OCLC, Inc. and Subsidiaries

Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

The report accompanying these 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

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Independent Auditor's Report

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, 2023 and 2022, 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 consolidated financial position of the Corporation and its subsidiaries as of June 30, 2023 and 2022, 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 Corporation 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.

Emphasis of Matter - Recently Adopted Accounting Standards

As described in Notes 1 and 11 to the consolidated financial statements, the Corporation has changed the method for accounting for leases in 2023 due to the adoption of Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

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 Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or 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.

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 Corporation'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 Corporation'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.

September 18, 2023

Consolidated Financial Statements

OCLC, Inc. and Subsidiaries

Consolidated Balance Sheets

June 30,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	**$ 45,764,800**	$ 52,531,900
Mutual funds	**241,035,200**	227,227,100
Accounts receivable, net	**14,784,300**	19,724,400
Prepaid expenses and other	**6,629,800**	6,818,200
Total Current Assets	**308,214,100**	306,301,600
Fixed Assets, net of depreciation	**142,689,400**	135,449,700
Goodwill and Other Intangibles, net of amortization	**8,080,300**	8,100,900
Leases - Right of Use	**4,407,500**	-
Other Assets	**5,809,200**	5,461,300
Total Assets	**$ 469,200,500**	$ 455,313,500
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	**$ 13,061,000**	$ 17,414,900
Accounts payable	**6,492,900**	6,627,900
Accrued liabilities	**24,848,900**	23,782,000
Current lease liability	**1,167,500**	-
Advance subscription payments	**5,893,200**	7,600,000
Deferred revenue	**39,752,800**	39,237,600
Total Current Liabilities	**91,216,300**	94,662,400
Long-Term Debt, less current portion	**29,615,900**	42,631,600
Non-current Lease Liability	**3,333,100**	-
Other Noncurrent Liabilities	**17,191,400**	16,920,000
Total Liabilities	**141,356,700**	154,214,000
Net Assets Without Restrictions	**327,843,800**	301,099,500
Total Liabilities and Net Assets	**$ 469,200,500**	$ 455,313,500

See accompanying notes to consolidated financial statements.

OCLC, Inc. and Subsidiaries

Consolidated Statements of Revenues, Expenses, and Net Assets

Years ended June 30,	**2023**	2022
Revenues	**$ 224,619,800**	$ 219,527,800
Operating Expenses		
Salaries, wages, and related fringe benefits	**138,233,400**	132,935,100
Depreciation and amortization	**29,164,900**	26,780,300
Library services	**23,277,800**	22,038,200
Selling, general, and administrative	**25,317,800**	19,166,000
Buildings and utilities	**6,730,800**	5,841,500
Total Operating Expenses	**222,724,700**	206,761,100
Excess of Revenues Over Operating Expenses	**1,895,100**	12,766,700
Other Income (Expense)		
Investment income (loss)	**24,890,900**	(29,763,000)
Interest expense	**(673,400)**	(867,600)
Income taxes	**(349,100)**	(1,145,400)
Miscellaneous, net	**514,800**	(31,900)
Total Other Income (Expense)	**24,383,200**	(31,807,900)
Excess (Deficit) of Revenues Over Expenses	**26,278,300**	(19,041,200)
Postretirement Benefit Plan Adjustment	**(320,700)**	(267,400)
Foreign Currency Translation Adjustment	**786,700**	(1,897,000)
Change in Net Assets Without Restrictions	**26,744,300**	(21,205,600)
Net Assets Without Restrictions, beginning of year	**301,099,500**	322,305,100
Net Assets Without Restrictions, end of year	**$ 327,843,800**	$ 301,099,500

See accompanying notes to consolidated financial statements.

OCLC, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years ended June 30,	2023	2022
Cash Flows from Operating Activities		
Excess (Deficit) of revenues over expenses	**$ 26,278,300**	$ (19,041,200)
Adjustments for noncash items:		
Depreciation and amortization	**29,164,900**	26,780,300
Amortization of deferred implementation costs	**400,200**	379,700
Realized gain on sale of investments	**(2,525,200)**	(3,352,500)
Unrealized (gain) loss on investments	**(11,294,500)**	42,709,100
Non-cash distribution on investments	**213,900**	349,800
Impairment of software development	**475,600**	1,159,600
(Gain) loss on disposal of fixed assets	**(7,300)**	124,000
Changes in assets and liabilities:		
Accounts receivables	**4,820,800**	(2,393,500)
Other assets	**484,000**	(2,571,200)
Accounts payable	**(400,200)**	793,600
Accrued liabilities, deferred revenue, and other	**(1,364,300)**	3,264,300
Net Cash Provided by Operating Activities	**46,246,200**	48,202,000
Cash Flows from Investing Activities		
Purchases of investments	**(34,501,000)**	(16,850,000)
Proceeds from distributions and sale of investments	**34,298,700**	34,808,600
Purchases of fixed assets	**(6,403,100)**	(5,829,300)
Capitalization of internally developed software	**(29,879,100)**	(28,153,100)
Other	**115,300**	347,600
Net Cash Used in Investing Activities	**(36,369,200)**	(15,676,200)
Cash Flows from Financing Activities		
Payments on long-term debt	**(17,414,900)**	(18,729,500)
Net Cash Used in Financing Activities	**(17,414,900)**	(18,729,500)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**770,800**	(1,883,500)
(Decrease) increase in Cash and Cash Equivalents	**(6,767,100)**	11,912,800
Cash and Cash Equivalents, beginning of year	**52,531,900**	40,619,100
Cash and Cash Equivalents, end of year	**$ 45,764,800**	$ 52,531,900
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	**$ 964,300**	$ 790,200
Supplemental Disclosure of Non-Cash Flow Information		
Fixed asset additions financed by accounts payable	**$ 930,800**	$ 585,400

See accompanying 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). Operating revenues from OCLC's wholly owned for-profit subsidiaries were $44,922,600 and $47,009,900 and operating expenses were $43,026,800 and $42,658,200 for the years ended June 30, 2023 and 2022, 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 market value. In 2023 OCLC entered into Insurance Cash Sweep (ICS) deposit programs to receive multi-million dollar FDIC protection on cash balances that 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 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 presented net of a sales allowance and an allowance for doubtful accounts. 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 doubtful accounts of $1,758,400 and $1,517,800 at June 30, 2023 and 2022, 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 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.

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, judgements, 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). At each consolidated balance sheet date, management compares the carrying value of capitalized software to the net realizable value of the software, and the carrying value in excess of future discounted cash flows is expensed currently.

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 2023 and 2022, no goodwill impairment was deemed to exist. Other intangibles, net of amortization, of $0 and $82,200 at June 30, 2023 and 2022, respectively, consist primarily of acquired customer list assets.
The changes in the carrying amount of goodwill are as follows:

Balance, June 30, 2021	$	8,432,800
Currency translation		(414,100)
Balance, June 30, 2022		8,018,700
Currency translation		61,600
Balance, June 30, 2023	$	8,080,300

Hosting Arrangements

The Corporation capitalized $227,900 and $286,000 of implementation costs related to implementation of hosted internal-use software for the years ended June 30, 2023 and 2022, 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 $11,554,100 and $11,155,820 for fiscal years 2023 and 2022, 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 their 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, 2023 and 2022. 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 translation gains or losses included as a separate component of net assets. Net assets includes net cumulative translation gains of $6,758,200 and $5,971,500 at June 30, 2023 and 2022, respectively. Foreign currency transaction losses (gains) were $463,900 and $(208,900) for the years ended June 30, 2023 and 2022, 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

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued amended accounting guidance that requires lessees to recognize most leases on the balance sheet as a lease liability and corresponding right-of-use asset. The guidance also requires disclosures that meet the objective of enabling financial statement users to assess the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, the FASB issued *ASU 2018-10* and *ASU 2018-11* (Topic 842), which allows for a transition method of adoption rather than the modified retrospective method. The Corporation adopted this guidance during the first quarter of fiscal 2023 and elected the transition option which allows the application of the guidance prospectively. The initial adoption of the guidance resulted in the recognition of lease liabilities with corresponding right-of-use assets and did not have a material impact on the Corporation's results of operations, liquidity, or debt covenant compliance under our current debt agreements. The majority of OCLC's lease spending relates to real estate. The adoption required certain changes to systems and processes.

Recent Accounting Pronouncements - Pending Adoption

Goodwill

In May 2019, the FASB issued ASU 2019-06, *Intangibles-Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958)*. This ASU will extend the Private Company accounting alternatives on goodwill and certain identifiable intangible assets to Not-for-Profit entities. This ASU has an open-ended effective date and an unconditional one-time election. The Corporation is currently evaluating the impact of this ASU on its consolidated financial statements.

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 820), Measurement of Credit Losses on Financial Instruments*. This ASU replaces the incurred loss methodology with an expected credit loss impairment model and requires consideration of broader ranges of reasonable and supportable information to calculate credit loss estimates. Additional disclosures are also required with this ASU. Currently, OCLC would be required to adopt ASU 2016-13 beginning July 1, 2023. The Corporation is in the process of reviewing the impact of this ASU on its consolidated financial statements.

2. Investments

OCLC invests available cash in major banks and 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.

Realized gains and losses related to investments are recorded using the FIFO method. The cumulative net unrealized gains on the portfolio totaled $16,466,200 and $5,171,700 at June 30, 2023 and 2022, respectively. The following schedule details investment returns:

Year ended June 30,	**2023**	2022
Dividends, interest, and other income	**$ 11,071,200**	$ 9,593,600
Net realized gain on investments	**2,525,200**	3,352,500
Net unrealized (loss) gain on investments	**11,294,500**	(42,709,100)
Total Net Investment (Loss) Gain	**$ 24,890,900**	$ (29,763,000)

3. Fixed Assets

Fixed assets include the following:

June 30,	**2023**	2022
Land and improvements	**$ 11,272,200**	$ 11,272,200
Building and improvements	**93,004,900**	91,309,300
Computer and telecommunications equipment	**48,095,300**	44,636,300
Databases	**87,532,300**	86,270,800
Software	**253,461,200**	226,767,600
Office furniture and equipment	**7,553,400**	7,258,200
Total	**500,919,300**	467,514,400
Less: accumulated depreciation and amortization	**358,230,000**	332,064,700
Fixed Assets, Net	**$ 142,689,400**	$ 135,449,700

Software development costs, related to internal use software, of $29,879,100 and $28,153,100, were capitalized in fiscal year 2023 and 2022, respectively.

Database enhancement costs of $791,800 and $975,900 were capitalized in fiscal year 2023 and 2022, respectively, and were included in databases.

A non-cash impairment of an asset was recorded in fiscal year 2023 in the amount of $404,500 related to product development work on project which were discontinued. The impairment was recorded for the entire amount spent on each project. The loss was recorded as an expense with selling, general, and administrative expenses on the consolidated statements of revenues, expenses, and net assets. A non-cash impairment of an asset was recorded in fiscal year 2022 in the amount of $242,800 related to product development work. This work was customized for a specific proposal that OCLC was not awarded. The impairment was recorded for the entire amount spent on the project. The loss was recorded as an expense with selling, general, and administrative expenses on the consolidated statements of revenues, expenses, and net assets.

4. Debt

	2023	2022
Tax-exempt financing	**$ 42,747,900**	$ 60,162,900
Debt issuance costs	**(71,000)**	(116,400)
Subtotal	**42,676,900**	60,046,500
Less: current maturities	**(13,061,000)**	(17,414,900)
Total Long-Term Debt	**$ 29,615,900**	$ 42,631,600

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, 2023. There was a balance outstanding of $4,490,700 at June 30, 2022. 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 is 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 $7,857,300 and $12,284,800 at June 30, 2023 and 2022, 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 $15,347,000 and $19,627,500 at June 30, 2023 and 2022, 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 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 $19,543,600 and $23,759,800 at June 30, 2023 and 2022. 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:

	2023	2022
Equipment, software, and databases	**$ 90,000,000**	$ 150,000,000
Less: accumulated depreciation	**60,867,200**	100,269,700
Assets, Net	**$ 29,132,800**	$ 49,730,300

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

Year ending June 30,	
2024	$ 13,061,000
2025	12,065,300
2026	8,774,200
2027	6,629,000
2028	2,218,400
Total	$ 42,747,900

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 2023 and 2022. 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, 2023 and 2022 (total of 1.1% and 1.1% at June 30, 2023 and 2022, respectively). During fiscal year 2023, $0 was borrowed and $0 was repaid with no outstanding balance at June 30, 2023. During fiscal year 2022, $0 was borrowed and $0 was repaid with no outstanding balance at June 30, 2022. 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 21, 2022, interest on amounts borrowed is payable at an effective interest rate equal to SOFR plus 1.0% at June 30, 2022 (total of 1.1% at June 30, 2022). Under the terms of the previous agreement, interest on amounts borrowed was payable at an effective interest rate equal to the

London Interbank Offered Rate (LIBOR) plus 1.0%. During fiscal years 2023 and 2022, a total of $0 was borrowed and $0 was repaid with no outstanding balance at June 30, 2023 and 2022. The amended agreement expires January 31, 2024.

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 ($1,626,878) and €1,500,000 ($1,564,400) at June 30, 2023 and 2022, respectively. Under the terms of the agreement, interest on amounts borrowed was payable at a margin above the one-month Euribor (total of 5.3% at June 30, 2023 and 1.4% at June 30, 2022). The margin is reconsidered by the bank each year in June. During fiscal year 2023 and 2022, a total of €0 ($0) was borrowed within each fiscal year 2023 and 2022. There was no outstanding balance at June 30, 2023 or 2022. 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. In 2003, OCLC established a 457(b) nonqualified voluntary contributory defined contribution savings plan for key domestic employees with no defined waiting period. The cost of these plans (included in salaries, wages, and related fringe benefits) was $6,860,100 and $7,034,800 for fiscal years 2023 and 2022, respectively.

In 1998, OCLC established a nonqualified voluntary contributory savings plan for key domestic employees and Board of Trustee members. OCLC held investment assets, recorded at fair value, purchased with the participants' voluntary contributions. Due to a change in U.S. federal tax regulations, the plan was frozen effective May 1, 2002. The assets and matching liabilities under the plan were $0 (reflected in other assets and other noncurrent liabilities) at June 30, 2022. This plan ended on June 30, 2022 and the final amounts were liquidated by participants.

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 $1,654,400 and $1,714,300 in fiscal years 2023 and 2022, 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.

Relevant postretirement benefit information is summarized as follows:

June 30,		**2023**		2022
Reconciliation of Benefit Obligation				
Benefit Obligation, beginning of plan year	$	**16,080,700**	$	15,819,900
Service cost		**655,900**		713,100
Interest cost		**737,300**		448,900
Benefits paid, net		**(572,600)**		(541,400)
Actuarial loss		**(1,342,700)**		29,800
Assumption change		**1,036,200**		(389,600)
Benefit Obligation, end of plan year	$	**16,594,800**	$	16,080,700
Net Postretirement Cost				
Service cost	$	**655,900**	$	713,100
Interest cost		**737,300**		448,900
Net amortization		**(627,200)**		(627,200)
Total Net Postretirement Cost	$	**766,000**	$	534,800
Amounts Included in Net Assets				
Unrecognized prior service credit	$	**(3,368,100)**	$	(3,995,300)
Unrecognized net loss		**333,400**		639,900
Total Amounts Included in Net Assets	$	**(3,034,700)**	$	(3,355,400)
Reconciliation of Unrecognized Net Gain				
Unrecognized Net Loss (Gain), beginning of year	$	**639,900**	$	999,800
Actuarial loss		**(1,342,700)**		29,700
Gain (liability) due to change in assumptions		**1,036,200**		(389,600)
Unrecognized Net Loss, end of year	$	**333,400**	$	639,900
Benefit Obligations Recognized in Net Assets				
Net (gain) loss	$	**(306,500)**	$	(359,800)
Amortization of prior service credit		**627,200**		627,200
Total Benefit Obligations Recognized in Net Assets	$	**320,700**	$	267,400

Amounts recognized on the consolidated balance sheets were as follows:

June 30,		**2023**		2022
Accrued liabilities - current	$	**581,000**	$	587,000
Other noncurrent liabilities		**16,013,700**		15,493,700
Total Amount Recognized	$	**16,594,700**	$	16,080,700

Actuarial assumptions used in determining these amounts included a weighted-average discount rate of 5.24% and 4.67% at June 30, 2023 and 2022, respectively, and an annual increase in medical expense of 7.75%, declining to 4.75% in 2030 and thereafter.

No plan amendments were made during fiscal 2023 or 2022.

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

Year ending June 30,		
2024	$	581,000
2025		598,000
2026		661,000
2027		692,000
2028		732,000
2029-2033	$	4,797,000

7. Income Taxes

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). At June 30, 2022, OCLC has a net deferred tax asset of $5,183,000 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 $414,000 and $296,000 at June 30, 2023 and 2022, 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, 2023 and 2022.

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). At June 30, 2022, domestic and foreign net operating loss carryforwards for income tax reporting purposes are approximately $20,750,000 (all foreign, principally in the United Kingdom and Canada). The Canadian carryforwards expire through fiscal year 2038.

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, 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	**241,035,100**	**-**	**-**	**241,035,100**
Total Liabilities, at fair value	**$ -**	**$ -**	**$ -**	**$ -**

June 30, 2022

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	$ 96,410,500	$ -	$ -	$ 96,410,500
Equity	118,432,200	-	-	118,432,200
Alternatives	12,384,400	-	-	12,384,400
Total Assets, at fair value	227,227,200	-	-	227,227,200
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.

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 2023 or 2022.

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		

June 30, 2022

	Fair Value	Redemption Frequency	Redemption Notice Period
Mutual funds:			
Fixed income	$ 96,410,500	Daily	1 Day
Equity - domestic	41,424,600	Daily	1 Day
Equity - global	77,007,600	Daily	1 Day
Alternatives	12,384,400	Daily	1 Day
	$ 227,227,100		

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 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, 2023 and 2022, 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:

Year ended June 30,	**2023**	2022
Revenue recognized at a point in time	**$ 12,662,600**	$ 12,594,500
Revenue recognized over time	**210,579,000**	205,050,100
Revenue not subject to ASC 606	**1,378,200**	1,883,200
Total Revenue	**$ 224,619,800**	$ 219,527,800

OCLC contract liabilities:

June 30,	**2023**	2022
Deferred revenue recognized at a point in time	**$ 456,200**	$ 555,700
Deferred revenue recognized over time	**39,296,600**	38,681,900
Total Deferred Revenue	**$ 39,752,800**	$ 39,237,600

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, 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**

Year ended June 30, 2022

	Program	General and Administrative	Total
Operating Expenses			
Salaries, wages, and related fringe benefits	$ 118,289,000	$ 14,646,100	$ 132,935,100
Depreciation and amortization	23,540,500	3,239,800	26,780,300
Library services	19,572,900	2,465,300	22,038,200
Selling, general, and administrative	15,772,400	3,393,600	19,166,000
Buildings and utilities	5,841,500	-	5,841,500
Total Operating Expenses	$ 183,016,300	$ 23,744,800	$ 206,761,100
Other Non-operating Expenses	-	2,013,000	2,013,000
Total Expenses	$ 183,016,300	$ 25,757,800	$ 208,774,100

11. Leases

Upon adoption of the new lese accounting standard, the Corporation elected the package of three practical expedients permitted under the transition guidance, which includes the carry forward of prior leases without reassessing 1) whether any contracts are leases or contain leases, 2) lease classification, and 3) initial direct costs. By electing the practical expedients, OCLC will continue to account for leases that commence before the effective date in accordance with previous U.S. GAAP unless the lease is modified.

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 year 2023 was immaterial.

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.

The Corporation's leases have remaining lease terms from less than 1 year up to approximately 10 years.

Future lease payments under non-cancellable leases as of June 30, 2023 were as follows:

	Operating Leases	Finance Leases
2024	$ 1,226,200	$ -
2025	941,300	-
2026	677,200	-
2027	537,800	-
2028	329,200	-
Thereafter	1,001,400	-
Total future lease payments	4,713,100	-
Less: imputed interest	(212,500)	-
Total lease liabilities	$ 4,500,600	$ -

Component of Lease Costs Year ended June 30, 2023	Operating Leases	Finance Leases
Fixed Lease Cost	$ 2,134,300	$ -
Variable Lease Cost	-	-
Total Lease Cost	$ 2,134,300	$ -

Weighted-average remaining lease term (years)	**2023**
Operating leases	**5.23 years**

Weighted-average discount rate	**2023**
Operating leases	**2.78%**

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

Non-cash right-of-use assets obtained in exchange for lease obligations:		**2023**
New operating leases	$	**542,900**
New finance leases	$	**-**
New operating lease liabilities inclusive of adoption of ASC 842	$	**5,507,700**

The Corporation's rental expense relating to operating leases was $2,090,964 for fiscal year 2022.

12. Subsequent Events

The Corporation has performed an evaluation of subsequent events through September 18, 2023, 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, 2023.