OHIONET

OHIONET

2004 - 2005
Annual Report

Board of Trustees

Mr. Don W. Barlow (2006)
Director
Westerville Public Library
126 S. State Street
Westerville, OH 43081
(614) 882-7277, x140
(614) 882-5369 (FAX)
barlowd@westervillelibrary.org

Ms. Jean Mulhern (2005)
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S. Arthur Watson Library,
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jean_mulhern@wilmington.edu

Ms. Theresa Byrd (2006)
Director of Libraries
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Ms. Priscilla Ratliff, (2006)
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Ms. Lisa Plymale (2005)
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330/325-0522 (FAX)
lma@riker.neoucom.edu

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Health Center Library
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(937) 372-4673 (FAX)
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Ms. Ann Moore (2005)
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Upper Arlington Public Library
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614/486-4530 (FAX)
moorea@oplin.lib.oh.us

Ms. Meribah Mansfield (2007)
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(614) 807-2642 (FAX)
meribah@worthingtonlibraries.org

Ms. Julia Zimmerman (2007)
Dean, University Libraries
Ohio University
Alden Library
Athens, Ohio 45701-2971
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(740) 593-2708 (FAX)
zimmerj1@ohio.edu

Advisory Councils

Charge & Organization

A membership organization is no stronger than its connection to the members it serves. To gather input for the development of new member products and services, OHIONET utilizes Advisory Councils drawn from member libraries and Ohio organizations.

OHIONET has had a long history of utilizing Advisory Councils to guide services. The members of past Advisory Councils have both strengthened OHIONET and themselves as they have gone on to serve in advisory capacities to other Ohio library organizations such as INFOhio, OhioLINK, and OPLIN. Such cross-pollination of ideas has yielded cooperative ties that have been invaluable to these individuals and organizations alike.

OHIONET is expanding upon these successes in its new Advisory Councils. The purpose of the new OHIONET Advisory Councils is to consult with OHIONET staff to identify products, services, and trends of interest to the membership. This information is used to formulate both large scale (strategic) and small scale (quarterly) planning. The process of consulting is the productive output of the Advisory Councils.

There are three individual Advisory Councils, each of which works with OHIONET staff on specific topics. The Councils are: Reference and Resource Sharing, Technology, and Training. Members of these councils serve for one-year terms. Each Council meets two to three times per year, usually at the OHIONET offices. Additional meetings may be added for work on special projects.

The composition, number, and charges of the Advisory Councils are subject to change as the needs of OHIONET's membership changes. Questions, comments, or interest regarding the Advisory Councils may be directed to Christine Morris at christinem@ohionet.org or 800-686-8975, ext. 29.

Reference & Resource Sharing Advisory Council

(Term Ending June 30, 2006)

• *Chris Tucker*
SEO Library Center

• *Lynda Hartel*
Prior Health Sciences Library
Ohio State University

• *Nathan Hellmers*
Learning Resources Center
Sinclair Community College

• *Brian Hickam, Carlson Library*
University of Toledo

• *Carole Hinchcliff*
Moritz College of Law
Ohio State University

• *Jerry Newman*
University Libraries
University of Cincinnati

• *Patty Rothermich*
Courtright Memorial Library
Otterbein College

• *Brian DeLuca*
Avon Lake Public Library

• *Sally Kramer*
Public Library of Cincinnati & Hamilton County

• *Mark Mabelitini*
Westerville Public Library

• *Elizabeth Nace*
North Coast Educational Media Center

• *Debbie Tavenner*
Ohio Legislative Service Commission

Advisory Councils

The Reference & Resource Sharing Council meets to discuss topics relating to reference & resource sharing in academic, public, school, and special libraries. The Reference & Resource Sharing Council is comprised of ten to fifteen members representing all of these types of libraries. These members have been invited to participate by the Electronic Services Coordinator and the Member Services Representative. The meetings are led by the Member Services Representative. The Electronic Services Coordinator is present and participating in the meetings, and other OHIONET staff may also be invited to attend the Advisory Council meetings as needed. A specific duty of some of the members of this Advisory Council will be to consult on reference databases used and desired by our members, particularly new offerings and/or new vendors. Minutes from each meeting will be shared with Reference & Resource Sharing Council members and other members of the OHIONET staff, Board, and other Advisory Councils to promote awareness of current and future issues.

Technology Advisory Council

(Term Ending June 30, 2006)

• *Robert Kairis*
Stark Campus Library
Kent State University

• *Corey Seeman*
Carlson Library
University of Toledo

• *Bruce Jeppensen*
Cleveland State University Library

• *Carrie Phillips*
Musselman Library
Bluffton University

• *Susan Allen*
Worthington Public Library

• *Kristen Hewitt*
Westerville Public Library

• *Karen Perone*
Rodman Public Library

• *Sara Klein*
Upper Arlington Public Library

• *Julie Sigrist*
Clermont County Public Library

• *Kathy Schnell*
Cuyahoga County Public Library

• *Laura Solomon*
Cleveland Heights –
University Heights Public Library

The Technology Council meets to discuss topics relating to technology in academic, public, school, and special libraries. The Technology Council is comprised of ten to fifteen members representing all of these types of libraries. These members have been invited to participate by the Director of Consortium and Technology Services and the Member Services Representative. The meetings are led by the Director of Consortium and Technology Services and/or the Director's designee(s). OHIONET staff, especially OHIONET technology staff, may also be invited to attend the Advisory Council meetings as needed. Minutes from each meeting will be shared with Technology Council members and other members of the OHIONET staff, board, and other Advisory Councils to promote awareness of current and future issues.

Training Advisory Council

(Term Ending June 30, 2006)

• *Jay Burton*
State Library of Ohio

• *Sharon Bressert-Purtee*

Advisory Councils

University Libraries, University of Cincinnati
• John Burke
Gardner-Harvey Library
Miami University, Middletown

• Margaret Maurer
Kent State University Libraries & Media Services

• Connie Kuns
Columbus Metropolitan Library

• Gayle Patton
Mansfield-Richland County Public Library

• Kristin Shelley
Columbus Metropolitan Library

• Cynthia DuChane
INFOhio

• Arleen Leslie
Marysville Public Library

• Tom Adkins
Garnet A. Wilson Public Library

• David Topoleski
Toledo-Lucas County Public Library

The Training Council meets to discuss topics relating to training in academic, public, school, and special libraries. The Training Council is comprised of ten to fifteen members representing all of these types of libraries. These members have been invited to participate by the Director of Library and Member Services and the Member Services Representative. The meetings are led by the Director of Library and Member Services. Other OHIONET staff may be invited to attend the Advisory Council meetings as needed. Minutes from each meeting will be shared with Training Council members and other members of the OHIONET staff, board, and other Advisory Councils to promote awareness of current and future issues.

OCLC Members

The OHIONET delegates to the 2005-2008

OCLC Members Council are as follows:

• Stephen Foster
University Librarian
Wright State University
stephen.foster@wright.edu
May 30, 2008

• Meribah Mansfield
Director/Clerk Treasurer
Worthington Libraries
meribah@worthingtonlibraries.org
May 30, 2008

The alternate delegates are:

• Judith Sessions
Dean
Miami University Libraries
judith@lib.muohio.edu
May 30, 2008

• Magda El-Sherbini
Head of Cataloging
The Ohio State University Libraries
el-sherbini.1@osu.edu
May 30, 2008

OHIONET delegates to the OCLC Members Council represent OCLC member libraries at OCLC Members Council meetings. It is through the Members Council that members' needs are voiced to influence OCLC policy and planning.

The actual number of delegates allotted to each OCLC network is based on a formula that recognizes both the number of participating member libraries and the total financial contribution to OCLC. OHIONET continues to have two delegate and two alternate positions this year. As delegate and alternate terms of service expire, new delegates are elected by OHIONET members each April.

Introduction

If one word could describe the OHIONET 2004/2005 fiscal year, that word would certainly be change. Like many of you, OHIONET took a fresh look at the way we do business. We worked to align the organization with member needs, improve communication, partner with the library community, and provide cost-effective products and services in the user-driven environment of 21st century libraries.

Accounting and Business Services

That change began in Fiscal Year 2004/2005 with the Accounting and Business Services Department. In preparation for the Annual Price List, staff simplified the format of the prepayment subscription invoice and the price list itself.

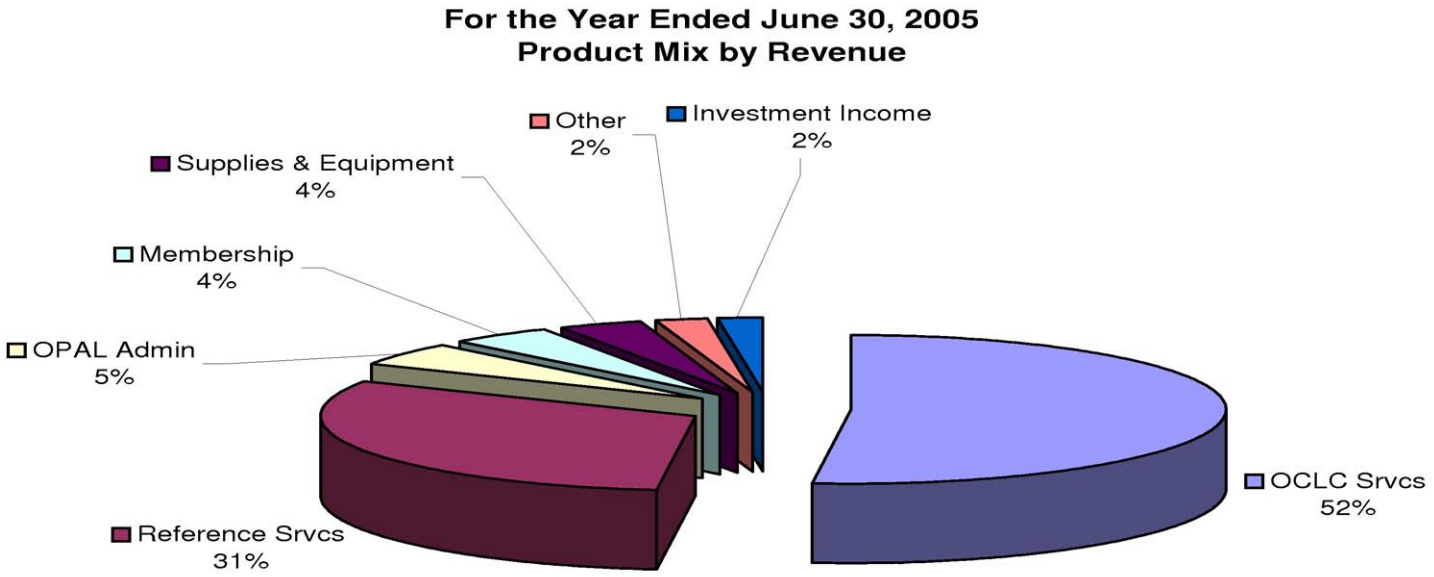
In July 2004, OHIONET changed its investment strategy from a very conservative model to a moderate approach by working with TIAA-CREF Trust, a company familiar to many members as the administrator of their retirement plans. TIAA-CREF, however, also offers institutional trust and investment services. OHIONET has enjoyed success by maintaining principle while increasing investment returns.

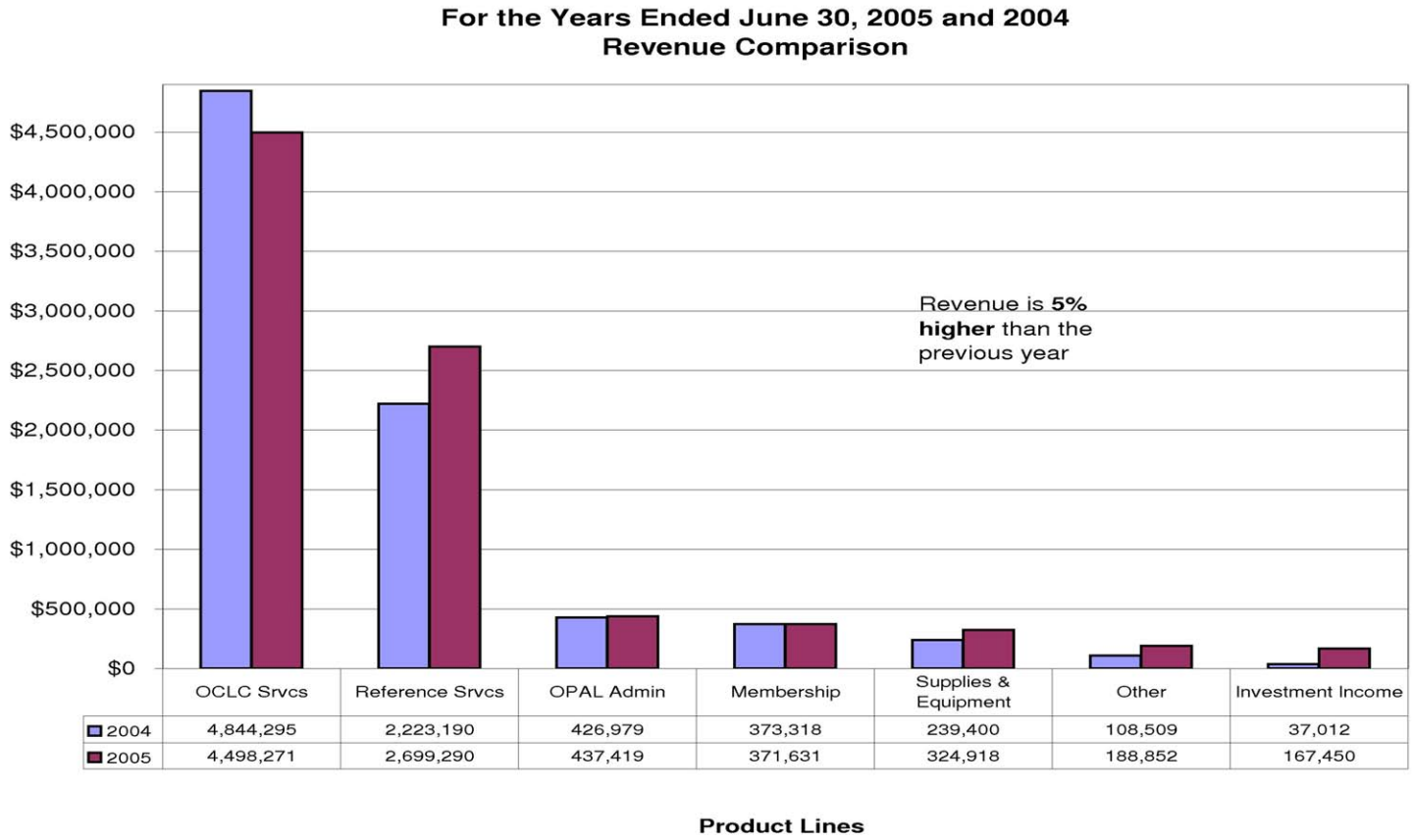
The decision to put the annual audit out for bid was another major change. In an effort to take a proactive approach to the Sarbanes-Oxley Act and to follow the best practices of other library membership organizations, OHIONET surveyed the OCLC Regional Service Providers and learned that the majority put their audit out for bid every five years. OHIONET had used the same audit firm for more than 20 years. At the recommendation of OHIONET management, the OHIONET Board of Trustees voted to put the audit out for bid. After analyzing the proposals of the five firms that were invited to participate in the Request for Proposal process, the Board chose GBQ Partners LLC as the new auditor. Founded in 1953, GBQ has invested heavily in technology and has experience with non-profit clients.

The Accounting and Business Services Department continued this year to encourage members to use MyAccount, the e-business solution, to verify invoices and account balances, reprint invoices and statements, and track dollars spent on products and services.

Accounting and Business Services

OHIONET Revenue





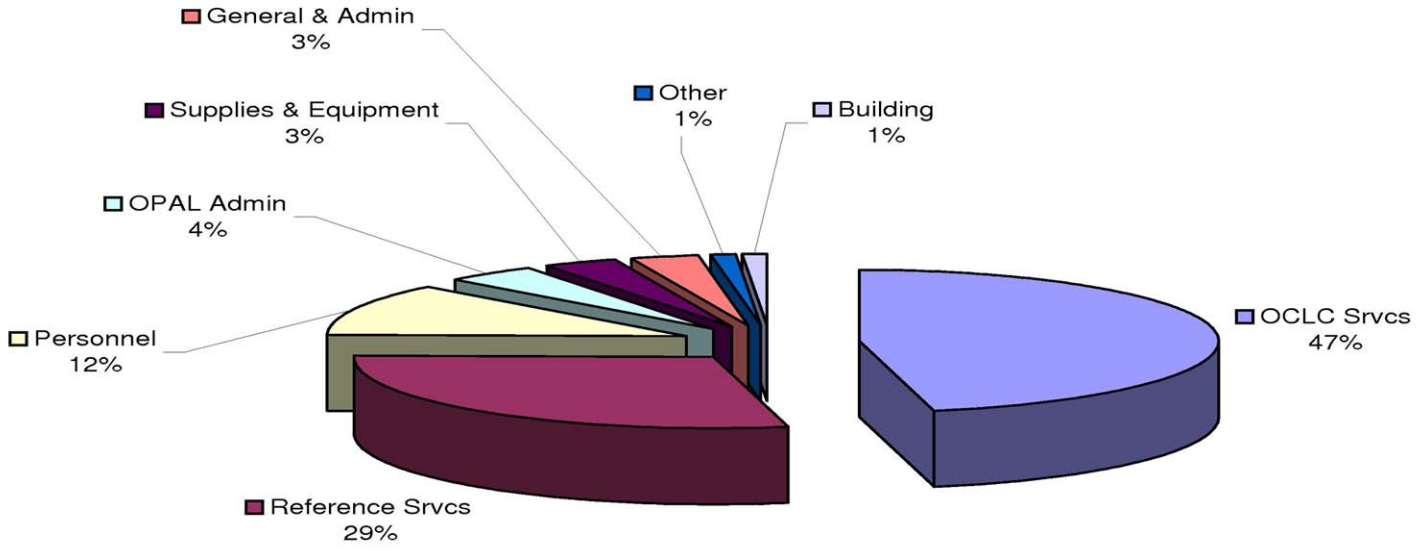
	OCLC Srvcs	Reference Srvcs	OPAL Admin	Membership	Supplies & Equipment	Other	Investment Income
2004	4,844,295	2,223,190	426,979	373,318	239,400	108,509	37,012
2005	4,498,271	2,699,290	437,419	371,631	324,918	188,852	167,450

Total Revenue was $8,688K compared to $8,253K for YTD June 2004; this is an increase of $435K or 5% over last year. We experienced growth from reference databases, workshops, equipment, and investment income. The most popular workshops last year dealt with OCLC's conversion to Connexion; other well-attended workshops covered WorldCat Resource Sharing, OPLIN databases, and copyright. Equipment sales exceeded expectations due to large purchases of 3M security systems. The new investment strategy with TIAA-CREF Trust led to the increased investment income.

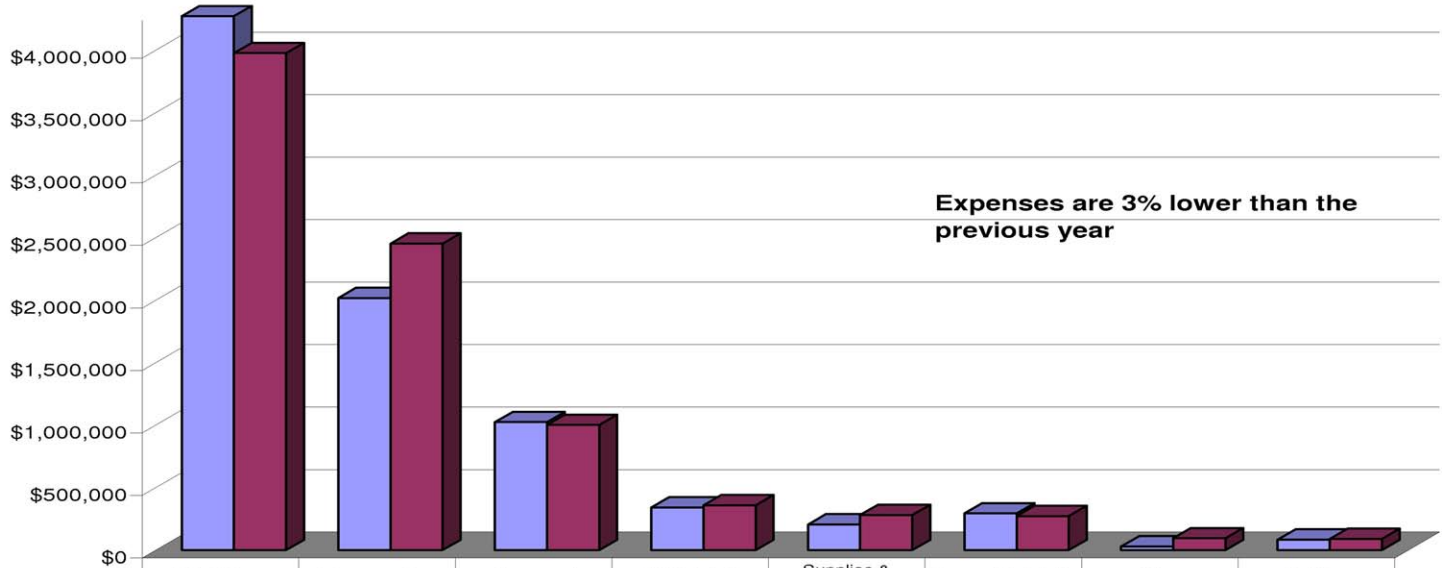
Accounting and Business Services

OHIONET Expenses

For the Year Ended June 30, 2005
Expenses



For the Years Ended June 30, 2005 and 2004
Comparison of Expenses



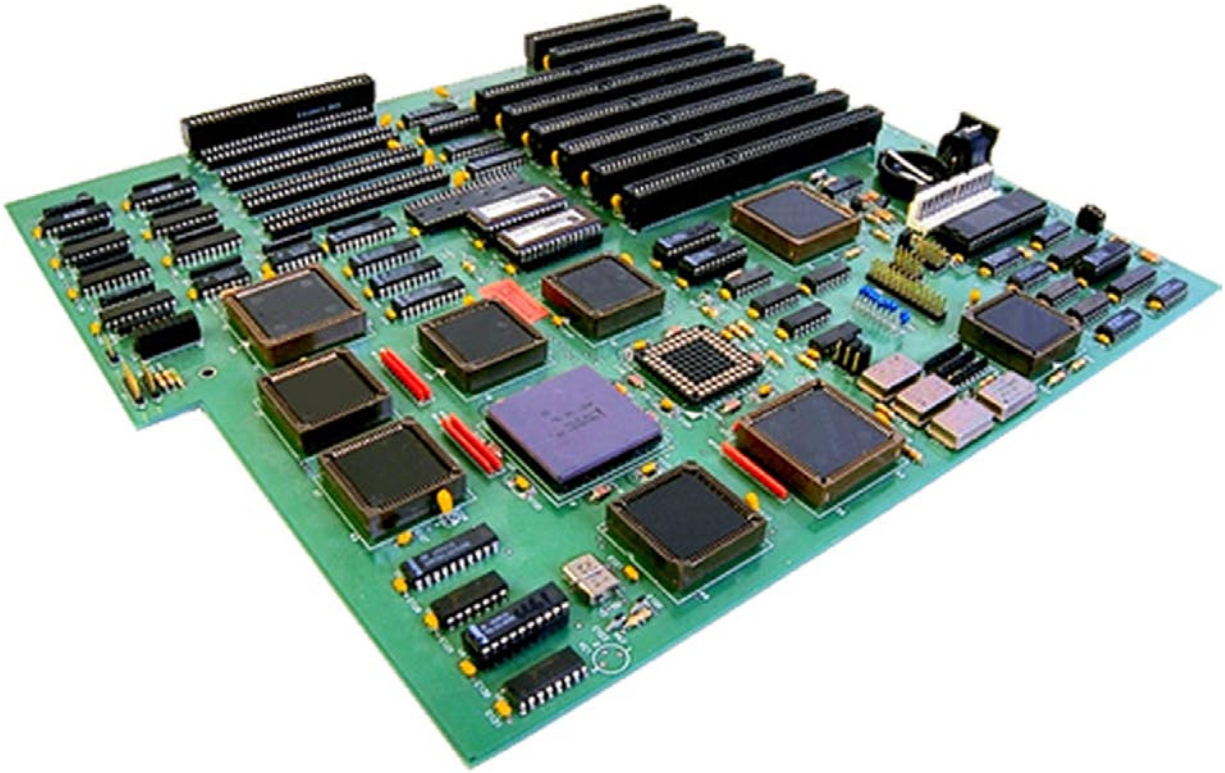
	OCLC Srvcs	Reference Srvcs	Personnel	OPAL Admin	Supplies & Equipment	General & Admin	Other	Building
2004	4,272,623	2,017,405	1,023,372	341,398	204,842	294,272	28,934	83,497
2005	3,977,298	2,453,272	1,001,176	359,614	281,249	273,698	95,831	90,053

Expenses were $8,532K for YTD June 2005 versus $8,266K for YTD June 2004, an increase of $266K or 3% from last year. The biggest reason for this was increased expense resulting from the higher sales of reference services and equipment.

Fixed Assets

OHIONET made several major improvements to its building last year. We upgraded our elevator and replaced the steel, fire doors at the stairwells, adding windows for increased safety.

Consortium and Technology Services



The Consortium and Technology Services (CTS) Department, created in 2003, is responsible for overseeing all aspects of OHIONET's technological infrastructure. The Department provides internal service to OHIONET staff by maintaining the organization's internal network, workstations, and services. This year, CTS staff implemented a wireless network, readily accessible by staff and visitors to the OHIONET facility.

The Department also provides web hosting, development, and design services to members and non-members. Staff completed a redesign of the OHIONET web site as well as significant web development projects for the Clark County and Clermont County Public Libraries.

In addition to hosting external websites for Ohio libraries and library organizations, staff also manages other hosted technology services for OHIONET members. During the fiscal year, the Department began to offer remote database access service to complement the OHIONET Reference Database program. This service allows libraries to provide off-campus or at-home access for their restricted-access reference subscriptions. To provide this service, CTS staff installs, configures, maintains, and provides end-user support for a proxy server at OHIONET for 18 libraries.

The CTS Department also administers the Innovative Interfaces integrated library system for the Ohio Private Academic Libraries (OPAL), a consortium of 21 academic libraries. In that capacity, the Department provides end user support and training to OPAL library staff. During the fiscal year, the Department implemented operational changes outlined in the 2005-2008 OHIONET-OPAL contract. The contract called for greater efficiency by integrating OPAL systems and operations into those already in place for OHIONET.

Staff has also worked extensively with OhioLINK and Innovative Interfaces, Inc., to explore an OHIONET-administered, shared Innovative system for community college and independent college OhioLINK members currently maintaining independent Innovative servers.

Library and Member Services

The Library and Member Services Department is responsible for the development and implementation of OHIONET's program of services to members. Services are developed in collaboration with OHIONET staff, the OHIONET Board of Trustees, and member libraries.

The Department continues to encourage member involvement and to seek innovative ways of communicating with members, with the goal of delivering a consistent message and service program. During Fiscal Year 2004/2005, the Department re-established three Advisory Councils (Reference and Resource Sharing, Technology, and Training) to gather input and determine member needs. In May, OHIONET reinstituted the Annual Membership Meeting. One hundred twenty members heard Marshall Keys and other library leaders address how societal changes and personalized technology are redefining the library landscape. You may have seen our staff in your libraries more often this year. Staff has increased their schedule of library site visits to insure that we visit all 300-plus members at least once each fiscal year.

In response to member requests, OHIONET took selected workshops and update sessions on the road to provide training in various regions of the state. Three digital project symposia were developed in response to emerging digital project information needs. Six free OHIONET update sessions were held in five locations around the state where staff shared timely information about product enhancements, pricing, and new ventures. The Department published two Continuing Education Calendars with more than eighty workshop opportunities. Workshop topics included copyright, grant writing, and Chinese-Japanese-Korean (CJK) cataloging. The goal of the continuing education program is to offer a blend of product-specific workshops with topics of current interest to the library community.

Library and Member Services

The Department added two new staff members in the member support area. Roman Panchyshyn supports OCLC cataloging activity and has been the catalyst for the expansion of cataloging workshops. He also consults with libraries in the areas of technical services workflow, cataloging, and digitization. Christine Morris came to OHIONET from the Columbus Metropolitan Library to work with public library members. Christine's responsibilities include the reference database program for public libraries and newsletter and Advisory Council coordination.

The Department coordinated the redesign of the OHIONET website, which included a complete revision of all content to better define the benefits of OHIONET membership and highlight products and services. The new website design also incorporated the OHIONET membership database. Now, members have access to their financial information, membership contact information, and electronic resource subscriptions from the MyAccount menu option. Communiqué, the electronic announcement list created in 2003, continued to be an effective tool for targeted communication of time-sensitive information.

In addition to the support of OCLC products and services, OHIONET continues to develop new services in response to member needs. Many libraries participate in the Reference Database discount program. The past fiscal year saw new titles and publishers added to the program and changes to its administration. OHIONET moved to an online renewal process for databases, which saves staff time and provides members renewal information as soon as we receive it from publishers. Renewal pricing, historical subscription data and quick notification are some of the features of this system. OHIONET added consulting services in two new areas in FY 2004/2005 – cataloging and technical services workflow and digitization. Both have been popular with the membership.

Staff visits to member libraries and member feedback were instrumental in increased revenue from the sales of products and supplies during the year. The most popular product discounts are 3M security systems, labels, and scanners.

OHIONET is proud of its multitype membership and strives to be a conduit for communication between libraries and library organizations and a catalyst for collaboration. This year, staff members Mary Conroy and Larry Fischer worked with Lynda Hartel of The Ohio State University's Prior Health Sciences Library to develop a collection management survey tool for health sciences materials. The cmSurvey Tool was selected by ALA as a poster session at the Chicago Annual Conference. OHIONET partnered with OPLIN for the 2005 OPLIN/ OHIONET Public Library Reference Database Spring Preview, which increased awareness of the electronic resources available to the library community and resulted in significant savings.

In 2004/2005, OHIONET staff took part in the conferences you attended – OELMA and INFOhio, ALAO, the Ohio Library Council, the West Virginia Library Conference. Whether through financial support, program planning, presentations, or exhibits, OHIONET staff is engaged in the activities that affect you and committed to making OHIONET a strong membership organization that meets your needs.

OHIONET
Financial Statements
June 30, 2005 and 2004

GBQ Partners | Certified Public Accountants and Consultants

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Columbus, Ohio 43215

614.221.1120
Fax 614.227.6999
www.gbq.com

To the Board of Trustees and Members of
OHIONET
Columbus, Ohio

Independent Auditors' Report

We have audited the accompanying statement of financial position of OHIONET as of June 30, 2005, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of OHIONET's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of OHIONET as of June 30, 2004 were audited by other auditors whose report dated September 21, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2005 financial statements referred to above present fairly, in all material respects, the financial position of OHIONET as of June 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

GBQ Partners LLC

Columbus, Ohio
August 23, 2005

50 Years of Excellence

An independent member of the BDO Seidman alliance.

OHIONET

Statements of Financial Position
June 30, 2005 and 2004

ASSETS

	2005	2004 (as restated)
Current Assets		
Cash and cash equivalents	**$ 2,186,695**	$ 3,295,077
Marketable securities	**2,102,526**	497,278
Accounts receivable	**1,682,516**	1,936,944
Inventories	**14,904**	25,575
Prepaid expenses and deposits	**1,036,636**	890,281
Total current assets	**7,023,277**	6,645,155
Property and Equipment		
Land and building	**990,868**	931,121
Office furniture and equipment	**635,469**	642,394
	1,626,337	1,573,515
Less: accumulated depreciation	**(876,053)**	(774,170)
Net property and equipment	**750,284**	799,345
Other Assets		
Equipment and software licenses held on behalf of Ohio Private Academic Libraries (OPAL) participants	**1,512,935**	1,513,786
TOTAL ASSETS	**$ 9,286,496**	$ 8,958,286

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	**$ 264,940**	$ 279,538
Accounts payable - Online Computer Library Center (OCLC)	**443,308**	560,140
Advance payments from members	**1,007,743**	943,961
Unearned revenue - reference services	**1,064,387**	920,045
Unearned revenue - OPAL administration	**483,000**	63,000
Total current liabilities	**3,263,378**	2,766,684
Long-Term Liabilities		
Amounts held for benefit of OPAL participants	**2,531,248**	2,855,372
Total liabilities	**5,794,626**	5,622,056
Net Assets		
Unrestricted	**2,729,590**	2,565,367
Unrestricted - board designated	**762,280**	770,863
Total net assets	**3,491,870**	3,336,230
TOTAL LIABILITIES AND NET ASSETS	**$ 9,286,496**	$ 8,958,286

The accompanying notes are an integral part of the financial statements.

OHIONET

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2005 and 2004

	2005	2004 (as restated)
Revenues:		
OCLC services	**$ 4,498,271**	$ 4,844,295
Reference services	**2,699,290**	2,223,190
OPAL administration	**437,419**	426,979
Membership	**371,631**	373,318
Supplies and small equipment	**324,918**	239,400
Other products and services	**188,852**	108,509
Investment income	**167,450**	37,012
Total revenues	**8,687,831**	8,252,703
Expenses:		
OCLC services	**3,977,298**	4,272,623
Reference services	**2,453,272**	2,017,405
Personnel costs	**1,001,176**	1,023,372
OPAL administration	**359,614**	341,398
Supplies and small equipment	**281,249**	204,842
General and administrative	**273,698**	294,272
Other products and services	**95,831**	28,934
Building expense	**90,053**	83,497
Total expenses	**8,532,191**	8,266,343
Increase (Decrease) in Unrestricted Net Assets	**155,640**	(13,640)
Unrestricted Net Assets - Beginning of Year	**3,336,230**	3,456,373
Less: Prior Period Adjustment - Correction of an Error	**-**	(106,503)
Unrestricted Net Assets - Beginning of Year	**3,336,230**	3,349,870
Unrestricted Net Assets - End of Year	**$ 3,491,870**	$ 3,336,230

The accompanying notes are an integral part of the financial statements.

OHIONET

Statements of Cash Flows
For the Years Ended June 30, 2005 and 2004

	2005	2004 (as restated)
Cash Flows from Operating Activities:		
Increase (decrease) in unrestricted net assets:	**$ 155,640**	$(13,640)
Adjustments to reconcile increase (decrease) in unrestricted net assets to cash provided by (used in) operating activities:		
Depreciation	**113,500**	126,041
Net gain on marketable securities	**(59,904)**	-
(Increase) decrease in operating assets:		
Accounts receivable	**254,428**	(355,897)
Inventories	**10,671**	5,162
Prepaid expenses and deposits	**(146,355)**	(305,473)
Equipment and software licenses held on behalf of OPAL participants	**851**	(109,065)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	**(14,598)**	49,552
Accounts payable - OCLC	**(116,832)**	80,017
Advance payments from members	**63,782**	(49,464)
Unearned revenue - reference services	**144,342**	318,319
Unearned revenue - OPAL administration	**420,000**	3,000
Amounts held for benefit of OPAL participants	**(324,124)**	233,096
Total adjustments	**345,761**	(4,712)
Net cash provided by (used in) operating activities	**501,401**	(18,352)
Cash Flows from Investing Activities:		
Purchase of property and equipment	**(64,439)**	(45,250)
Net change in marketable securities	**(1,545,344)**	1,683,998
Net cash (used in) provided by investing activities	**(1,609,783)**	1,638,748
Net (decrease) increase in cash and cash equivalents	**(1,108,382)**	1,620,396
Cash and Cash Equivalents - Beginning of Year	**3,295,077**	1,674,681
Cash and Cash Equivalents - End of Year	**$ 2,186,695**	$ 3,295,077

The accompanying notes are an integral part of the financial statements.

Nature and Scope of Business

OHIONET was incorporated in December 1977 as a not-for-profit organization to maintain a library network and to provide bibliographic cataloging services and other library-related products, services and information for its members, primarily academic institutions and public libraries in Ohio.

Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Financial Statement Presentation

OHIONET reports information regarding its financial position and activities according to three classes of net assets as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations and are available for use in OHIONET's ongoing operations.

- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that expire by passage of time, can be fulfilled and removed by action of OHIONET pursuant to those stipulations, and/or upon receipt of the funding. OHIONET did not have any temporarily restricted net assets at June 30, 2005 and 2004.

- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that the principal be maintained permanently by OHIONET. OHIONET did not have any permanently restricted net assets at June 30, 2005 and 2004.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits, money market accounts and certificates of deposit with an original maturity of three months or less.

Marketable Securities

Marketable securities consist of investments in mutual funds and certificates of deposit with original maturities greater than three months. The mutual funds are recorded at fair value based on readily determinable quoted market values. The certificates of deposit are recorded at cost which approximates fair value.

Summary of Significant Accounting Policies (continued)

Unrealized and realized gains and losses are included in investment income in the accompanying statements of activities.

Marketable securities are exposed to various risks such as interest rate, market and credit risks. Accordingly, it is at least reasonably possible that changes in the values of marketable securities may occur in the near term, which could be material.

Accounts Receivable and Revenue

OHIONET provides services and products to its members by assessing membership and administrative fees, as well as surcharges on certain products in order to cover operating expenses. Revenue related to products and services that OHIONET provides to its members and customers are recognized as revenue in the month that the product is shipped or service is provided to the member. Member payments for certain products and services are recorded as unearned revenue based on amounts collected and then recognized as revenue either in the month the product or service is provided or on a monthly pro-rata basis matching the subscription term. Membership dues are billed annually and are recognized on a pro-rata basis over the fiscal year.

OHIONET utilizes the allowance method to recognize potentially uncollectible amounts based on management's estimation of the amount that may not be collected. The estimation takes into consideration overall historical collection trends as well as past history with specific members. Actual results could vary from the estimate. Accounts are charged against the allowance when management deems them to be uncollectible. Account balances over 30 days old are considered delinquent. Interest is not charged by OHIONET on past due accounts. No allowance was recorded due to management's estimate that all accounts are collectible as of June 30, 2005 and 2004.

Inventories

Inventories include supplies held for resale and are valued at the lower of cost or market, using primarily the first-in, first-out method of valuation.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over their estimated useful lives ranging from 3 to 46.5 years. Major acquisitions and improvements are capitalized and depreciated. Maintenance and repairs, which do not improve or extend the useful lives of the respective assets, are charged to expense as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income.

Advance Payments from Members

OHIONET receives advance funding from members when the member anticipates buying certain products or services in the future but has not entered into a

Summary of Significant Accounting Policies (continued)

transaction to do so. Accordingly, such payments received are reported as liabilities on the statements of financial position.

Board Designated Net Assets

The Board of Trustees of OHIONET established a reserve fund to explore opportunities in technology and telecommunications, as well as to expand services, membership and revenue. Funds designated by the board for this purpose are included in cash and cash equivalents and marketable securities in the accompanying statements of financial position.

Income Taxes

OHIONET is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes was made in the accompanying financial statements.

Reclassifications

Certain amounts in the 2004 financial statements were reclassified for comparative purposes to conform to the presentation in the 2005 financial statements.

Cash and Cash Equivalents

OHIONET maintains its cash and cash equivalents in six accounts with two financial institutions.

Marketable Securities

A summary of marketable securities at June 30 is as follows:

	2005		2004	
	Cost	**Market Value**	Cost	Market Value
Equity mutual funds	**$ 630,636**	**$ 669,287**	$ -	$ -
Fixed income mutual funds	**1,439,578**	**1,433,239**	-	-
Certificates of deposit	**-**	**-**	497,278	497,278
	$2,070,214	**$2,102,526**	$ 497,278	$ 497,278

Marketable Securities (continued)

Total investment income for marketable securities as well as cash and cash equivalents consisted of the following at June 30:

	2005	2004
Interest and dividends	**$ 107,546**	$ 37,012
Net realized and unrealized gains	**59,904**	-
	$ 167,450	$ 37,012

The Ohio Private Academic Libraries (OPAL) Project

OHIONET entered into separate agreements with Ohio private academic libraries to form a concentrated participant group for the primary purpose of establishing a multi-user online public access library cataloging system (the OPAL System) on a more affordable basis. A summary of the agreements is as follows:

- During fiscal year 1998, 17 participants signed an initial three-year agreement.
- Effective July 1, 2002, 19 participants signed new three-year agreements. During the fiscal year ended June 30, 2004, two additional institutions joined the group.
- Effective July 1, 2005, 21 participants signed three-year agreements.

In order to be a participant in the OPAL System, the library must be a member of OHIONET and have paid the annual participant subscription fee. Each participant has representation and a vote on the OPAL Directors Council. This Council is not subject to the control of the management or the Board of Trustees of OHIONET.

OHIONET is the contracted administrator of and agent for the OPAL System. OHIONET is primarily responsible for negotiating contracts with a software cataloging company and a computer hardware company, developing and maintaining the web-based hosting site and facilitating the assembling of the OPAL Directors Council. OHIONET sends subscription fee invoices on an annual basis to the participants. The invoices are established annual amounts, including a contingency fund reserve, pursuant to each executed contract. Through the contract term ending June 30, 2005, revenue is recorded monthly by OHIONET based on actual costs incurred for that month, which OHIONET is responsible to incur and pay, plus a pro-rata portion of the administrative fee. All expenditures were approved by the OPAL Directors Council. Effective for the contract period beginning July 1, 2005, the planned program expenditures were consolidated into a single administrative fee. A contingency reserve is still collected and any incremental non-planned program expenditures are approved by the OPAL Directors Council and paid for using the accumulated contingency reserve funds. Unspent funds plus investment earnings as well as the contingency reserve are held by OHIONET, as the agent, for future use by the OPAL participants.

The Ohio Private Academic Libraries (OPAL) Project (continued)

Termination by a participant does not eliminate the obligation of the participant to make all payments required by the agreement. The OPAL agreement allows the OHIONET Board of Trustees to end its participation in the OPAL project by providing 90 days notice to all OPAL participants. Should OHIONET elect to end its participation or cease operations, a successor entity with a purpose similar to the OPAL project will be chosen by the participants to succeed in holding custody of OPAL participant assets, as well as the management of the project. In the event the project is terminated, any excess OPAL funds remaining shall be distributed to the OPAL participants and not retained by OHIONET.

OPAL participants consummate three-year agreements in advance of the term which legally obligates the participant to make subscription payments over the term. In practice, OHIONET invoices participants in May for one year obligations and payment is due the subsequent June. Receivables and unearned revenues are recorded in the month invoiced.

OHIONET is holding cash and cash equivalents, marketable securities and accounts receivable on behalf of the OPAL participants. The OPAL project agreement also provides that all hardware and software licenses, equipment and other assets, which are purchased by the participants as part of the project, will be held by OHIONET as administrator/agent of the project on behalf of the OPAL participants. Accordingly, no depreciation is provided for these assets.

The following is a summary of the assets held on behalf of OPAL, and the corresponding liability, recorded in the accompanying statements of financial position as of June 30:

	2005	2004
Assets:		
Cash and cash equivalents	**$ 278,861**	$ 926,209
Marketable securities	**709,780**	-
Accounts receivable and other	**75,531**	455,017
Equipment and software licenses	**1,512,935**	1,513,786
	2,577,107	2,895,012
Liabilities:		
Amounts due OHIONET	**(45,859)**	(39,640)
Amounts held for benefit of OPAL participants	**$ 2,531,248**	$ 2,855,372

Online Computer Library Center Agreement

OHIONET operates under a network agreement with the Online Computer Library Center (OCLC), a not-for-profit organization that provides bibliographic cataloging services and other library-related products, services and information to its member networks, including OHIONET. Many of OHIONET's members are also members of

Online Computer Library Center Agreement (continued)

OCLC. The initial term of the agreement expired July 1, 1982, as extended indefinitely and is currently under negotiation. The original contract includes a provision that either party may terminate the agreement at the end of any month, with at least one year's prior notice. OCLC is a unique supplier in that there is no other accumulated library materials resource database to the extent and specified geographical location that OCLC provides. During fiscal 2005 and 2004, approximately 56% and 62%, respectively, of the direct costs of services and products provided to members was from OCLC.

Retirement Plan

OHIONET maintains a qualified defined contribution retirement plan for all employees who meet the age and service requirements. Eligible employees may elect to defer receipt of a portion of their annual wages as a contribution to the plan. OHIONET makes a contribution based on a percentage of the employee compensation to the Plan on behalf of eligible employees provided that the employee contributes a certain percentage of his or her compensation. OHIONET may make additional contributions at the discretion of the Board of Trustees. OHIONET's retirement plan expense was approximately $60,000 and $61,000 for 2005 and 2004, respectively.

Prior Period Adjustment – Correction of an Error

In prior years, OHIONET recorded investment earnings on cash and cash equivalents and marketable securities held on behalf of the OPAL participants as investment income of OHIONET in error. As OHIONET is holding these assets on behalf of the OPAL participants and in accordance with the terms of the agreement, the income earned on these accounts should also be presented as an addition to the amounts held for the benefit of OPAL participants.

Accordingly, the financial statements for the year ended June 30, 2004 were restated as follows:

	Originally Issued	As Restated
Statement of Financial Position:		
Liabilities:		
Amounts held for benefit of OPAL participants	$ 2,742,609	$ 2,855,372
Statement of Activities:		
Investment income	43,272	37,012
Beginning net assets	3,456,373	3,349,870