



Report of Independent Auditors and
Financial Statements

USENIX Association

December 31, 2022 and 2021



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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, 2022 and 2021, 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, 2022 and 2021, 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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California
September 26, 2023

Financial Statements

USENIX Association
Statements of Financial Position
December 31, 2022 and 2021

| | 2022 | 2021 |
|---------------------------------------|--------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 577,744 | \$ 1,456,010 |
| Accounts receivable | 109,129 | 65,591 |
| Prepaid expenses | 470,841 | 584,683 |
| Total current assets | 1,157,714 | 2,106,284 |
| Investments | 5,990,534 | 8,356,570 |
| Property and equipment, net | 91,681 | 132,068 |
| Total assets | \$ 7,239,929 | \$ 10,594,922 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 152,183 | \$ 52,622 |
| Accrued compensation | 140,268 | 100,536 |
| Contract liability | 461,750 | 664,440 |
| Total current liabilities | 754,201 | 817,598 |
| Loan payable | - | 332,993 |
| Total liabilities | 754,201 | 1,150,591 |
| NET ASSETS | | |
| Without donor restrictions | 6,485,728 | 9,444,331 |
| Total net assets | 6,485,728 | 9,444,331 |
| Total liabilities and net assets | \$ 7,239,929 | \$ 10,594,922 |

See accompanying notes.

USENIX Association
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|--------------|--------------|
| OPERATING REVENUE AND SUPPORT | | |
| Conference, workshop, and sponsorship revenue | \$ 4,593,920 | \$ 1,805,080 |
| Membership dues and project income | 147,547 | 218,045 |
| Contribution income | 570,487 | 452,666 |
| Total operating revenue and support | 5,311,954 | 2,475,791 |
| OPERATING EXPENSES | | |
| Program services | 6,430,828 | 1,876,045 |
| Management and general | 511,815 | 444,792 |
| Fundraising | 194,870 | 123,822 |
| Total operating expenses | 7,137,513 | 2,444,659 |
| CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES | (1,825,559) | 31,132 |
| NONOPERATING ACTIVITIES | | |
| Investment (loss) income, net | (1,466,037) | 886,442 |
| Gain on forgiveness of loan payable | 332,993 | 340,600 |
| Miscellaneous income and expenses | - | 443 |
| Total nonoperating activities | (1,133,044) | 1,227,485 |
| CHANGES IN NET ASSETS | (2,958,603) | 1,258,617 |
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| Beginning of year | 9,444,331 | 8,185,714 |
| End of year | \$ 6,485,728 | \$ 9,444,331 |

See accompanying notes.

USENIX Association
Statement of Functional Expenses
Year Ended December 31, 2022

| | Program services | Management and general | Fundraising | Total |
|--|---------------------|---------------------------|-------------------|---------------------|
| Personnel and related benefits | \$ 1,439,176 | \$ 243,773 | \$ 181,095 | \$ 1,864,044 |
| Grant awards | 152,275 | - | - | 152,275 |
| Conferences and workshops | 4,537,159 | - | - | 4,537,159 |
| Accounting | - | 189,430 | - | 189,430 |
| Information technology | 119,943 | 15,078 | 5,938 | 140,959 |
| Depreciation and amortization | 41,972 | 5,276 | 2,078 | 49,326 |
| Occupancy | 10,655 | 1,339 | 527 | 12,521 |
| Insurance | 23,871 | 13,149 | 1,182 | 38,202 |
| Printing and publications | 23,949 | - | - | 23,949 |
| Other | 38,650 | 4,859 | 1,913 | 45,422 |
| Outside services | 11,785 | 19,635 | 583 | 32,003 |
| Legal | - | 7,242 | - | 7,242 |
| Board of Directors meetings and expenses | - | 8,088 | - | 8,088 |
| Bank and merchant fees | 8,972 | 1,128 | 444 | 10,544 |
| Office | 4,580 | 576 | 227 | 5,383 |
| Advertising and promotion | 217 | 27 | 11 | 255 |
| Travel | 17,624 | 2,215 | 872 | 20,711 |
| | <u>\$ 6,430,828</u> | <u>\$ 511,815</u> | <u>\$ 194,870</u> | <u>\$ 7,137,513</u> |
| Total expenses | | | | |

See accompanying notes.

USENIX Association
Statement of Functional Expenses (Continued)
Year Ended December 31, 2021

| | Program services | Management and general | Fundraising | Total |
|--|---------------------|---------------------------|-------------------|---------------------|
| 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 | | | | |

See accompanying notes.

USENIX Association
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ (2,958,603) | \$ 1,258,617 |
| Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 49,326 | 58,958 |
| Gain on forgiveness of loan payable | (332,993) | (340,600) |
| Realized and unrealized gain on investments, net | 1,557,759 | (812,756) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (43,538) | 37,374 |
| Prepaid expenses | 113,841 | (90,680) |
| Accounts payable and accrued expenses | 99,562 | (81,185) |
| Accrued compensation | 39,732 | 8,620 |
| Contract liability | (202,690) | (800) |
| | (1,677,604) | 37,548 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (4,930,596) | (1,690,139) |
| Sale of investments | 5,456,172 | 1,826,305 |
| Purchases of property and equipment | (8,939) | (19,184) |
| | 516,637 | 116,982 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from loan payable | - | 332,993 |
| | - | 332,993 |
| NET CHANGES IN CASH AND CASH EQUIVALENTS | (1,160,967) | 487,523 |
| CASH AND CASH EQUIVALENTS, beginning of year | 2,652,575 | 2,165,052 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 1,491,608 | \$ 2,652,575 |
| CASH AND CASH EQUIVALENTS RECONCILIATION | | |
| Cash and cash equivalents | \$ 577,744 | \$ 1,456,010 |
| Investment – cash equivalents (Note 4) | 913,864 | 1,196,565 |
| | \$ 1,491,608 | \$ 2,652,575 |

See accompanying notes.

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 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 Board), 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, 2022 and 2021, there were \$5,179,295 and \$6,600,884, 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, 2022 and 2021, 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 (loss) 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, 2022 and 2021, 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. 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 that may affect the collectability. There was no allowance for doubtful accounts at December 31, 2022 and 2021.

USENIX Association

Notes to Financial Statements

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 and changes in net assets 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, 2022 and 2021, the Association does not have any pledged contributions.

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 twelve months, as current. The change in contract liability during the years ended December 31, 2022 and 2021, consists of the following activity:

| | 2022 | 2021 |
|--|------------|------------|
| Balance, beginning of year | \$ 664,440 | \$ 665,240 |
| Revenue recognized | (664,440) | (665,240) |
| Payment received for future performance obligation | 461,750 | 664,440 |
| Balance, end of year | \$ 461,750 | \$ 664,440 |

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, 2022, 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 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, 2022 and 2021, was \$255 and \$1,444, respectively.

USENIX Association

Notes to Financial Statements

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 each month in which the membership 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, 2022 and 2021, membership dues were \$147,424 and \$212,495, 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. In 2022, the Association primarily held hybrid in-person/virtual events. For the years ended December 31, 2022 and 2021, conference and workshop revenue was \$2,249,560 and \$417,380, 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, 2022 and 2021, sponsorship revenue was \$2,344,360 and \$1,387,700, respectively.

Recently issued and adopted accounting pronouncements – During 2022, the Association adopted Financial Accounting Standards Board (FASB) 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. This ASU did not have a material impact to the financial statements.

During 2022, the Association adopted FASB 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 organizations through enhancements to presentation and disclosure. This ASU did not have a material impact to the 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:

| | 2022 | 2021 |
|---|--------------|--------------|
| Cash and cash equivalents | \$ 577,744 | \$ 1,456,010 |
| Accounts receivable | 109,129 | 65,591 |
| Investments | 5,990,534 | 8,356,570 |
| Financial assets available to meet general expenditures | \$ 6,677,407 | \$ 9,878,171 |

USENIX Association

Notes to Financial Statements

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 consisted of the following at December 31:

| | <u>2022</u> | <u>2021</u> |
|----------------------------|---------------------|---------------------|
| Common stock | \$ 1,739,709 | \$ 4,386,943 |
| Mutual funds | 2,180,559 | 524,556 |
| Corporate bonds | - | 439,347 |
| U.S. government securities | 1,156,402 | 1,809,159 |
| Cash equivalents | <u>913,864</u> | <u>1,196,565</u> |
| Total | <u>\$ 5,990,534</u> | <u>\$ 8,356,570</u> |

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

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------|-------------------|
| Interest and dividend income | \$ 124,553 | \$ 134,263 |
| Net unrealized (loss) gain from investments | (1,939,777) | 547,938 |
| Net realized gain from investments | <u>382,017</u> | <u>264,818</u> |
| | (1,433,207) | 947,019 |
| Investment expenses | <u>(32,830)</u> | <u>(60,577)</u> |
| Investment (loss) income, net | <u>\$ (1,466,037)</u> | <u>\$ 886,442</u> |

USENIX Association Notes to Financial Statements

Note 5 – Property and Equipment, Net

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

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|-------------------------|--------------------------|
| Equipment | \$ 40,876 | \$ 40,876 |
| Website | <u>989,020</u> | <u>980,080</u> |
| | 1,029,896 | 1,020,956 |
| Less: accumulated depreciation | <u>(938,215)</u> | <u>(888,888)</u> |
| Total | <u><u>\$ 91,681</u></u> | <u><u>\$ 132,068</u></u> |

Depreciation expense and amortization expense for the years ended December 31, 2022 and 2021, was \$49,326 and \$58,958, 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, 2022 and 2021:

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, 2022:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|----------------------------|---|--|--|---------------------|
| Common stock | \$ 1,739,709 | \$ - | \$ - | \$ 1,739,709 |
| Mutual funds | 2,180,559 | - | - | 2,180,559 |
| Corporate bonds | - | - | - | - |
| U.S. government securities | - | 1,156,402 | - | 1,156,402 |
| Cash equivalents | 913,864 | - | - | 913,864 |
| Total | <u>\$ 4,834,132</u> | <u>\$ 1,156,402</u> | <u>\$ -</u> | <u>\$ 5,990,534</u> |

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 |
| Total | <u>\$ 6,108,064</u> | <u>\$ 2,248,506</u> | <u>\$ -</u> | <u>\$ 8,356,570</u> |

USENIX Association
Notes to Financial Statements

Note 7 – Net Assets

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

| | 2022 | 2021 |
|--|--------------|--------------|
| Undesignated | \$ 1,306,433 | \$ 2,843,447 |
| Board designated for operating reserve | 5,179,295 | 6,600,884 |
| Total | \$ 6,485,728 | \$ 9,444,331 |

In December 1992, the Board 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:

| | 2022 | 2021 |
|-----------------------------|--------------|--------------|
| Balance, January 1 | \$ 6,600,884 | \$ 6,087,385 |
| Investment income | (1,444,071) | 960,717 |
| Investment fees | (32,705) | (55,218) |
| Transfers from reserve fund | 55,187 | (392,000) |
| Balance, December 31 | \$ 5,179,295 | \$ 6,600,884 |

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, 2022 and 2021, were \$64,796 and \$50,783, respectively.

Note 9 – Commitments and Contingencies

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.

USENIX Association Notes to Financial Statements

As of December 31, 2022, 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> |
|----------------------------------|--|
| 2023 | \$ 1,849,743 |
| 2024 | <u>998,134</u> |
| | <u><u>\$ 2,847,877</u></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 – 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.

The Association has evaluated subsequent events through September 26, 2023, which is the date the financial statements were available to be issued.

