

WISCONSIN LIBRARY SERVICES, INC.

FINANCIAL STATEMENTS

June 30, 2023 and 2022

CONTENTS

Independent Auditor's Report	1
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wisconsin Library Services, Inc.
Madison, Wisconsin

Opinion

We have audited the accompanying financial statements of Wisconsin Library Services, Inc., which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wisconsin Library Services, Inc. as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wisconsin Library Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The 2022 financial statements were reviewed by us, and our report thereon, dated March 7, 2023, stated we were not aware of any material modifications that should be made to those financial statements for them to be in accordance 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 as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wisconsin Library Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Wisconsin Library Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wisconsin Library Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Wegner CPAs, LLP
Madison, Wisconsin
March 20, 2024

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 (Audited) and 2022 (Reviewed)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 1,092,568	\$ 2,207,465
Accounts receivable	458,703	227,804
Prepaid expenses	846,148	615,638
Investments	<u>941,294</u>	<u>641,403</u>
Total assets	<u><u>\$ 3,338,713</u></u>	<u><u>\$ 3,692,310</u></u>
LIABILITIES		
Accounts payable	\$ 219,007	\$ 343,868
Deferred revenue	553,365	584,453
Member deposits	<u>286,973</u>	<u>336,232</u>
Total liabilities	1,059,345	1,264,553
NET ASSETS		
Without donor restrictions	<u>2,279,368</u>	<u>2,427,757</u>
Total liabilities and net assets	<u><u>\$ 3,338,713</u></u>	<u><u>\$ 3,692,310</u></u>

See accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 (Audited) and 2022 (Reviewed)

	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Co-op license program fees	\$ 9,990,843	\$ 10,332,853
Annual membership fees	182,538	183,086
Consulting and project management	380,483	442,607
Consortial management	314,597	378,486
Other income	62,840	184,763
Investment return, net	69,269	(100,791)
Total revenues	11,000,570	11,421,004
SUPPORT		
Grants and contributions	109,648	180,065
Total revenues and support	11,110,218	11,601,069
EXPENSES		
Program services		
Co-op services	9,728,738	10,111,305
Consulting and project management	1,127,114	1,122,339
Management and general	402,755	408,379
Total expenses	11,258,607	11,642,023
Change in net assets	(148,389)	(40,954)
Net assets at beginning of year	2,427,757	2,468,711
Net assets at end of year	<u>\$ 2,279,368</u>	<u>\$ 2,427,757</u>

See accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2023 (Audited) and 2022 (Reviewed)

	Program Services		Supporting Activities	Total Expenses
	Co-op Services	Consulting and Project Management	Management and General	Year Ended June 30, 2023
Database and other outside services	\$ 9,639,336	\$ 76,038	\$ -	\$ 9,715,374
Personnel	86,904	967,682	90,163	1,144,749
Office expenses	1,348	67,491	306,110	374,949
Travel	1,150	15,903	6,482	23,535
Total expenses	\$ 9,728,738	\$ 1,127,114	\$ 402,755	\$ 11,258,607

	Program Services		Supporting Activities	Total Expenses
	Co-op Services	Consulting and Project Management	Management and General	Year Ended June 30, 2022
Database and other outside services	\$ 9,997,148	\$ 79,027	\$ -	\$ 10,076,175
Personnel	114,157	937,944	89,474	1,141,575
Office expenses	-	95,280	313,656	408,936
Travel	-	10,088	5,249	15,337
Total expenses	\$ 10,111,305	\$ 1,122,339	\$ 408,379	\$ 11,642,023

See accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 (Audited) and 2022 (Reviewed)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (148,389)	\$ (40,954)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Net realized and unrealized (gain) loss on investments	(35,357)	107,342
(Increase) decrease in assets		
Accounts receivable	(230,899)	335,508
Prepaid expenses	(230,510)	612,936
Increase (decrease) in liabilities		
Accounts payable	(124,861)	226,986
Deferred revenue	(31,088)	132,288
Member deposits	(49,259)	(25,353)
Net cash flows from operating activities	(850,363)	1,348,753
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments and reinvested income	(264,534)	(6,505)
Net change in cash	(1,114,897)	1,342,248
Cash at beginning of year	2,207,465	865,217
Cash at end of year	<u>\$ 1,092,568</u>	<u>\$ 2,207,465</u>

See accompanying notes.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 (Audited) and 2022 (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, 2023 and 2022, management has determined that all amounts are fully collectible and no allowance for doubtful accounts is necessary. The allowance estimate is derived from a review of WiLS' historical losses based on the aging of receivables and is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by WiLS.

Investments

WiLS reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Revenue Recognition

WiLS revenue consists primarily 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, 2023 (Audited) and 2022 (Reviewed)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Membership fees 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. Member fees 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.

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.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 (Audited) and 2022 (Reviewed)

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.

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 March 20, 2024, the date which the financial statements were available to be issued.

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.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 (Audited) and 2022 (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, which are uninsured. At June 30, 2023 and 2022, WiLS' uninsured cash balances totaled approximately \$66,000 and \$2,037,000.

NOTE 3 – 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, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,092,568	\$ 2,207,465
Accounts receivable	458,703	227,804
Investments	<u>941,294</u>	<u>641,403</u>
Financial assets at year-end	2,492,565	3,076,672
Less those unavailable for general expenditures within one year due to:		
Board designations		
Transition and close of business fund	(400,000)	(400,000)
New initiatives fund	(270,997)	(295,997)
Ideas to action fund	(50,000)	(25,000)
Recollection WI Consortium	(1,876)	(6,945)
Wisconsin Public Library Consortium	<u>(524,228)</u>	<u>(665,001)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,245,464</u>	<u>\$ 1,683,729</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.

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 and transact with WiLS in the normal course of business.

WISCONSIN LIBRARY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 (Audited) and 2022 (Reviewed)

NOTE 5 – NET ASSETS

As of June 30, 2023 and 2022, the Board of Directors has chosen to place the following limitations on net assets without donor restrictions:

	<u>2023</u>	<u>2022</u>
Transition and close of business fund	\$ 400,000	\$ 400,000
New initiatives fund	270,997	295,997
Ideas to action fund	50,000	25,000
Recollection WI Consortium	1,876	6,945
Wisconsin Public Library Consortium	524,228	665,001
Undesignated	<u>1,082,267</u>	<u>1,059,814</u>
Net assets without donor restrictions	<u><u>\$ 2,279,368</u></u>	<u><u>\$ 2,427,757</u></u>

NOTE 6 – INVESTMENTS

Investments are comprised of the following:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 26,867	\$ 29,126
Certificate of deposit	245,941	-
Mutual funds	<u>668,486</u>	<u>612,277</u>
Investments	<u><u>\$ 941,294</u></u>	<u><u>\$ 641,403</u></u>

Fair values of mutual funds are determined based on quoted net asset values of the shares as reported by the fund, which are Level 1 fair value measurements. 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. Certificates of deposit are valued using quoted prices for similar assets in active markets, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data, which are Level 2 fair value measurements.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position. WiLS will continue to monitor its investments as it has successfully done in the past and has no immediate plans to change its investment portfolio.