

WISCONSIN LIBRARY SERVICES, INC.

FINANCIAL STATEMENTS

June 30, 2021 and 2020

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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, 2021, 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, 2021, 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 2020 financial statements were reviewed by us, and our report thereon, dated January 8, 2021, 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

Emphasis of Matter

As described in Note 5 to the financial statements, certain errors resulting in an overstatement of previously reported member deposits were discovered by management during the current year. Accordingly, adjustments have been made to correct those errors. Our opinion is not modified with respect to this matter.

Wegner CPAs, LLP
Madison, Wisconsin
February 25, 2022

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 (Audited) and 2020 (Reviewed)

	2021	2020
ASSETS		
Cash	\$ 865,217	\$ 2,092,977
Accounts receivable	563,312	523,056
Prepaid expenses	1,228,574	702,374
Investments	742,240	382,197
Total assets	\$ 3,399,343	\$ 3,700,604
LIABILITIES		
Accounts payable	\$ 116,882	\$ 119,639
Deferred revenue	452,165	508,556
Member deposits	361,585	365,474
Total liabilities	930,632	993,669
NET ASSETS		
Without donor restrictions	2,468,711	2,706,935
Total liabilities and net assets	\$ 3,399,343	\$ 3,700,604

See accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2021 (Audited) and 2020 (Reviewed)

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Co-op license program fees	\$ 9,570,232	\$ 10,158,587
Annual membership fees	186,379	182,793
Consulting and project management	398,658	514,300
Consortial management	316,548	319,952
Other income	192,322	178,495
Investment return, net	105,668	13,951
Total revenues	10,769,807	11,368,078
SUPPORT		
Grants and contributions	138,012	24,825
Total revenues and support	10,907,819	11,392,903
EXPENSES		
Program services		
Co-op services	9,693,264	9,843,150
Consulting and project management	1,054,483	946,901
Management and general	398,296	388,930
Total expenses	11,146,043	11,178,981
Change in net assets	(238,224)	213,922
Net assets at beginning of year, as restated	2,706,935	2,493,013
Net assets at end of year	\$ 2,468,711	\$ 2,706,935

See accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2021 (Audited) and 2020 (Reviewed)

	Program Services		Supporting Activities	Total Expenses
	Co-op Services	Consulting and Project Management	Management and General	Year Ended June 30, 2021
Database and other outside services	\$ 9,583,894	\$ 88,724	\$ -	\$ 9,672,618
Personnel	109,370	896,636	87,689	1,093,695
Office expenses	-	57,371	309,909	367,280
Bad debt expense	-	61	-	61
Travel	-	11,691	698	12,389
Total expenses	\$ 9,693,264	\$ 1,054,483	\$ 398,296	\$ 11,146,043

	Program Services		Supporting Activities	Total Expenses
	Co-op Services	Consulting and Project Management	Management and General	Year Ended June 30, 2020
Database and other outside services	\$ 9,745,323	\$ 49,757	\$ -	\$ 9,795,080
Personnel	97,827	809,330	71,114	978,271
Office expenses	-	78,173	314,710	392,883
Travel	-	9,641	3,106	12,747
Total expenses	\$ 9,843,150	\$ 946,901	\$ 388,930	\$ 11,178,981

See accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 (Audited) and 2020 (Reviewed)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (238,224)	\$ 213,922
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Bad debt expense	61	-
Net realized and unrealized gain on investments	(104,238)	(8,433)
(Increase) decrease in assets		
Accounts receivable	(40,317)	(166,759)
Prepaid expenses	(526,200)	(249,854)
Increase (decrease) in liabilities		
Accounts payable	(2,757)	(248,384)
Deferred revenue	(56,391)	94,552
Member deposits	(3,889)	110,401
Payroll taxes payable	-	(22,004)
	<u>(971,955)</u>	<u>(276,559)</u>
Net cash flows from operating activities	(971,955)	(276,559)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of and interest and dividends retained in investments	<u>(255,805)</u>	<u>(4,595)</u>
Net change in cash	(1,227,760)	(281,154)
Cash at beginning of year	<u>2,092,977</u>	<u>2,374,131</u>
Cash at end of year	<u><u>\$ 865,217</u></u>	<u><u>\$ 2,092,977</u></u>

See accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 (Audited) and 2020 (Reviewed)

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, 2021 and 2020, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

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

Investments at June 30, 2021 and 2020 consist of mutual funds, which are valued at the quoted net asset values of the shares as reported by the fund. The mutual funds held by WiLS are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The mutual funds held by WiLS are considered to be actively traded. 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, 2021 (Audited) and 2020 (Reviewed)

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, 2021 (Audited) and 2020 (Reviewed)

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.

Grants and Contributions

Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Member Deposits

WiLS acts as a fiscal agent for various members and consortia of its constituents. The revenue and expense related to these relationships is not included in the statements of activities. Amounts received and held for others are included as member deposits on the statements of financial position.

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.

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 February 25, 2022, the date which the financial statements were available to be issued.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 (Audited) and 2020 (Reviewed)

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, 2021 and 2020, WiLS' uninsured cash balances totaled approximately \$840,000 and \$2,030,000.

NOTE 3 – NET ASSETS

As of June 30, 2021 and 2020, the Board of Directors has chosen to place the following limitations on net assets without donor restrictions:

	<u>2021</u>	<u>2020</u>
Transition and close of business fund	\$ 400,000	\$ 400,000
New initiative fund	295,997	295,997
Recollection WI Consortium	2,699	38,157
Wisconsin Public Library Consortium	578,747	808,641
Undesignated	<u>1,191,268</u>	<u>1,164,140</u>
Net assets without donor restrictions	<u><u>\$ 2,468,711</u></u>	<u><u>\$ 2,706,935</u></u>

NOTE 4 – 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 5 – CORRECTION OF ERRORS

Certain errors resulting in overstatements of previously reported member deposits were discovered during the year ended June 30, 2021. Accordingly, the following adjustments were made as of June 30, 2019:

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Member deposits	\$ 973,283	\$ (718,210)	\$ 255,073

A corresponding entry was made to increase previously reported net assets without donor restrictions as of June 30, 2019 by \$718,210.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 (Audited) and 2020 (Reviewed)

NOTE 6 – LIQUIDITY AND AVAILABILITY

The following represents WiLS' financial assets as of the dates 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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Cash	\$ 865,217	\$ 2,092,977
Accounts receivable	563,312	523,056
Investments	<u>742,240</u>	<u>382,197</u>
Financial assets at year-end	2,170,769	2,998,230
Less those unavailable for general expenditures within one year due to:		
Board designations		
Transition and close of business fund	(400,000)	(400,000)
New initiative fund	(295,997)	(295,997)
Recollection WI Consortium	(2,699)	(38,157)
Wisconsin Public Library Consortium	<u>(578,747)</u>	<u>(808,641)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 893,326</u>	<u>\$ 1,455,435</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.