



*Report of Independent Auditors and
Financial Statements*

USENIX Association

December 31, 2020 and 2019



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Report of Independent Auditors

To the Board of Directors
USENIX Association

Report on the Financial Statements

We have audited the accompanying financial statements of USENIX Association (the "Association"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USENIX Association as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Association adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU has been applied using the modified retrospective method applied to all contracts. Our opinion is not modified with respect to this matter.

Moss Adams LLP

San Francisco, California
August 31, 2021

Financial Statements

USENIX Association
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,178,863	\$ 429,999
Accounts receivable	102,965	457,256
Prepaid expenses	<u>494,003</u>	<u>400,040</u>
Total current assets	1,775,831	1,287,295
Investments	7,469,604	7,633,815
Property and equipment, net	<u>171,842</u>	<u>181,632</u>
Total assets	<u><u>\$ 9,417,277</u></u>	<u><u>\$ 9,102,742</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 133,807	\$ 83,392
Accrued compensation	91,916	102,943
Contract liability, current portion	<u>665,240</u>	<u>852,178</u>
Total current liabilities	890,963	1,038,513
Contract liability, net of current portion	-	37,500
Loan payable	<u>340,600</u>	<u>-</u>
Total liabilities	<u>1,231,563</u>	<u>1,076,013</u>
NET ASSETS		
Without donor restrictions	<u>8,185,714</u>	<u>8,026,729</u>
Total net assets	<u>8,185,714</u>	<u>8,026,729</u>
Total liabilities and net assets	<u><u>\$ 9,417,277</u></u>	<u><u>\$ 9,102,742</u></u>

USENIX Association
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING REVENUE AND SUPPORT		
Conference, workshop, and sponsorship revenue	\$ 2,612,431	\$ 6,655,265
Membership dues and project income	234,141	192,071
Contribution income	367,802	131,472
Total operating revenue and support	3,214,374	6,978,808
OPERATING EXPENSES		
Program services	3,141,734	5,973,805
Management and general	577,696	546,655
Fundraising	102,341	66,538
Total operating expenses	3,821,771	6,586,998
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	(607,397)	391,810
NONOPERATING ACTIVITIES		
Investment income, net	765,467	1,223,903
Miscellaneous income and expenses	915	-
CHANGES IN NET ASSETS	158,985	1,615,713
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	8,026,729	6,411,016
End of year	\$ 8,185,714	\$ 8,026,729

USENIX Association
Statement of Functional Expenses
Year Ended December 31, 2020

	Program services	Management and general	Fundraising	Total
Conferences and workshops	\$ 1,193,345	\$ -	\$ -	\$ 1,193,345
Personnel and related benefits	1,404,787	303,307	91,087	1,799,181
Programs, projects, and good works	78,300	-	-	78,300
Information technology	102,349	23,259	3,916	129,524
Occupancy	74,543	16,940	2,852	94,335
Depreciation and amortization	47,025	10,686	1,799	59,510
Other	6,939	31,467	265	38,671
Office	23,322	5,232	881	29,435
Insurance	22,490	5,111	860	28,461
Legal	-	19,568	-	19,568
Accounting	-	147,439	-	147,439
Bank and merchant fees	13,175	2,994	504	16,673
Board of directors meetings and expenses	-	10,643	-	10,643
Advertising and promotion	4,622	1,050	177	5,849
Printing and publications	170,837	-	-	170,837
	<u>\$ 3,141,734</u>	<u>\$ 577,696</u>	<u>\$ 102,341</u>	<u>\$ 3,821,771</u>
Total expenses	<u>\$ 3,141,734</u>	<u>\$ 577,696</u>	<u>\$ 102,341</u>	<u>\$ 3,821,771</u>

USENIX Association
Statement of Functional Expenses (Continued)
Year Ended December 31, 2019

	Program services	Management and general	Fundraising	Total
Conferences and workshops	\$ 4,043,740	\$ -	\$ -	\$ 4,043,740
Personnel and related benefits	1,322,208	303,383	54,113	1,679,704
Programs, projects, and good works	209,862	-	3,292	213,154
Information technology	79,392	18,645	3,292	101,329
Occupancy	79,570	18,645	1,147	99,362
Depreciation and amortization	23,552	6,496	1,616	31,664
Other	16,016	33,824	902	50,742
Office	20,295	5,108	1,147	26,550
Insurance	27,723	6,496	-	34,219
Legal	-	34,940	-	34,940
Accounting	-	86,731	819	87,550
Bank and merchant fees	21,710	4,636	-	26,346
Board of directors meetings and expenses	-	26,562	210	26,772
Advertising and promotion	5,073	1,189	-	6,262
Printing and publications	124,664	-	-	124,664
	<u>5,973,805</u>	<u>546,655</u>	<u>66,538</u>	<u>6,586,998</u>
Total expenses	<u>\$ 5,973,805</u>	<u>\$ 546,655</u>	<u>\$ 66,538</u>	<u>\$ 6,586,998</u>

USENIX Association
Statements of Cash Flow
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 158,985	\$ 1,615,713
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	59,510	31,664
Realized and unrealized gain on investments, net	(664,113)	(1,108,351)
Changes in operating assets and liabilities:		
Accounts receivable	354,291	(348,256)
Prepaid expenses	(93,963)	(229,789)
Accounts payable and accrued expenses	50,416	37,461
Accrued compensation	(11,027)	13,506
Contract liability	(224,438)	141,196
	<u>(370,339)</u>	<u>153,144</u>
Net cash (used in) provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,357,236)	(2,861,432)
Sale of investments	5,721,623	2,956,488
Purchases of property and equipment	(49,721)	(137,048)
	<u>1,314,666</u>	<u>(41,992)</u>
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	340,600	-
	<u>340,600</u>	<u>-</u>
Net cash provided by financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,284,927	111,152
CASH AND CASH EQUIVALENTS, beginning of year	880,125	768,973
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,165,052</u>	<u>\$ 880,125</u>
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	\$ 1,178,863	\$ 429,999
Investment - cash equivalents (Note 4)	986,189	450,126
	<u>\$ 2,165,052</u>	<u>\$ 880,125</u>
Total cash and cash equivalents		

USENIX Association

Notes to Financial Statements

NOTE 1 – ASSOCIATION

USENIX Association (USENIX, the Association) is a nonprofit corporation and was incorporated in 1980. The Association's primary purpose is to provide educational benefit, including the exchange and communication of research and technological ideas pertaining to advanced computing systems and tools. The Association has approximately 2,300 members in 47 countries. The Association's programs include:

Conferences and events – Conferences are organized by dedicated USENIX staff and volunteer program committees that are comprised of industry professionals. The Association's conferences are highly technical, attracting attendees with mid-to-senior level experience in information technology positions, and offering opportunities for learning, networking, presenting, and publishing research in the conference proceedings.

Major annual conferences include Enigma, the USENIX Security Symposium, SREcon conferences, Symposium on Operating Systems Design and Implementation (OSDI), File and Storage Technologies Conference (FAST), and the USENIX Annual Technical Conference (ATC). USENIX also organizes smaller conferences focusing on specific areas in advanced computing systems. Co-located workshops and a training program are held with some conferences.

Memberships – Membership in the Association provides benefits that include discounts on conference registration fees at select events as well as a free subscription to the Association's magazine. The included magazine, *login*: is published four times a year and features technical articles on a wide range of topics; has tips on system administration techniques, workplace strategies, and book reviews.

Open access initiative – The Association publishes its conference proceedings free of charge, making them available to members and nonmembers alike on its website, along with video, audio, and slide presentations from conferences.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The financial statements of the Association are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets – Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Association classifies net assets and changes in net assets as follows:

Without donor restrictions – Net assets for use in general operations and not subject to donor-imposed restrictions. Other than restrictions designated by the Board of Directors of the Association, the only limits on net assets without donor restrictions are broad limits resulting from the Association's purpose specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements. Release of funds designated as Board-restricted may only be done by authority of the Board. As of December 31, 2020 and 2019, there were \$6,087,385 and \$6,564,616 respectively, of net assets with board designation (see Note 7).

USENIX Association

Notes to Financial Statements

With donor restrictions – Represent contributions and other assets whose use are limited by donor-imposed restrictions. Some restrictions are temporary in nature, in that they either expire by the passage of time or by the fulfillment of certain actions pursuant to those stipulations or law. Gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Other donor restrictions are permanent as they neither expire by passage of time nor can be fulfilled or otherwise removed. Income from these assets can be with or without restrictions based on donor stipulations or law. As of December 31, 2020 and 2019, there were no net assets with donor restrictions.

Use of estimates – In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates under different assumptions or conditions.

Cash and cash equivalents – Cash and cash equivalents consist of cash on hand and highly liquid investments with original or remaining maturities of three months or less at the time of purchase.

Investments – The Association has reported investments in marketable securities with readily determinable fair market values and all investments in debt securities at their fair market values in the statements of financial position. Realized and unrealized gains and losses on investments, dividends, and interest income are included in investment income, net of investment expenses, on the statement of activities and changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and equipment – Property and equipment are recorded at cost and depreciated on a straight-line basis over their respective estimated useful lives, which range from five to seven years. It is the Association's policy to capitalize expenditures for those items in excess of \$5,000. Repairs and maintenance are charged to expense as incurred. Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose. As of December 31, 2020 and 2019, management evaluated property and equipment for impairment and concluded that the carrying value was recoverable.

Concentration of credit risk – The Association occasionally maintains balances in depository and brokerage accounts in excess of the respective Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insurance limits.

Conference registration and sponsorship revenue and receivables – Revenues from conferences and workshops are recognized when the events take place. Amounts received prior to the events are recorded as contract liabilities. Membership dues, which are nonrefundable, are recognized as income when dues are received. Revenues from product sales are recognized upon completion of sales. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts. The allowance is based on experience and other circumstances which may affect the collectability. There was no allowance for doubtful accounts at December 31, 2020 and 2019.

Contributions and pledges – All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the period in which the contributions are recognized. As of December 31, 2020 and 2019, the Association does not have any pledged contributions.

USENIX Association Notes to Financial Statements

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions net assets. Gains and losses on assets and liabilities are reported as increase or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law.

Contract liability – The Association's contract liability consists of conference registration and sponsorship payments made in advance of conferences to be held in future years. The Association classifies contract liability, which will be recognized within 12 months, as current. The change in contract liability during the years ended December 31, 2020 and 2019, consists of the following activity:

	2020	2019
Balance, beginning of year	\$ 889,678	\$ 748,482
Revenue recognized	(889,678)	(710,982)
Payment received for future performance obligation	665,240	852,178
Balance, end of year	\$ 665,240	\$ 889,678

Income taxes – The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Code. The Association is considered a publicly supported Association. Accordingly, no provision for federal or California income tax is reflected in the accompanying financial statements.

The Association recognizes the effects of its income tax positions only if those positions are more likely than not of being sustained. The Association has evaluated its tax positions and has concluded as of December 31, 2020, that the Association does not have any significant uncertain tax positions for which a reserve would be necessary.

Functional allocation of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include depreciation, interest, and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort, or other relevant bases.

Recently adopted accounting pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), which provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transactions price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfied a performance obligation.

USENIX Association

Notes to Financial Statements

The Association adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (ASC 606) effective January 1, 2019, using the modified retrospective method. The Association elected to apply ASC 606 to all active contracts as of the adoption date. Application of the modified retrospective method did not impact amounts previously reported by the Association, nor did it require a cumulative effect adjustment upon adoption, as the Association's method of recognizing revenue under ASC 606 yielded similar results to the method utilized immediately prior to adoption. Accordingly, there was no effect to any financial statement line item as a result of applying this new revenue recognition standard.

Membership dues – The Association provides services and benefits to members, including advocacy in exchanged for membership dues. Membership dues are determined based on the level of membership benefits and commitment that a member wants to take. Membership dues are collected up front at the beginning of each month in which their memberships period begins or is renewed. Payments are not deferred upon collection but are evaluated for deferral at year end. The revenue could be recognized in monthly increments as annual membership outstanding decreased. For the years ended December 31, 2020 and 2019, membership dues were \$220,949 and \$175,790, respectively.

Conferences and workshops – The Association defers recognition of income and expenses for conferences and workshops until the related event occurs. Due to the recent pandemic of COVID-19, the Association transitioned from in-person events to virtual events during the current year. For the years ended December 31, 2020 and 2019, conference and workshop revenue was \$1,033,993 and \$3,916,257, respectively.

Sponsorships – The Association has contractual agreements with sponsors for each event which may be customized based upon negotiation with the sponsor. Sponsorship levels are specified within the contract for each event and have benefits assigned to each level of sponsorship (e.g., diamond, platinum, gold, silver, bronze). All benefits are deliverables that the sponsor receives on a per event basis. Prices may vary depending on each individual contract. Sponsorship fees for subsequent years are deferred upon receipt and recognized as revenue at the event start date. For the years ended December 31, 2020 and 2019, sponsorship revenue was \$1,578,438 and \$2,739,008, respectively.

New accounting pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which increases transparency and comparability among entities by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. The effective date of ASU 2016-02 was deferred by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and, Leases (Topic 842): Effective Dates for Certain Entities*, to fiscal years beginning after December 15, 2021. As such, the adoption is effective for the Association for the year ending December 31, 2022. Management is currently evaluating the impact of the provisions of these ASUs on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit Associations through enhancements to presentation and disclosure. The update addresses certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit Associations, as well as the amount of those contributions used in a not-for-profit Association's programs and other activities. ASU 2020-07 is effective for the Association for fiscal year beginning after June 15, 2021. As such, the adoption is effective for the Association for the year ending December 31, 2022. Management is currently evaluating the impact of the provisions of ASU 2020-07 on its financial statements.

USENIX Association
Notes to Financial Statements

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is without donor-imposed restriction or other restrictions limiting their use, for the years ended December 31, consisted of the following:

	2020	2019
Cash and cash equivalents	\$ 1,178,863	\$ 429,999
Accounts receivable	102,965	457,256
Investments	7,469,604	7,633,815
 Financial assets available to meet general expenditures	 \$ 8,751,432	 \$ 8,521,070

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Association's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1.5 million). As part of the liquidity plan, the Board has designated net assets to serve as an operating reserve (see Note 7).

NOTE 4 – INVESTMENTS

Investments consist of the following at December 31:

	2020	2019
Common stock	\$ 4,129,263	\$ 4,176,512
Mutual funds	279,744	690,556
Corporate bonds	489,626	1,160,381
U.S. government securities	1,584,782	1,156,240
Cash equivalents	986,189	450,126
 Total	 \$ 7,469,604	 \$ 7,633,815

USENIX Association

Notes to Financial Statements

Investment income, net has been classified as increases (decreases) in net assets without donor restrictions and was comprised of the following at December 31:

	2020	2019
Interest and dividend income	\$ 161,828	\$ 182,040
Net unrealized (loss) gain from investments	(226,240)	767,427
Net realized gain from investments	890,353	340,924
	<u>825,941</u>	<u>1,290,391</u>
Investment expenses	(60,474)	(66,488)
	<u>765,467</u>	<u>1,223,903</u>
Investment income, net	<u>\$ 765,467</u>	<u>\$ 1,223,903</u>

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of December 31:

	2020	2019
Leasehold improvements	\$ 32,218	\$ 32,218
Equipment	44,059	453,163
Website	960,419	910,699
	<u>1,036,696</u>	<u>1,396,080</u>
Less: accumulated depreciation	(864,854)	(1,214,448)
Total	<u>\$ 171,842</u>	<u>\$ 181,632</u>

Depreciation expense and amortization expense for the years ended December 31, 2020 and 2019, was \$59,510 and \$31,664 respectively.

NOTE 6 – FAIR VALUE MEASUREMENTS

In accordance with generally accepted accounting principles, the Association uses the following prioritized input levels to measure fair value. The input levels used for valuing instruments are not necessarily an indication of risk.

Level 1 – Quoted market prices for identical instruments traded in active exchange markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Association's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation which may be significant.

USENIX Association Notes to Financial Statements

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019:

Common stock – Certain common stocks are valued at the closing price reported in the active market in which the individual securities are traded. Investments in certain restricted common stocks are valued at the quoted market price of the issuer's unrestricted common stock less an appropriate discount. If a quoted market price for unrestricted common stock of the issuer is not available, restricted common stocks are valued at a multiple of current earnings less an appropriate discount. The multiple chosen is consistent with multiples of similar companies based on current market prices.

Mutual funds – Valued at the based on quoted market prices in the active market, held by the Association at year end.

Corporate bonds – Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. government securities – Valued at the closing price reported in the active market in which the individual securities are traded.

Cash equivalents – Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association management believes its valuation methodologies 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 different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common stock	\$ 4,129,263	\$ -	\$ -	\$ 4,129,263
Mutual funds	279,744	-	-	279,744
Corporate bonds	-	489,626	-	489,626
U.S. government securities	-	1,584,782	-	1,584,782
Cash equivalents	986,189	-	-	986,189
Total	\$ 5,395,196	\$ 2,074,408	\$ -	\$ 7,469,604

USENIX Association

Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2019:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common stock	\$ 4,176,512	\$ -	\$ -	\$ 4,176,512
Mutual funds	690,556	-	-	690,556
Corporate bonds	-	1,160,381	-	1,160,381
U.S. government securities	-	1,156,240	-	1,156,240
Cash equivalents	450,126	-	-	450,126
Total	<u>\$ 5,317,194</u>	<u>\$ 2,316,621</u>	<u>\$ -</u>	<u>\$ 7,633,815</u>

NOTE 7 – NET ASSETS

Net assets without donor restrictions for the years ended December 31, are as follows:

	2020	2019
Undesignated	\$ 2,098,329	\$ 1,462,113
Board designated for operating reserve	6,087,385	6,564,616
Total	<u>\$ 8,185,714</u>	<u>\$ 8,026,729</u>

In December 1992, the Board of Directors established an investment account with the intent of assuring a reserve fund for operations and a growth opportunity for supporting the "Good Works" programs envisioned by USENIX. The fund was established with \$1,000,000 from funds without donor restrictions. The Board has established portfolio objectives and investment guidelines that outline the permitted asset mix and characteristics of the portfolio of securities. The intent of the Board is to allow the reserve funds to be invested in high quality securities and bonds for mid-term growth while still providing the Association with liquidity and safety for reserve needs.

Funds are invested and have been designated as follows for the years ended December 31:

	2020	2019
Balance, January 1, 2020	\$ 6,564,616	\$ 5,717,175
Investment income	778,384	1,228,110
Investment fees	(55,637)	(43,169)
Transfers from reserve fund	(1,199,978)	(337,500)
Balance, December 31, 2020	<u>\$ 6,087,385</u>	<u>\$ 6,564,616</u>

NOTE 8 – RETIREMENT PLAN

The Association maintains a 401(k) retirement plan (the Plan) for all eligible employees. For the first six months of 2020, contributions are made on behalf of the employees at the rate of 5% of an eligible employee’s compensation. For the final six months of 2020, profit sharing contributions are made on behalf of the employees at the rate of 3% of an eligible employee’s compensation plus an employer match of up to 2% of the employee’s elective contribution. The amounts contributed to the Plan for the years ended December 31, 2020 and 2019, were \$62,659 and \$66,726 respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Association leases 2,910 square feet of office space at its headquarters in Berkeley, California, under terms of a lease dated January 13, 1987. The most recent renewal, dated April 19, 2016, extended the lease through May 31, 2021. The base rent is \$6,000 per month, beginning June 1, 2016 (\$2.06 sq. ft.). There is a provision for a Consumer Price Index (CPI) adjustment with minimum increase per year. The future lease obligation assuming a 3% increase, for the year ending December 31, 2021, is \$33,382. The Association ended its lease at the expiration date in May 31, 2021. Rent expense for the years ended December 31, 2020 and 2019, were \$81,867 and \$80,747 respectively.

The Association sponsors numerous conferences, including the USENIX Annual Technical Conference and the USENIX Security Symposium. In addition, the Association sponsors a number of other events on specialized topics. Commitments for the larger conferences are generally made for hotel and meeting room space up to five years prior to the conference dates. In the event of a cancellation or a lower than anticipated attendance, there is a potential liability to the Association for the commitments to the hotels and convention centers involved in these contracts. As the likelihood is remote, no accrual has been recorded.

As of December 31, 2020, the total commitments for hotel rooms in the event of cancellation for all USENIX conferences are as follows:

<u>Years Ending December 31,</u>	<u>Committed Event Cancellation Cost</u>
2021	\$ 1,138,130
2022	1,132,161
2023	<u>688,658</u>
	<u>\$ 2,958,949</u>

The Association is subject to various claims covering a range of matters that arise in the ordinary course of its business activities. In the opinion of the Association, although the outcome of any claims or legal proceedings cannot be predicted with certainty, management has determined that the ultimate liability of the Association in connection with its claims and legal proceedings will not have a material adverse effect on its financial position or operations.

USENIX Association

Notes to Financial Statements

NOTE 10 – LOAN PAYABLE

In May 13, 2020, the Association received loan proceeds in the amount of \$340,600 under the Paycheck Protection Program (“PPP”) under Division A, Title I, of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which was enacted March 27, 2020. The interest rate per the loan is 1% per annum and the note will mature two years from the date of the note, with no payments for the first six months. Payments for this promissory note are due per month, which include principal and interest. The debt is not collateralized. This loan is subject to partial or full forgiveness if the Association uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the various rules, regulations, and guidance.

On May 14, 2021, the Association received full forgiveness of the loan in the amount of \$340,600.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be issued. The Association recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Association’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements were available to be issued.

In March 2021, the Association received loan proceeds in the amount of \$332,993 under a Second Draw PPP loan under the CARES Act, and renewed under the Economic Aid to Hard-Hit Small Business, Nonprofits, and Venues Act (“Economic Aid Act”). The loan bears interest at 1% with payments deferred until either (1) the date the SBA remits the borrower’s loan forgiveness amount to the lender or (2) 10 months after the end of the borrower’s loan forgiveness covered period. This loan matures five years from date of note in March 2026, if required. The loan is subject to partial or full forgiveness if the Association uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act, Economic Aid Act, and the various rules, regulations, and guidance.

In May 2021, the Association received full forgiveness of the PPP loan under the CARES Act in the amount of \$340,600 (see Note 10).

The Association has evaluated subsequent events through August 31, 2021, which is the date the financial statements were available to be issued.

