



WINNEFOX LIBRARY SYSTEM

106 Washington Avenue, Oshkosh, WI 54901-4985
phone (920) 236-5220 fax (920) 236-5228
www.winnefox.org

MEMORANDUM

DATE: July 18, 2007
TO: Winnefox Library System Board of Trustees
FROM: Jeff Gilderson-Duwe
RE: Question about Winnefox Library System Balance Sheet

At your May 30, 2007 meeting, Trustee Barbara Asmus asked why the Winnefox Library System Balance Sheet (page 153 of that meeting's board packet) showed a deficit of \$160,084.95 in the category "Retained Earnings." This figure gives the impression that the library system is financially unhealthy. After consulting with Julie Schmude and Mark Arend, I came to understand that Winnefox's equity is expressed by the *sum* of the "Opening Balance Equity" category and the "Retained Earnings" category, which is \$154,787.94.

Further, Julie pointed out that the term "Retained Earnings" as used by Quickbooks, our accounting software, is more applicable to a for-profit company than to a not-for-profit organization like Winnefox. The category "Unrestricted Net Assets," is preferred for a not-for-profit organization. I authorized Julie to create this new category, which "nets out" the old "Opening Balance Equity" and "Retained Earnings" categories. Beginning with reports for the July 25, 2007 meeting, you will see a single number in the "Unrestricted Net Assets" category of the Winnefox balance sheet to characterize the overall health of the organization.