

OCLC, Inc. and Subsidiaries

Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

The report accompanying these consolidated financial statements was issued by BDO USA, P.C., a Virginia professional corporation and the U.S. member of BDO International Limited, a UK company limited by guarantee.



OCLC, Inc. and Subsidiaries

Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

OCLC, Inc. and Subsidiaries

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Board of Trustees
OCLC, Inc. and Subsidiaries
Dublin, Ohio

Opinion

We have audited the consolidated financial statements of OCLC, Inc. and its subsidiaries (the Corporation), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of revenues, expenses, and net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2024 and 2023, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

BDO USA refers to BDO USA, P.C., a Virginia professional corporation, also doing business in certain jurisdictions with an alternative identifying abbreviation, such as Corp. or P.S.C.

BDO USA, P.C. is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



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 consolidated 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 consolidated 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 the Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

BDO USA, P.C.

Columbus, Ohio
September 16, 2024

Consolidated Financial Statements

OCLC, Inc. and Subsidiaries

Consolidated Balance Sheets

<i>June 30,</i>	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 33,926,200	\$ 45,764,800
Mutual funds	228,944,900	241,035,200
Accounts receivable, net	16,897,300	14,784,300
Prepaid expenses and other	7,326,900	6,629,800
Total Current Assets	287,095,300	308,214,100
Fixed Assets, net of depreciation	151,376,800	142,689,400
Goodwill	22,254,100	8,080,300
Other intangibles, net of amortization	9,322,500	-
Operating leases - right of use	4,143,800	4,407,500
Other assets	12,022,600	5,809,200
Total Assets	\$ 486,215,100	\$ 469,200,500
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 12,065,300	\$ 13,061,000
Accounts payable	9,305,300	6,492,900
Accrued liabilities	24,811,900	24,848,900
Current portion of operating lease liabilities	1,145,100	1,167,500
Advance subscription payments	4,865,900	5,893,200
Deferred revenue	43,457,400	39,752,800
Total Current Liabilities	95,650,900	91,216,300
Long-Term Debt, less current portion	17,583,200	29,615,900
Operating lease liabilities, less current portion	3,077,600	3,333,100
Other noncurrent liabilities	9,389,000	17,191,400
Total Liabilities	125,700,700	141,356,700
Net Assets Without Restrictions	360,514,400	327,843,800
Total Liabilities and Net Assets	\$ 486,215,100	\$ 469,200,500

See accompanying notes to consolidated financial statements.

OCLC, Inc. and Subsidiaries

Consolidated Statements of Revenues, Expenses, and Net Assets

<i>Years ended June 30,</i>	2024	2023
Revenues	\$ 238,454,700	\$ 224,619,800
Operating Expenses		
Salaries, wages, and related fringe benefits	152,453,100	138,233,400
Depreciation and amortization	31,352,400	29,164,900
Library services	26,261,200	23,277,800
Selling, general, and administrative	29,402,000	25,317,800
Buildings and utilities	6,642,200	6,730,800
Total Operating Expenses	246,110,900	222,724,700
(Deficit) Excess of Revenues Over Operating Expenses	(7,656,200)	1,895,100
Other Income (Expense)		
Investment income	31,575,000	24,890,900
Interest expense	(925,500)	(673,400)
Income taxes	(1,840,000)	(349,100)
Miscellaneous, net	767,600	514,800
Total Other Income	29,577,100	24,383,200
Excess of Revenues Over Expenses	21,920,900	26,278,300
Postretirement Benefit Plan Adjustment	11,067,600	(320,700)
Foreign Currency Translation Adjustment	(317,900)	786,700
Change in Net Assets Without Restrictions	32,670,600	26,744,300
Net Assets Without Restrictions, beginning of year	327,843,800	301,099,500
Net Assets Without Restrictions, end of year	\$ 360,514,400	\$ 327,843,800

See accompanying notes to consolidated financial statements.

OCLC, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

<i>Years ended June 30,</i>	2024	2023
Cash Flows from Operating Activities		
Excess of revenues over expenses	\$ 21,920,900	\$ 26,278,300
Adjustments for noncash items:		
Depreciation and amortization	31,352,400	29,164,900
Amortization of deferred implementation costs	420,900	400,200
Realized gain on sale of investments	(7,051,800)	(2,525,200)
Unrealized gain on investments	(10,857,900)	(11,294,500)
Non-cash distribution on investments	320,100	213,900
Impairment of software development	3,656,300	475,600
(Gain) loss on disposal of fixed assets	18,900	(7,300)
Changes in assets and liabilities:		
Accounts receivables	(2,721,200)	4,820,800
Other assets	(7,206,800)	484,000
Accounts payable	3,561,600	(400,200)
Accrued liabilities, deferred revenue, and other	3,144,800	(1,364,300)
Net Cash Provided by Operating Activities	36,558,200	46,246,200
Cash Flows from Investing Activities		
Purchases of investments	(3,343,500)	(34,501,000)
Proceeds from distributions and sale of investments	33,023,400	34,298,700
Purchases of fixed assets	(8,966,900)	(6,403,100)
Capitalization of internally developed software	(28,861,000)	(29,879,100)
Acquisition of assets of cloudLibrary	(25,500,000)	-
Acquisition of assets of JJH Consulting	(1,800,000)	-
Other	81,100	115,300
Net Cash Used in Investing Activities	(35,366,900)	(36,369,200)
Cash Flows from Financing Activities		
Payments on long-term debt	(13,061,000)	(17,414,900)
Net Cash Used in Financing Activities	(13,061,000)	(17,414,900)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	31,100	770,800
Decrease in Cash and Cash Equivalents	(11,838,600)	(6,767,100)
Cash and Cash Equivalents, beginning of year	45,764,800	52,531,900
Cash and Cash Equivalents, end of year	\$ 33,926,200	\$ 45,764,800
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 900,200	\$ 964,300
Supplemental Disclosure of Non-Cash Flow Information		
Fixed asset additions financed by accounts payable	\$ 198,900	\$ 930,800
Acquisitions		
Fair value of assets acquired	\$ 16,000,000	\$ -
Liabilities assumed	(2,950,500)	-
Goodwill	14,250,500	-
Cash Paid	\$ 27,300,000	\$ -

See accompanying notes to consolidated financial statements.

OCLC, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies and Procedures

OCLC, Inc. (OCLC), is a non-profit corporation which operates globally to provide shared technology services, original research, and community programs for its membership and the library community at large. The accumulated excess of revenues over expenses (net assets) cannot be distributed to the members. OCLC's net assets are without restrictions. In the event of dissolution, the Board of Trustees is to adopt a plan for distribution of remaining assets that is consistent with the purpose of OCLC. OCLC generally provides services to its members on a subscription basis. The significant accounting policies of OCLC and its subsidiaries are set forth below.

Principles of Consolidation

The consolidated financial statements include the accounts of OCLC and its wholly owned for-profit subsidiaries, OCLC EMEA B.V. and subsidiaries (OCLC EMEA), (the Corporation). The Corporation maintains a 457(b) nonqualified voluntary contributory defined contribution savings plan that has been concluded to be a variable interest entity (VIE) and has consolidated those assets and liabilities (see Note 6 and Note 8). Operating revenues from OCLC's wholly owned for-profit subsidiaries were \$47,833,300 and \$44,922,600 and operating expenses were \$44,569,000 and \$43,026,800 for the years ended June 30, 2024 and 2023, respectively. Intercompany transactions have been eliminated in consolidation.

Cash and Cash Equivalents

All highly liquid debt investments with an original maturity of three months or less at the time of purchase are considered cash equivalents and are stated at cost, which approximates fair value. OCLC's Insurance Cash Sweep (ICS) deposit program provides multi-million dollar Federal Deposit Insurance Corporation (FDIC) protection on U.S. cash balances, which are transferred daily into other deposit accounts within the ICS network at levels that do not exceed the Federal Deposit Insurance Corporation limit.

Investments

Investments are recorded according to Accounting Standards Update (ASU) 2016-01, *Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities*. Mutual funds are stated at fair value. Fair values for these investments are based on market quotes or as calculated by third-party administrators. Realized gains and losses are calculated based on the first-in, first-out (FIFO) method. Realized and unrealized gains and losses and other-than-temporary declines in market value from original cost are included in investment income in other income (expense). OCLC's investment portfolio is without restrictions.

Liquidity Management

OCLC is wholly supported by operations and does not rely on contributions. As part of OCLC's liquidity management, the financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due. In addition, OCLC invests cash in excess of daily requirements. In the event of a liquidity need (either planned or unplanned), OCLC could

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Notes to Consolidated Financial Statements

draw upon \$30 million of available lines of credit (as further discussed in Note 5) or liquidate some or all of its investments as set forth by OCLC's investment policy statement. OCLC's current investments, being mutual funds, have daily liquidity.

OCLC's financial assets available for general expenditures within one year of the consolidated balance sheet date are comprised of cash and equivalents, mutual funds, and accounts receivable, net.

Accounts Receivable

Accounts receivable consist primarily of amounts due to OCLC in relation to subscription and software revenues and are carried at their estimated collectible amounts. OCLC assesses the collectability of all receivables on an ongoing basis by considering its historical credit loss experience, current economic conditions, and other relevant factors. Based on this analysis, the Corporation has established a combined sales allowance and an allowance for expected credit losses of \$1,610,400 and \$1,758,400 at June 30, 2024 and 2023, respectively.

Revenue Recognition

The corporation accounts for revenue recognition in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (Accounting Standards Codification [ASC] Topic 606). The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount it expects to be entitled to receive for those goods or services.

OCLC recognizes revenue when control of the promised good(s) or services is transferred to our customer or member in an amount that reflects consideration expected to be entitled to in exchange for those goods or services. Deferred revenues and advance subscription payments represent monies advanced to OCLC by members, participating libraries, and certain independent regional service providers in the United States and are recognized as revenues when control of the promised goods or services are transferred.

Member service revenues are recognized over the time services are transferred to our customers and include services to locate, acquire, catalog, lend, circulate, and preserve library materials. OCLC recognizes revenue from these services on a ratable basis over the contract term beginning on the date our services are made available to the customer. Subscriptions generally are one year and are billed in advance. As a result, deferred revenue and accounts receivable are recorded for any amounts for which OCLC has a right to invoice but for which services have not yet been provided.

Subscription services, which allow customers to use hosted software over the contract period without taking possession of the software, are provided on a subscription basis. Revenue related to subscription services provided on a subscription basis is recognized ratably over the contract period. When subscription services require a significant level of integration and interdependency with software and the implementation is not considered distinct, all revenue is recognized over the period in which the subscription services are provided.

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Software license and consulting revenues, when distinct, are recognized at the point in time software is available and services are provided. Revenue from distinct on-premise licenses is recognized at the point in time when the software is made available to the customer.

Certain revenues related to the Interlibrary Fee Management program are recorded net of associated lending costs at the point of time the items are borrowed and fulfilled.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make certain estimates, judgments, and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The most significant estimates are related to the expected useful lives assigned to fixed assets, estimates of fair value, and postretirement benefits. Actual amounts could differ from those estimates.

Depreciation and Amortization

Depreciation and amortization is provided using the straight-line method at rates based on the estimated useful lives of the computers and telecommunication equipment (from 3 to 10 years), office furniture and equipment (from 3 to 15 years), and buildings (from 10 to 40 years).

The cost of purchased software is capitalized and amortized using the straight-line method over the estimated economic useful lives (from 3 to 15 years). OCLC capitalizes the costs associated with purchased databases, enhancements, and certain internal use software costs once certain criteria are met. These costs are amortized using the straight-line method (from 3 to 15 years). Management reviews assets for indicators of impairment and performs analysis to evaluate whether impairment or write-off is appropriate.

Goodwill and Other Intangibles

Goodwill is the excess of the purchase price of an acquired entity over the amounts assigned to tangible and intangible assets and liabilities assumed in the business combination. The corporation accounts for purchased goodwill in accordance with ASC 350, *Intangibles - Goodwill and Other*. Under ASC 350, purchased goodwill is tested for impairment annually. During fiscal years 2024 and 2023, no goodwill impairment was deemed to exist. Other intangibles, net of amortization, of \$9,322,500 and \$0 at June 30, 2024 and 2023, respectively, and consists primarily of acquired customer lists and trade names and trademarks.

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The changes in the carrying amount of goodwill are as follows:

Balance, June 30, 2022	\$ 8,018,700
Currency translation	61,600
Balance, June 30, 2023	8,080,300
Currency translation	(76,700)
Goodwill addition	14,250,500
Balance, June 30, 2024	\$ 22,254,100

During 2024, the Corporation acquired intangible assets which included customer lists, trade names and trademarks, and noncompete agreements. These intangible assets amortize over the estimated economic useful lives of each asset using the straight-line method (from 5 to 20 years). The value of other intangibles at June 30, 2024 and 2023 was \$9,322,500 and \$0 respectively. See Note 12 for further disclosure of the acquired intangible assets mentioned above.

The following table presents estimated amortization of other intangibles:

Year ending June 30,	
2025	\$ 485,000
2026	485,000
2027	485,000
2028	485,000
2029	485,000
Thereafter	6,897,500

Leases

The Corporation's operating leases are primarily for office and data center space, vehicles, and equipment. We determine if an arrangement is a lease at its inception by evaluating whether the arrangement conveys the right to use an identified asset and whether we obtain substantially all of the economic benefits from and have the ability to direct the use of the asset. Our lease agreements generally do not contain any material residual value guarantees or material restrictive covenants.

Operating lease right-of-use assets and corresponding operating lease liabilities are recognized in our consolidated balance sheet at the lease commencement date based on the present value of lease payments over the lease term. Operating lease expense for operating lease assets is recognized on a straight-line basis over the lease term. Most of the Corporation's leases do not provide an implicit rate and for these leases, the Corporation's incremental borrowing rate is used. This rate is based on the information available at the lease commencement date in determining the present value of lease payments. When the implicit rate is readily determinable, it is used.

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The Corporation applies a practical expedient for short-term leases whereby the corporation does not recognize a lease liability and right-of-use asset for leases with a term of less than 12 months. Short-term lease expense recognized in fiscal years 2024 and 2023 was immaterial.

The Corporation's leases have remaining lease terms from less than 1 year up to approximately 7 years.

Hosting Arrangements

The Corporation capitalized \$260,400 and \$227,900 of implementation costs related to the implementation of hosted internal-use software for the years ended June 30, 2024 and 2023, respectively. This is included in other assets on the consolidated balance sheets.

Research and Development

Research and development costs (principally salaries and related fringe benefits), approximating \$10,621,500 and \$11,554,100 for fiscal years 2024 and 2023, respectively, are expensed as incurred.

Income and Other Taxes

The Internal Revenue Service has determined that OCLC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is currently required for its operations. OCLC EMEA is not exempt from the relevant taxes in its local jurisdictions.

The asset and liability method is used for financial accounting and reporting of income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which differences are expected to affect taxable income. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. See Note 7.

ASC 740-10, *Income Taxes*, addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements and prescribes a threshold of "more-likely-than-not" for recognition of tax positions taken or expected to be taken in a tax return. ASC 740-10 also provides related guidance on measurement, classification, interest and penalties, and disclosure. OCLC evaluated its tax positions at June 30, 2024 and 2023. Based on this evaluation, OCLC determined that there was no material impact to the Corporation's consolidated financial statements as it relates to interest and penalties.

Foreign Currency Translation and Transaction

The local currency has been designated as the functional currency for operations in Australia, Canada, France, Germany, Italy, the Netherlands, Switzerland, and United Kingdom. Income and expense items are translated at the average monthly rate of exchange. Assets and liabilities are translated at the rate of exchange on the consolidated balance sheet dates with the resultant

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Notes to Consolidated Financial Statements

translation gains or losses included as a separate component of net assets. Net assets includes net cumulative translation gains of \$6,440,400 and \$6,758,200 at June 30, 2024 and 2023, respectively. Foreign currency transaction losses were \$69,000 and \$463,900 for the years ended June 30, 2024 and 2023, respectively.

Self-Insurance Programs

OCLC uses various self-insurance plans for certain medical insurance programs in the United States of America. The associated liability has been recorded in the consolidated financial statements based on information currently available as to the estimated ultimate cost for incidents incurred, but not reported and paid out prior to the consolidated balance sheet dates. These estimates are based on management's assessment of outstanding claims, historical analyses, and current payment trends. Losses in excess of certain limits are insured with third-party insurance companies.

Recent Accounting Pronouncements - Adopted in the Current Year

Financial Instruments - Credit Losses

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 820), Measurement of Credit Losses on Financial Instruments*. This ASU replaces issued amended accounting guidance that will require entities to measure credit losses on trade and other receivables, held-to-maturity debt securities, loans and other instruments using an "expected credit loss" model that considers historical experience, current conditions and reasonable and supportable forecasts. The Corporation considers historical experience, the current economic environment, customer credit ratings or bankruptcies, and reasonable and supportable forecasts to develop our allowance for credit losses. The Corporation reviews these factors regularly to determine if any adjustments are needed to the allowance. This guidance was effective beginning the first quarter of fiscal 2024 and did not have a material impact on our consolidated financial statements.

Business Combinations

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805) Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"). This update amends Topic 805 to add contract assets and contract liabilities to the list of exceptions to the recognition and measurement principles that apply to business combinations and to require that an entity (acquirer) recognize and measure contract assets and contract liabilities in accordance with ASC 606. This guidance was effective beginning the first quarter of fiscal 2024 and did not have a material impact on our consolidated financial statements.

2. Investments

OCLC's holds investments in mutual funds. Market risk is reduced by investing funds in maturities that match anticipated short and long-term cash needs and by investing in diversified industries and markets, both domestic and international. All investments are held by custodians and are reflected on the consolidated balance sheets as cash equivalents and mutual funds.

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Notes to Consolidated Financial Statements

Realized gains and losses related to investments are recorded using the FIFO method. The cumulative net unrealized gains on the portfolio totaled \$27,324,300 and \$16,466,200 at June 30, 2024 and 2023, respectively. The following schedule details investment returns:

<i>Year ended June 30,</i>	2024	2023
Dividends, interest, and other income	\$ 13,665,300	\$ 11,071,200
Net realized gain on investments	7,051,800	2,525,200
Net unrealized gain on investments	10,857,900	11,294,500
Total Net Investment Income	\$ 31,575,000	\$ 24,890,900

3. Fixed Assets

Fixed assets include the following:

<i>June 30,</i>	2024	2023
Land and improvements	\$ 11,695,200	\$ 11,272,200
Building and improvements	93,302,700	93,004,900
Computer and telecommunications equipment	51,848,800	48,095,300
Databases	89,080,000	87,532,300
Software	285,012,500	253,461,200
Office furniture and equipment	7,709,700	7,553,400
Total	538,648,900	500,919,300
Less: accumulated depreciation and amortization	387,272,100	358,230,000
Fixed Assets, Net	\$ 151,376,800	\$ 142,689,400

Software development costs, related to internal use software, of \$28,861,000 and \$29,879,100 were capitalized in fiscal year 2024 and 2023, respectively.

Database enhancement costs of \$1,547,700 and \$1,261,600 were capitalized in fiscal year 2024 and 2023, respectively, and were included in databases.

Non-cash asset impairment charges were recorded in fiscal year 2024 in the amount of \$3,656,300, related to previous product development upgrades related to a specific product after a comprehensive review identified deficiencies in the code base that required rework to meet the library market requirements.

Non-cash impairment charges were recorded in fiscal year 2023 in the amount of \$475,600, primarily related to product development work on a project that was discontinued and impaired for the entire amount spent on the project.

These impairments were recorded as selling, general, and administrative expenses on the consolidated statements of revenues, expenses, and net assets in the respective fiscal years.

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Notes to Consolidated Financial Statements

4. Debt

	2024	2023
Tax-exempt financing	\$ 29,686,900	\$ 42,747,900
Debt issuance costs	(38,400)	(71,000)
Subtotal	29,648,500	42,676,900
Less: current maturities	(12,065,300)	(13,061,000)
Total Long-Term Debt	\$ 17,583,200	\$ 29,615,900

Tax-Exempt Financing

On April 14, 2016, the Corporation entered into a seven-year tax-exempt agreement through Columbus-Franklin County Finance Authority for \$30,000,000 with an effective interest rate of 1.793%. On December 10, 2020, the Corporation refinanced the remaining balance of \$11,148,000 with an effective interest rate of 1.19%. The payments are due quarterly in equal principal and interest installments. Quarterly payments prior to the refinancing were \$1,142,500 beginning July 14, 2016 and after the refinancing are \$1,131,000 beginning January 14, 2021. During fiscal year 2023, the remaining balance was repaid and there was no outstanding balance at June 30, 2024 and June 30, 2023. The proceeds were used to finance the acquisition and installation of office systems and equipment, computers, servers, related peripheral equipment and software, real property renovations and improvements, and bibliographic and other information databases.

On March 28, 2018, the Corporation entered into a seven-year tax-exempt agreement through Columbus-Franklin County Finance Authority for \$30,000,000 with an effective interest rate of 2.86%. On December 10, 2020, the Corporation refinanced the remaining balance of \$19,965,700 with an effective interest rate of 1.02%. The payments are due quarterly in equal principal and interest installments. Quarterly payments prior to the refinancing were \$1,186,100 beginning June 28, 2018 and after the refinancing are \$1,134,000 beginning December 28, 2020. The agreement has a balance outstanding of \$3,384,600 and \$7,857,300 at June 30, 2024 and 2023, respectively. The proceeds were used to finance the acquisition and installation of office systems and equipment, computers, servers, related peripheral equipment and software, real property renovations and improvements, and bibliographic and other information databases.

On November 26, 2019, the Corporation entered into a seven-year tax-exempt agreement through Columbus-Franklin County Finance Authority for \$30,000,000 with an effective interest rate of 2.06%. On December 10, 2020, the Corporation refinanced the remaining balance of \$25,973,900 with an effective interest rate of 1.07%. The payments are due quarterly in equal principal and interest installments. Quarterly payments prior to the refinancing were \$1,153,300 beginning February 26, 2020 and after the refinancing are \$1,118,300 beginning February 26, 2021. The agreement has a balance outstanding of \$11,020,600 and \$15,347,000 at June 30, 2024 and 2023, respectively. The proceeds were used to finance the acquisition and installation of office systems and equipment, computers, servers, related peripheral equipment and software, real property renovations and improvements, and bibliographic and other information databases.

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On December 10, 2020, the Corporation entered into a seven-year tax-exempt agreement through Columbus-Franklin County Finance Authority for \$30,000,000 with an effective interest rate of 1.075%. The payments are due quarterly in equal principal and interest installments of \$1,113,700 beginning March 10, 2021. The agreement has a balance outstanding of \$15,281,700 and \$19,543,600 at June 30, 2024 and 2023. The proceeds were used to finance the acquisition and installation of office systems and equipment, computers, servers, related peripheral equipment and software, real property renovations and improvements, and bibliographic and other information databases.

Cost and accumulated depreciation of the equipment included in fixed assets are as follows:

	2024	2023
Equipment, software, and databases	\$ 90,000,000	\$ 90,000,000
Less: accumulated depreciation	71,773,300	60,867,200
Assets, Net	\$ 18,226,700	\$ 29,132,800

The aggregate maturities of the tax-exempt financing obligations and bank lines of credit (see Note 5) are as follows:

Year ending June 30,

2025	\$ 12,065,300
2026	8,774,200
2027	6,629,000
2028	2,218,400
Total	\$ 29,686,900

The Corporation is in compliance with all debt covenants.

5. Bank Lines of Credit

An unsecured revolving line of credit with a bank in the United States provided for total borrowings of up to \$15,000,000 during fiscal years 2024 and 2023. Under the terms of the agreement, as amended on February 7, 2023, interest on amounts borrowed is payable at an effective interest rate equal to the Secured Overnight Financing Rate (SOFR) plus 1.10% at June 30, 2024 and 2023 (total of 6.4% and 6.2% at June 30, 2024 and 2023, respectively). During fiscal year 2024, \$0 was borrowed and \$0 was repaid with no outstanding balance at June 30, 2024. During fiscal year 2023, \$0 was borrowed and \$0 was repaid with no outstanding balance at June 30, 2023. The amended agreement expires January 31, 2025.

Effective October 1, 2017, OCLC obtained an additional unsecured revolving line of credit with a bank in the United States for \$15,000,000. Under the terms of the agreement, as amended on January 19, 2024, interest on amounts borrowed is payable at an effective interest rate equal to SOFR plus 1.0% (total of 6.3% at June 30, 2024 and 6.1% at June 30, 2023). During fiscal years 2024 and 2023, a total of \$0 was borrowed and \$0 was repaid with no outstanding balance at June 30, 2024 and 2023. The amended agreement expires January 31, 2026.

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On October 1, 2013, OCLC EMEA modified its secured revolving line of credit with a bank for a total of €2,250,000. The line of credit declined quarterly by €125,000 beginning April 1, 2014, through October 1, 2015. The line of credit available was €1,500,000 (\$1,607,130) and €1,500,000 (\$1,626,878) at June 30, 2024 and 2023, respectively. Under the terms of the agreement, interest on amounts borrowed was payable at a margin above the one-month Euribor (total of 5.9% at June 30, 2024 and 5.3% at June 30, 2023). The margin is reconsidered by the bank each year in June. During fiscal year 2024 and 2023, a total of €0 (\$0) was borrowed within each fiscal year 2024 and 2023. There was no outstanding balance at June 30, 2024 or 2023. The bank line of credit is secured by a mortgage on real property, a pledge of business equipment, and accounts receivable of OCLC EMEA. The line of credit automatically renews each year for a one-year term unless cancelled by either party with one month notice.

The Corporation is in compliance with all lines of credit covenants.

6. Employee Benefit Plans

A noncontributory defined contribution retirement plan covers all OCLC employees in the United States (domestic) who have completed two years of service. Voluntary contributory defined contribution employee savings plans cover all permanent domestic OCLC employees. The cost of these plans (included in salaries, wages, and related fringe benefits) was \$7,207,800 and \$6,860,100 for fiscal years 2024 and 2023, respectively.

In 2003, OCLC established a 457(b) nonqualified voluntary contributory defined contribution savings plan for key domestic employees with no defined waiting period. OCLC holds investment assets, recorded at fair value, purchased with the participants' voluntary contributions. The assets and matching liabilities under the plan were \$3,880,800 and \$0 (reflected in other assets and other noncurrent liabilities) at June 30, 2024 and 2023, respectively.

Operations outside the United States, including the OCLC Canada division and OCLC EMEA, maintain or participate in separate retirement and defined contribution pension plans. Total expenses recorded under these plans were \$1,873,900 and \$1,654,400 in fiscal years 2024 and 2023, respectively.

In 2023, OCLC established a Capital Accumulation Plan in order to attract, retain, and reward talented key employees and provide additional benefits for key hires in recognition of extraordinary contributions. This plan is a split-dollar life insurance arrangement where OCLC pays premiums on behalf of eligible employees to fund the insurance arrangement. Such payments are treated as loans for tax purposes and are secured by a collateral assignment of the insurance proceeds in the aggregate amount of the loans and accrued interest.

OCLC maintains a voluntary contributory plan providing postretirement health care and noncontributory postretirement life insurance coverage for domestic employees. OCLC's domestic employees meeting certain age and service requirements at the time of their retirement are eligible to participate. OCLC recognizes the cost of postretirement medical and life benefits as the employees render service. These benefits are funded by OCLC when incurred.

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Relevant postretirement benefit information is summarized as follows:

<i>June 30,</i>	2024	2023
Reconciliation of Benefit Obligation		
Benefit Obligation , beginning of plan year	\$ 16,594,800	\$ 16,080,700
Service cost	475,800	655,900
Interest cost	544,500	737,300
Plan Amendments	(10,941,600)	-
Benefits paid, net	(483,500)	(572,600)
Actuarial loss	(1,507,600)	(1,342,700)
Assumption change	94,300	1,036,200
Benefit Obligation , end of plan year	\$ 4,776,700	\$ 16,594,800
Net Postretirement Cost		
Service cost	\$ 475,800	\$ 655,900
Interest cost	544,500	737,300
Amortization of prior service credit	(1,261,800)	(627,200)
Amortization of gain	(25,500)	-
Total Net Postretirement Cost	\$ (267,000)	\$ 766,000
Amounts Included in Net Assets		
Unrecognized prior service credit	\$ (13,047,900)	\$ (3,368,100)
Unrecognized net (gain) loss	(1,054,400)	333,400
Total Amounts Included in Net Assets	\$ (14,102,300)	\$ (3,034,700)
Reconciliation of Unrecognized Net Gain		
Unrecognized Net Loss , beginning of year	\$ 333,400	\$ 639,900
Amortization amount	25,500	-
Liability loss due to experience	(1,507,600)	(1,342,700)
Gain due to change in assumptions	94,300	1,036,200
Unrecognized Net (Gain) Loss , end of year	\$ (1,054,400)	\$ 333,400
Benefit Obligations Recognized in Net Assets		
Net (gain)	\$ (1,413,300)	\$ (306,500)
Prior service (credit)	(10,941,600)	-
Amortization of prior service credit	1,261,800	627,200
Amortization of gain	25,500	-
Total Benefit Obligations Recognized in Net Assets	\$ (11,067,600)	\$ 320,700

Amounts recognized on the consolidated balance sheets were as follows:

<i>June 30,</i>	2024	2023
Accrued liabilities - current	\$ 418,000	\$ 581,000
Other noncurrent liabilities	4,358,700	16,013,700
Total Amount Recognized	\$ 4,776,700	\$ 16,594,700

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Actuarial assumptions used in determining these amounts included a weighted-average discount rate of 5.36% and 5.24% at June 30, 2024 and 2023, respectively, and annual increases in medical expense of 7.25% and 7.75% at June 30, 2024 and 2023, respectively, declining to 4.75% in 2030 and thereafter.

A plan amendment was made during fiscal year 2024 to move all Medicare-eligible retirees into a fully-insured Group Medicare Advantage Plan. No plan amendments were made during fiscal 2023.

The following table presents estimated future net benefit payments for the next ten fiscal years:

Year ending June 30,	
2025	\$ 418,000
2026	475,000
2027	478,000
2028	493,000
2029	480,000
2030-2034	2,811,000

7. Income Taxes

At June 30, 2024, OCLC has a net deferred tax asset of \$4,077,000 for operating loss carryforwards (which all pertains to the foreign subsidiaries). At June 30, 2023, OCLC has a net deferred tax asset of \$4,531,000 for operating loss carryforwards (which all pertains to the foreign subsidiaries). The net deferred tax asset is fully offset by a valuation allowance due to the uncertainty of recoverability of these items. Additionally, OCLC EMEA has a deferred tax asset of \$518,000 and \$414,000 at June 30, 2024 and 2023, respectively, relating to fixed asset depreciation, which is recorded as a noncurrent asset in other assets. OCLC EMEA also has no deferred tax liability at June 30, 2024 and 2023.

At June 30, 2024, domestic and foreign net operating loss carryforwards for income tax reporting purposes are approximately \$16,295,000 (all foreign, principally in the United Kingdom and Canada). At June 30, 2023, domestic and foreign net operating loss carryforwards for income tax reporting purposes are approximately \$18,099,000 (all foreign, principally in the United Kingdom and Canada). The Canadian carryforwards expire through fiscal year 2040.

In October 2017, OCLC Inc. acquired the intellectual property for software owned by OCLC EMEA B.V. through an intercompany sale based upon a valuation reviewed and approved by external advisors. In fiscal year 2024, the Dutch Tax Authority (DTA) challenged the Corporation's valuation of the purchase and associated tax liability of the intercompany sale of the intellectual property. After lengthy discussions with the DTA, OCLC Inc. and OCLC EMEA B.V. agreed to a negotiated settlement resulting in an additional tax payment of €1,028,200 (\$1,113,300) and related interest expense of €377,100 (\$404,000). The additional tax expense is reflected in income taxes and the related interest in interest expense in the current year consolidated statement of revenues, expenses, and net assets.

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8. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value by providing a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Other significant inputs (including quoted prices of similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 - Significant unobservable inputs (which may include OCLC's own assumptions in determining the fair value of investments).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, present OCLC's assets and liabilities at fair value:

June 30, 2024

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 89,899,100	\$ -	\$ -	\$ 89,899,100
Equity	132,547,800	-	-	132,547,800
Alternatives	6,498,000	-	-	6,498,000
Total Mutual Funds	228,944,900	-	-	228,944,900
Nonqualified voluntary contributory savings plan	\$ 3,880,800	\$ -	\$ -	\$ 3,880,800
Total Assets, at fair value	232,825,700	-	-	232,825,700
Nonqualified voluntary contributory savings plan	\$ 3,880,800	\$ -	\$ -	\$ 3,880,800
Total Liabilities, at fair value	\$ 3,880,800	\$ -	\$ -	\$ 3,880,800

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June 30, 2023

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 91,189,000	\$ -	\$ -	\$ 91,189,000
Equity	142,052,600	-	-	142,052,600
Alternatives	7,793,600	-	-	7,793,600
Total Assets, at fair value	241,035,200	-	-	241,035,200
Total Liabilities, at fair value	\$ -	\$ -	\$ -	-

ASC 825, *Financial Instruments*, requires fair value disclosures about substantially all balance sheet financial instruments. Certain assets and liabilities, the most significant being fixed assets, do not meet the statement's definition of financial instruments and are excluded from this disclosure. Similarly, net assets are not considered a financial instrument and are also excluded from this disclosure. Many of the assets and liabilities subject to the disclosure requirements are not actively traded, requiring fair values to be estimated by management. These estimations involve the use of judgment about a variety of factors, including, but not limited to, materiality, relevancy of market prices of comparable instruments, and appropriate discount rates. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following methods and assumptions were used to estimate the fair value of each material class of financial instruments:

Cash and Cash Equivalents, Receivables, Accrued and Other Liabilities (Excluding Postretirement Benefit Obligations and Deferred Compensation), Long-Term Debt, and Accounts Payable - The carrying amounts of these items are a reasonable estimate of their fair values.

Investments - Mutual funds are stated at fair value based upon quoted market prices or as calculated by third-party administrators.

Nonqualified Voluntary Contributory Savings Plan - Investment assets (and liabilities) recorded at fair value based upon quoted market prices or as calculated by third-party administrators. These were purchased with participants' voluntary contributions.

The valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while OCLC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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The following summarizes the nature and risk of those investments that are reported at estimated fair value utilizing net asset value. There were no unfunded commitments for 2024 or 2023.

June 30, 2024

	Fair Value	Redemption Frequency	Redemption Notice Period
Mutual funds:			
Fixed income	\$ 89,899,100	Daily	1 Day
Equity - domestic	53,001,700	Daily	1 Day
Equity - global	79,546,100	Daily	1 Day
Alternatives	6,498,000	Daily	1 Day
	\$ 228,944,900		

June 30, 2023

	Fair Value	Redemption Frequency	Redemption Notice Period
Mutual funds:			
Fixed income	\$ 91,189,000	Daily	1 Day
Equity - domestic	41,976,900	Daily	1 Day
Equity - global	100,075,700	Daily	1 Day
Alternatives	7,793,600	Daily	1 Day
	\$ 241,035,200		

Investments in these categories consist of mutual funds or commingled funds that invest in domestic equities, foreign equities, domestic fixed income, or foreign fixed-income securities, in some instances using alternative investment strategies.

9. Revenues and Contract Assets and Liabilities

OCLC generally provides services for customers in which it acts as a principal. Some fees may be paid before any service is rendered and accordingly, such fees are deferred until obligations pertaining to these fees are satisfied. Most contracts are short term in nature, with a contract duration of one year. Accordingly, most deferred revenue for the reporting periods ended June 30, 2024 and 2023, is expected to be earned within one year.

The following table shows OCLC's revenue disaggregated according to the timing of transfer of goods or services:

<i>Year ended June 30,</i>	2024	2023
Revenue recognized at a point in time	\$ 17,991,600	\$ 12,662,600
Revenue recognized over time	218,385,500	210,579,000
Revenue not subject to ASC 606	2,077,600	1,378,200
Total Revenue	\$ 238,454,700	\$ 224,619,800

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OCLC contract assets and liabilities:

	June 30, 2024	June 30, 2023	July 1, 2022
Accounts receivable, net	\$ 16,897,300	\$ 14,784,300	\$ 19,724,400
Deferred revenue recognized at a point in time	315,200	456,200	555,700
Deferred revenue recognized over time	43,142,200	39,296,600	38,681,900

10. Functional Expenses

The Corporation has one major program being the delivery of library services and products to the membership. The Corporation's operating expenses have been allocated between program and general and administrative expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one function. Expenditures that require allocation are allocated on either a personnel-cost or specific identification, whichever is more reasonable for the expenditure. A summary of the Corporation's functional allocation of expenses is as follows:

Year ended June 30, 2024

	Program	General and Administrative	Total
Operating Expenses			
Salaries, wages, and related fringe benefits	\$ 135,904,300	\$ 16,548,800	\$ 152,453,100
Depreciation and amortization	31,349,700	2,700	31,352,400
Library services	24,661,400	1,599,800	26,261,200
Selling, general, and administrative	23,715,700	5,686,300	29,402,000
Buildings and utilities	5,982,200	660,000	6,642,200
Total Operating Expenses	\$ 221,613,300	\$ 24,497,600	\$ 246,110,900
Other Non-operating Expenses	-	2,765,500	2,765,500
Total Expenses	\$ 221,613,300	\$ 27,263,100	\$ 248,876,400

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Year ended June 30, 2023

	Program	General and Administrative	Total
Operating Expenses			
Salaries, wages, and related fringe benefits	\$ 123,262,700	\$ 14,970,700	\$ 138,233,400
Depreciation and amortization	25,281,300	3,883,600	29,164,900
Library services	20,419,200	2,858,600	23,277,800
Selling, general, and administrative	21,507,600	3,810,200	25,317,800
Buildings and utilities	6,680,500	50,300	6,730,800
Total Operating Expenses	\$ 197,151,300	\$ 25,573,400	\$ 222,724,700
Other Non-operating Expenses	-	1,022,500	1,022,500
Total Expenses	\$ 197,151,300	\$ 26,595,900	\$ 223,747,200

11. Leases

Future lease payments under non-cancellable leases as of June 30, 2024 were as follows:

	Operating Leases	Finance Leases
2025	\$ 1,470,500	\$ -
2026	966,100	-
2027	758,200	-
2028	448,300	-
2029	323,800	-
Thereafter	510,300	-
Total future lease payments	4,477,200	-
Less: imputed interest	(254,500)	-
Total lease liabilities	\$ 4,222,700	\$ -

The following table summarizes the components of lease cost:

Component of Operating Lease Costs	2024	2023
Fixed lease cost	\$ 1,673,300	\$ 1,860,600
Variable lease cost	-	-
Total lease cost	\$ 1,673,300	\$ 1,860,600
Weighted-average remaining lease term (years)	2024	2023
Operating leases	4.90 years	5.23 years
Weighted-average discount rate	2024	2023
Operating leases	3.12%	2.78%

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The following table summarizes supplemental cash flow information related to leases:

Non-cash right-of-use assets obtained in exchange for lease obligations:	2024	2023
New operating leases	\$ 580,500	\$ 561,400
New finance leases	-	-

12. Acquisitions

On April 1, 2024, OCLC purchased certain assets and assumed certain liabilities associated with the cloudLibrary business segment owned by Bibliotheca LLC for \$26,000,000 (net of a holdback of \$500,000) plus potential future consideration of up to a maximum of \$1,750,000 based upon the achievement of certain performance metrics. The estimated fair value of the contingency payment is \$700,000.

The assets acquired includes a platform for public library patrons to access to a wide variety of digital content including millions of ebooks and audio books as well as thousands of magazines, digital newspapers, digital comics, and streaming media services in more than 50 languages.

The assets acquired, including software of \$6,600,000, intangible assets of \$9,300,000 (consisting of trademarks and trade names of \$3,000,000 and a customer list of \$6,300,000) and liabilities assumed (primarily prepaid revenues of \$1,549,100), were based on the fair values at the date of acquisition. Goodwill representing the excess of cost over fair value of assets acquired, of \$12,350,500 was recorded. The results of operations of cloudLibrary subsequent to the date of purchase, are included in the consolidated financial statements for the year ended June 30, 2024, and its revenues for the three months ended June 30, 2024, were \$6,683,800. The proforma consolidated results for fiscal year 2024, assuming the purchase had been made at the beginning of the fiscal year, would have been revenues of approximately \$25,000,000.

13. Subsequent Events

The Corporation has performed an evaluation of subsequent events through September 16, 2024, which is the date the consolidated financial statements were available to be issued, noting no other events that affect the consolidated financial statements as of June 30, 2024.