



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENAE M. CLEVINGER, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

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JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

VALLEY LIBRARY CONSORTIUM, INC.
SAGINAW, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2010

1600 CENTER AVENUE
POST OFFICE BOX 775
BAY CITY, MI 48707-0775
989-893-5577
800-624-2400
FAX 989-895-5842
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,
GLADWIN AND WEST BRANCH

RSM McGladrey Network

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INDEX

	<u>PAGE</u>
ACCOUNTANTS' REVIEW REPORT	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES	3
STATEMENT OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5-7



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August 13, 2010

Board of Directors
Valley Library Consortium, Inc.
Saginaw, Michigan

We have reviewed the accompanying statement of financial position of Valley Library Consortium, Inc. as of June 30, 2010 and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Valley Library Consortium, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

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VALLEY LIBRARY CONSORTIUM, INC.
Statement of Financial Position
June 30, 2010

	<u>Current Operations</u>	<u>Fixed Assets</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 783,275	\$ 0	\$ 783,275
Land	0	32,000	32,000
Building and improvements	0	440,676	440,676
Office and computer equipment	0	344,982	344,982
Accumulated depreciation	0	(465,427)	(465,427)
	0	(465,427)	(465,427)
Total Assets	\$ 783,275	\$ 352,231	\$ 1,135,506
<u>LIABILITIES AND NET ASSETS</u>			
<u>Liabilities</u>			
Accrued payroll and withholdings	\$ 8,523	\$ 0	\$ 8,523
Accrued liabilities	39,106	0	39,106
Deferred Revenue	86,605	0	86,605
Mortgage payable	0	94,342	94,342
Total liabilities	134,234	94,342	228,576
<u>Net Assets</u>			
Unrestricted:			
Designated for Expansion Fund	119,758	0	119,758
Designated for Improvement and Replacement Fund	467,809	0	467,809
Designated for Building Maintenance Fund	31,223	0	31,223
Undesignated	30,251	257,889	288,140
Total net assets	649,041	257,889	906,930
Total Liabilities and Net Assets	\$ 783,275	\$ 352,231	\$ 1,135,506

See Accountants' Review Report
See accompanying notes to financial statements.

VALLEY LIBRARY CONSORTIUM, INC.

Statement of Activities

For the Year Ended June 30, 2010

	Unrestricted		Total
	Current <u>Operations</u>	Fixed <u>Assets</u>	
<u>Support and Revenues</u>			
Membership fees	\$ 50,000	\$ 0	\$ 50,000
Operating and user charges	464,341	0	464,341
Charges for equipment and supplies	43,355	0	43,355
Gerstacker grant for integrated library system	20,000	0	20,000
Universal service funds	10,972	0	10,972
Rental income	18,480	0	18,480
Interest income	8,480	0	8,480
Other income	1,988	0	1,988
Total support and revenues	<u>617,616</u>	<u>0</u>	<u>617,616</u>
<u>Expenses</u>			
Salaries and wages	215,744	0	215,744
Insurance benefits	31,994	0	31,994
Retirement expense	23,365	0	23,365
Payroll tax expense	15,724	0	15,724
System, software, supplies and other fees	74,228	0	74,228
System maintenance and other fees	30,135	0	30,135
Utilities	17,655	0	17,655
Building maintenance	14,321	0	14,321
Telephone	4,193	0	4,193
Employee training	4,214	0	4,214
Office supplies and expense	2,702	0	2,702
Insurance	3,810	0	3,810
MLC charges	2,363	0	2,363
Accounting and auditing fees	2,395	0	2,395
Subscriptions and membership dues	1,090	0	1,090
Postage	111	0	111
Travel and meals	135	0	135
Bank service fee	20	0	20
Miscellaneous	4,763	0	4,763
Interest expense	0	5,911	5,911
Depreciation expense	0	51,566	51,566
Total expenses	<u>448,962</u>	<u>57,477</u>	<u>506,439</u>
Excess of support and revenues over (under) expenses	168,654	(57,477)	111,177
<u>Other Changes in Net Assets</u>			
Transfer for loan repayment	(29,940)	29,940	0
Changes in net assets	138,714	(27,537)	111,177
Net Assets - beginning	<u>510,327</u>	<u>285,426</u>	<u>795,753</u>
Net Assets - ending	<u>\$ 649,041</u>	<u>\$ 257,889</u>	<u>\$ 906,930</u>

See Accountants' Review Report

See accompanying notes to financial statements.

VALLEY LIBRARY CONSORTIUM, INC.
Statement of Cash Flows
For the Year Ended June 30, 2010

<u>Cash Flows From Operating Activities</u>	
Changes in net assets	\$ 111,177
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	51,566
Changes in operating assets and liabilities:	
Accounts receivable	86,740
Accounts payable	(329)
Accrued payroll and withholdings	2,510
Accrued liabilities	311
Net cash flows from operating activities	<u>251,975</u>
 <u>Cash Flows From Financing Activities</u>	
Repayment of mortgage payable	<u>(24,029)</u>
Net increase in cash	227,946
Cash at beginning of year	<u>555,329</u>
Cash at end of year	<u><u>\$ 783,275</u></u>

See Accountants' Review Report
See accompanying notes to financial statements.

VALLEY LIBRARY CONSORTIUM, INC.
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Valley Library Consortium, Inc. (Organization) is a nonprofit corporation organized under the laws of the State of Michigan for the purpose of providing shared automated library services and other cooperative programs as needed by its members. The Organization has 25 active members.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. That is, revenue is recognized when earned and expenses when incurred, without regard to the date of receipt or payment of cash.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization's net assets are categorized and reported as follows:

Unrestricted Net Assets

These net assets are available for general operations and are not subject to donor-imposed restrictions. The following assets are unrestricted:

Current Operations - Reflects the general operations of the Organization and assets over which the Board of Directors has discretionary control and that are currently available for use in the Organization's regular activities. The Board of Directors has designated these net assets for specific purposes: general expansion, equipment improvement and replacement and building maintenance.

Fixed Assets - Includes fixed assets and the related liabilities and accumulated depreciation used in the operations of the Organization.

There were no temporarily or permanently restricted activities during the year.

Use of Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

See Accountants' Review Report

VALLEY LIBRARY CONSORTIUM, INC.
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Membership fees are recognized as revenue in the applicable membership period. The annual operating user charge is based on a combination port fee and record fee charge and is recognized as earned within current operations. In addition, new member libraries and special projects may be charged additional start-up fees. These fees may be assessed in installments as certain milestones are attained. The revenue for these special fees is recognized in the period in which the installment is assessed. All other charges are recognized as revenue in the period they are assessed.

Fixed Assets and Depreciation

The Organization capitalizes all expenditures for fixed assets above a nominal amount. All capitalized assets are recorded at cost. When assets are retired, cost and accumulated depreciation are eliminated and the resulting gain or loss is included in income. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Building	35 years
Building improvements	25 years
Office and computer equipment	5-8 years

Functional Expenses

The Organization has only one program service category which provides automated library services and other cooperative programs to member libraries. Since there is only one primary focus of the Organization, management and general expenses have not been separated and are estimated to be approximately 5% of the total organizational expenses.

Income Taxes

The Organization is a Michigan nonprofit corporation. Under Section 501(c)(3) of the Internal Revenue Code, the corporation is exempt from income taxes.

Statements of Cash Flows

For purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit with original maturities of one year or less. The following items are required supplemental disclosures to the statement of cash flows. Cash paid for interest expense was \$5,911. There were no non-cash investing or financing activities during the year.

See Accountants' Review Report

VALLEY LIBRARY CONSORTIUM, INC.
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2010 and August 13, 2010, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - CASH

The Organization maintains cash balances in one financial institution which is 1st State Bank. Accounts at 1st State Bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the year and at the end of the year, the combined cash balances of all bank accounts may exceed this limit.

NOTE 3 - MORTGAGE PAYABLE

Mortgage payable consists of a real estate mortgage payable to 1st State Bank for property located at 3210 Davenport Ave. in Saginaw. The mortgage is secured by the property and the assignment of rents associated with the property. The mortgage is being repaid in monthly installments of \$2,452 including interest at 5.50% and maturing in February 2014. Maturities of the mortgage for years after June 30, 2010 are as follows:

2011	\$ 24,856
2012	26,258
2013	27,739
2014	15,489
Total	<u>\$ 94,342</u>

NOTE 4 – ACCRUED BENEFITS

Eligible employees are allowed to accumulate, subject to limitations and vesting requirements, unused sick, vacation and personal time pay. The estimated accrued benefit at June 30, 2010 is approximately \$39,106.

NOTE 5 – RETIREMENT PLAN

The Organization provides contributory individual retirement accounts, which cover all full-time regular employees. There is no mandatory contribution required of the employees. The Organization contributes up to 12% of the eligible employee's qualified salary based on the anniversary date of the employee. The total retirement plan contributions were \$23,365.

See Accountants' Review Report