,157	71,114	978,271
Office expenses	-	68,173	127,730	195,903
Travel	-	9,641	3,106	12,747
<b>Total expenses</b>	<b><u>\$ 8,354,403</u></b>	<b><u>\$ 984,971</u></b>	<b><u>\$ 201,950</u></b>	<b><u>\$ 9,541,324</u></b>
	<u>Program Services</u>		<u>Supporting Activities</u>	<u>Total Expenses Year Ended June 30, 2019</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
Office expenses	-	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 and independent accountant's review report.

**WISCONSIN LIBRARY SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 85,334	\$ 56,505
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	(8,433)	(14,181)
(Increase) decrease in assets		
Accounts receivable	(166,759)	(153,979)
Prepaid expenses	(249,854)	228,949
Increase (decrease) in liabilities		
Accounts payable	(248,384)	(12,781)
Deferred revenue	94,552	(242,950)
Member deposits	238,989	108,201
Payroll taxes payable	(22,004)	1,803
Net cash flows from operating activities	<u>(276,559)</u>	<u>(5,971)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends retained in investments	<u>(4,595)</u>	<u>(3,715)</u>
<b>Net change in cash</b>	(281,154)	(9,686)
Cash at beginning of year	<u>2,374,131</u>	<u>2,383,817</u>
<b>Cash at end of year</b>	<u><u>\$ 2,092,977</u></u>	<u><u>\$ 2,374,131</u></u>

See accompanying notes and independent accountant's review report.



**WISCONSIN LIBRARY SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 (Reviewed) and 2019 (Audited)

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

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.

**Accounts Receivable**

Accounts receivable consist of amounts due from annual membership fees, co-op license program fees, consulting and project management fees, and consortial management fees. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of June 30, 2020 and 2019, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

**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.

**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.

**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**

WiLS revenue consists of Co-op license program fees, annual membership fees, consulting and project management fees, and consortial management fees.

Co-op license program fees are generally considered to be a single performance obligation that is satisfied at a point in time. Revenue is recognized when Co-op licenses are purchased and members receive access to that license or subscription. Co-op license program fees are generally billed to members at the time licenses and subscriptions are purchased by WiLS, when that performance obligation is considered satisfied. Occasionally, members pay for licenses and subscriptions before WiLS purchases or gains access to such licenses and subscriptions. Such payments are considered deferred revenue. Purchases of licenses and subscriptions billed, but not yet received are considered accounts receivable. Co-op license program fees are nonrefundable.

**WISCONSIN LIBRARY SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 (Reviewed) and 2019 (Audited)

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Revenue Recognition (continued)**

Membership dues are assessed annually and run concurrent to WiLS' fiscal year. Purchasing discounts, access to various events and programming, periodical communications, networking and community services, and other similar services are provided by WiLS throughout the membership period. Due to the irregular frequency and nature of benefits received, income from membership dues is deferred and recognized ratably over the course of the membership period, generally on a monthly basis. WiLS bills members annually in June for the upcoming membership year. Annual membership fees are generally received in July at the beginning of the applicable membership period and are deferred and recognized as revenue over the course of the membership period. Members billed but not received are considered accounts receivable. Annual membership fees are nonrefundable.

WiLS receives payment for the consulting and project management fees at agreed upon times throughout the period in which the consulting and project management services are provided. Due to the consulting and project management services being provided over a period of time, income from consulting and project management fees is deferred and recognized ratably over the contract period in which the services are provided. Consulting and project management fees provided but not received are considered accounts receivable. Consulting and project management fees are nonrefundable.

Consortial management contracts generally run over a period of time concurrent to WiLS fiscal year. WiLS receives payment for the management fees at agreed upon times throughout the period in which the management fees are provided. Due to the services being provided over a period of time, income from consortial management is deferred and recognized ratably over the contract period in which the services are provided. Management fees provided but not received are considered accounts receivable. Management fees are nonrefundable.

**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.

*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.

**WISCONSIN LIBRARY SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 (Reviewed) and 2019 (Audited)

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Expense Allocation (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. 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.

**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 Guidance**

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

WiLS adopted the requirements of the new guidance as of July 1, 2019, using the modified retrospective method of transition. In applying the new guidance, WiLS elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019.

Most of WiLS' revenue from contracts with customers, Co-op license program fees, is recognized at a point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of WiLS' contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of the new guidance did not have a significant impact on WiLS' financial statements. The majority of WiLS' revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on WiLS' evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

**WISCONSIN LIBRARY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 (Reviewed) and 2019 (Audited)

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Date of Management’s Review**

Management has evaluated subsequent events through January 8, 2021, the date which the financial statements were available to be issued. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on WiLS’ financial position, results of operations, and cash flows. Possible effects may include, but are not limited to, disruption to WiLS’ customers and revenue, unavailability of products and supplies used in operations, and a decline in value of WiLS’ assets.

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, 2020 and 2019, WiLS’ uninsured cash balances totaled approximately \$2,030,000 and \$1,926,000.

NOTE 3 – INVESTMENTS

Investments at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Money market account	\$ 3,575	\$ 6,669
Mutual funds	<u>378,622</u>	<u>362,500</u>
Investments	<u>\$ 382,197</u>	<u>\$ 369,169</u>

NOTE 4 – NET ASSETS

As of June 30, 2020 and 2019, the Board of Directors has chosen to place the following limitations on net assets without donor restrictions:

	<u>2020</u>	<u>2019</u>
Transition and close of business fund	\$ 400,000	\$ 200,000
New initiative fund	295,997	295,997
Undesignated	<u>1,164,140</u>	<u>1,278,806</u>
Net assets without donor restrictions	<u>\$ 1,860,137</u>	<u>\$ 1,774,803</u>

**WISCONSIN LIBRARY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 (Reviewed) and 2019 (Audited)

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**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, 2020 and 2019 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 - 2020	\$ 378,622	\$ 378,622	\$ -	\$ -
Mutual funds - 2019	\$ 362,500	\$ 362,500	\$ -	\$ -

Fair values for 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, 2020 (Reviewed) and 2019 (Audited)

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NOTE 7 – LIQUIDITY AND AVAILABILITY

The following represents WiLS' financial assets as of the date of the statements 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 the fiscal years ended June 30, 2020 and 2019.

	2020	2019
Cash	\$ 2,092,977	\$ 2,374,131
Accounts receivable	523,056	356,297
Investments	382,197	369,169
Financial assets, at year-end	2,998,230	3,099,597
Less those unavailable for general expenditures within one year, due to:		
Board designations		
Transition and close of business fund	(400,000)	(200,000)
New initiative fund	(295,997)	(295,997)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,302,233	\$ 2,603,600

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.