



*Report of Independent Auditors and  
Financial Statements*

**USENIX Association**

*December 31, 2021 and 2020*

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## **Report of Independent Auditors**

The Board of Directors  
USENIX Association

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of USENIX Association, which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of USENIX Association as of December 31, 2021 and 2020, and the results of its operations 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 USENIX Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 USENIX Association'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USENIX Association'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.

*Moss Adams LLP*

San Francisco, California  
September 7, 2022

## **Financial Statements**

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**USENIX Association**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

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	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,456,010	\$ 1,178,863
Accounts receivable	65,591	102,965
Prepaid expenses	<u>584,683</u>	<u>494,003</u>
Total current assets	2,106,284	1,775,831
Investments	8,356,570	7,469,604
Property and equipment, net	<u>132,068</u>	<u>171,842</u>
Total assets	<u>\$ 10,594,922</u>	<u>\$ 9,417,277</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 52,622	\$ 133,807
Accrued compensation	100,536	91,916
Contract liability	<u>664,440</u>	<u>665,240</u>
Total current liabilities	817,598	890,963
Loan payable	<u>332,993</u>	<u>340,600</u>
Total liabilities	<u>1,150,591</u>	<u>1,231,563</u>
NET ASSETS		
Without donor restrictions	<u>9,444,331</u>	<u>8,185,714</u>
Total net assets	<u>9,444,331</u>	<u>8,185,714</u>
Total liabilities and net assets	<u>\$ 10,594,922</u>	<u>\$ 9,417,277</u>

**USENIX Association**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
<b>OPERATING REVENUE AND SUPPORT</b>		
Conference, workshop, and sponsorship revenue	\$ 1,805,080	\$ 2,612,431
Membership dues and project income	218,045	234,141
Contribution income	452,666	367,802
Total operating revenue and support	2,475,791	3,214,374
<b>OPERATING EXPENSES</b>		
Program services	1,876,045	3,141,734
Management and general	444,792	577,696
Fundraising	123,822	102,341
Total operating expenses	2,444,659	3,821,771
Changes in net assets from operating activities	31,132	(607,397)
<b>NON-OPERATING ACTIVITIES</b>		
Investment income, net	886,442	765,467
Gain on forgiveness of loan payable	340,600	-
Miscellaneous income and expenses	443	915
Total non-operating activities	1,227,485	766,382
<b>CHANGES IN NET ASSETS</b>	1,258,617	158,985
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning of year	8,185,714	8,026,729
NET ASSETS WITHOUT DONOR RESTRICTIONS, end of year	\$ 9,444,331	\$ 8,185,714

**USENIX Association**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2021**

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	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Personnel and related benefits	\$ 1,180,379	\$ 177,623	\$ 107,723	\$ 1,465,725
Conferences and workshops	450,634	-	-	450,634
Accounting	-	184,364	-	184,364
Information technology	94,090	22,970	6,717	123,777
Depreciation and amortization	44,970	10,823	3,165	58,958
Occupancy	31,753	7,752	2,267	41,772
Insurance	28,405	6,934	2,028	37,367
Printing and publications	18,881	-	-	18,881
Other	13,317	3,251	950	17,518
Legal	-	14,698	-	14,698
Board of directors meetings and expenses	-	13,053	-	13,053
Bank and merchant fees	9,367	2,287	669	12,323
Office	3,151	769	225	4,145
Advertising and promotion	1,098	268	78	1,444
	<u>\$ 1,876,045</u>	<u>\$ 444,792</u>	<u>\$ 123,822</u>	<u>\$ 2,444,659</u>
Total expenses	<u>\$ 1,876,045</u>	<u>\$ 444,792</u>	<u>\$ 123,822</u>	<u>\$ 2,444,659</u>



**USENIX Association**  
**Statement of Functional Expenses (Continued)**  
**Year Ended December 31, 2020**

	Program services	Management and general	Fundraising	Total
Personnel and related benefits	\$ 1,404,787	\$ 303,307	\$ 91,087	\$ 1,799,181
Conferences and workshops	1,193,345	-	-	1,193,345
Accounting	-	147,439	-	147,439
Information technology	102,349	23,259	3,916	129,524
Depreciation and amortization	47,025	10,686	1,799	59,510
Occupancy	74,543	16,940	2,852	94,335
Insurance	22,490	5,111	860	28,461
Printing and publications	170,837	-	-	170,837
Other	6,939	31,467	265	38,671
Legal	-	19,568	-	19,568
Board of directors meetings and expenses	-	10,643	-	10,643
Bank and merchant fees	13,175	2,994	504	16,673
Office	23,322	5,232	881	29,435
Advertising and promotion	4,622	1,050	177	5,849
Programs, projects, and good works	78,300	-	-	78,300
	<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**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

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	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,258,617	\$ 158,985
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	58,958	59,510
Gain on forgiveness of loan payable	(340,600)	-
Realized and unrealized gain on investments, net	(812,756)	(664,113)
Changes in operating assets and liabilities:		
Accounts receivable	37,374	354,291
Prepaid expenses	(90,680)	(93,963)
Accounts payable and accrued expenses	(81,185)	50,416
Accrued compensation	8,620	(11,027)
Contract liability	(800)	(224,438)
Net cash provided by (used in) operating activities	<u>37,548</u>	<u>(370,339)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,690,139)	(4,357,236)
Sale of investments	1,826,305	5,721,623
Purchases of property and equipment	(19,184)	(49,721)
Net cash provided by investing activities	<u>116,982</u>	<u>1,314,666</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>332,993</u>	<u>340,600</u>
Net cash provided by financing activities	<u>332,993</u>	<u>340,600</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	487,523	1,284,927
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,165,052</u>	<u>880,125</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,652,575</u>	<u>\$ 2,165,052</u>
Cash and cash equivalents reconciliation:		
Cash and cash equivalents	\$ 1,456,010	\$ 1,178,863
Investment - cash equivalents (Note 4)	<u>1,196,565</u>	<u>986,189</u>
Total cash and cash equivalents	<u>\$ 2,652,575</u>	<u>\$ 2,165,052</u>

## **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 1,300 members in 45 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 all events.

**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. Beginning in 2021, the Association reimagined its longstanding members-only magazine, *login.*, as an open access digital publication with increased opportunities for interactivity among authors and readers.

## **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, 2021 and 2020, there were \$6,600,884 and \$6,087,385, respectively, of net assets with board designation (see Note 7).

## USENIX Association

### Notes to Financial Statements

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*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, 2021 and 2020, 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 statements 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, 2021 and 2020, 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, 2021 and 2020.

**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 statements 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, 2021 and 2020, the Association does not have any pledged contributions.

## USENIX Association Notes to Financial Statements

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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. 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 twelve months, as current. The change in contract liability during the years ended December 31, 2021 and 2020, consists of the following activity:

	2021	2020
Balance, beginning of year	\$ 665,240	\$ 889,678
Revenue recognized	(665,240)	(889,678)
Payment received for future performance obligation	664,440	665,240
	<u>664,440</u>	<u>665,240</u>
Balance, end of year	<u>\$ 664,440</u>	<u>\$ 665,240</u>

**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, 2021, 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.

**Advertising** – The Association expenses the cost of advertising as it is incurred. Advertising expense incurred by the Association for the years ended December 31, 2021 and 2020, was \$1,444 and \$5,849, respectively.

**Membership dues** – The Association provides services and benefits to members, including advocacy in exchange 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 the period 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, 2021 and 2020, membership dues were \$212,495 and \$220,949, respectively.

# USENIX Association

## Notes to Financial Statements

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**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 novel coronavirus (“COVID-19”), the Association transitioned from in-person events to virtual events. For the years ended December 31, 2021 and 2020, conference and workshop revenue was \$417,380 and \$1,033,993, 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, 2021 and 2020, sponsorship revenue was \$1,387,700 and \$1,578,438, respectively.

**New accounting pronouncements** – In February 2016, the Financial Account Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 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 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 No. 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.

### 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:

	2021	2020
Cash and cash equivalents	\$ 1,456,010	\$ 1,178,863
Accounts receivable	65,591	102,965
Investments	8,356,570	7,469,604
	<u>\$ 9,878,171</u>	<u>\$ 8,751,432</u>

**USENIX Association**  
**Notes to Financial Statements**

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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:

	<u>2021</u>	<u>2020</u>
Common stock	\$ 4,386,943	\$ 4,129,263
Mutual funds	524,556	279,744
Corporate bonds	439,347	489,626
U.S. government securities	1,809,159	1,584,782
Cash equivalents	<u>1,196,565</u>	<u>986,189</u>
 Total	 <u>\$ 8,356,570</u>	 <u>\$ 7,469,604</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 134,263	\$ 161,828
Net unrealized gain (loss) from investments	547,938	(226,240)
Net realized gain from investments	<u>264,818</u>	<u>890,353</u>
	947,019	825,941
Less: investment expenses	<u>(60,577)</u>	<u>(60,474)</u>
 Investment income, net	 <u>\$ 886,442</u>	 <u>\$ 765,467</u>

# USENIX Association

## Notes to Financial Statements

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### NOTE 5 – PROPERTY AND EQUIPMENT, NET

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

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ -	\$ 32,218
Equipment	40,876	44,059
Website	<u>980,080</u>	<u>960,419</u>
	1,020,956	1,036,696
Less: accumulated depreciation	<u>(888,888)</u>	<u>(864,854)</u>
Total	<u>\$ 132,068</u>	<u>\$ 171,842</u>

Depreciation expense and amortization expense for the years ended December 31, 2021 and 2020, was \$58,958 and \$59,510, 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.

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, 2021 and 2020:

*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.



## USENIX Association Notes to Financial Statements

*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, 2021:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common stock	\$ 4,386,943	\$ -	\$ -	\$ 4,386,943
Mutual funds	524,556	-	-	524,556
Corporate bonds	-	439,347	-	439,347
U.S. government securities	-	1,809,159	-	1,809,159
Cash equivalents	1,196,565	-	-	1,196,565
<b>Total</b>	<b>\$ 6,108,064</b>	<b>\$ 2,248,506</b>	<b>\$ -</b>	<b>\$ 8,356,570</b>

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
<b>Total</b>	<b>\$ 5,395,196</b>	<b>\$ 2,074,408</b>	<b>\$ -</b>	<b>\$ 7,469,604</b>

# USENIX Association

## Notes to Financial Statements

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### NOTE 7 – NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 2,843,447	\$ 2,098,329
Board designated for operating reserve	<u>6,600,884</u>	<u>6,087,385</u>
Total	<u>\$ 9,444,331</u>	<u>\$ 8,185,714</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:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 6,087,385	\$ 6,564,616
Investment income	960,717	778,384
Investment fees	(55,218)	(55,637)
Transfers from reserve fund	<u>(392,000)</u>	<u>(1,199,978)</u>
Balance, end of year	<u>\$ 6,600,884</u>	<u>\$ 6,087,385</u>

### NOTE 8 – RETIREMENT PLAN

The Association maintains a 401(k) retirement plan (the “Plan”) for all eligible employees. 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, 2021 and 2020, were \$50,783 and \$12,059, respectively.

### NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Association leased 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 was \$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 Association ended its lease at the expiration date in May 31, 2021. Rent expense for the years ended December 31, 2021 and 2020, were \$38,288 and \$81,867, respectively.

## USENIX Association Notes to Financial Statements

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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, 2021, the total commitments for hotel rooms in the event of cancellation for all USENIX conferences are as follows:

<u>Years Ending December 31,</u>	
2022	\$ 2,075,901
2023	1,300,362
2024	<u>190,099</u>
	<u>\$ 3,566,362</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.

### **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 and as a result, was released from being the primary obligor and the loan is considered paid in full, along with any accrued interest. The Association recorded the forgiveness as a gain on forgiveness on loan payable on the accompanying statements of activities and changes in net assets for the year ended December 31, 2021.

In March 18, 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. Subsequent to year end, on March 9, 2022, the Association received full forgiveness of the loan in the amount of \$332,993.

# **USENIX Association**

## **Notes to Financial Statements**

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### **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 2022, the Association received full forgiveness of the Second Draw PPP loan under the CARES Act and Economic Aid Act in the amount of \$332,993 (see Note 10).

The Association has evaluated subsequent events through September 7, 2022, which is the date the financial statements were available to be issued.

