

USENIX ASSOCIATION
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

August 27, 2024

Board of Directors
USENIX Association
San Francisco, California

Opinion

I have audited the accompanying financial statements of USENIX Association (a nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USENIX Association as of December 31, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of USENIX Association and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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

My 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 my 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, I:

- 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 my 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.

I am 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 I identified during the audit.



Healy and Associates
Concord, California

USENIX ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 581,035
Investments	5,676,906
Accounts receivable	50,772
Prepaid expenses	<u>275,068</u>

TOTAL CURRENT ASSETS 6,583,781

Property and equipment, net	160
Intangible assets, net	<u>54,186</u>

TOTAL ASSETS \$ 6,638,127

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 31,765
Accrued vacation payable	132,417
Contract liability	<u>408,850</u>

TOTAL CURRENT LIABILITIES 573,032

TOTAL LIABILITIES 573,032

COMMITMENTS

NET ASSETS

Without donor restrictions:

General	735,218
Board designated	<u>5,329,877</u>

6,065,095

With donor restrictions	<u>-</u>
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TOTAL NET ASSETS 6,065,095

TOTAL LIABILITIES AND NET ASSETS \$ 6,638,127

USENIX ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Conference, workshop, and sponsorship revenue	\$ 5,234,663	\$ -	\$ 5,234,663
Investment income, net	886,372	-	886,372
Membership and project income	129,696	-	129,696
Contributions	98,401	-	98,401
In-kind contributions	6,039	-	6,039
Other income	2,104	-	2,104
	<u>6,357,275</u>	<u>-</u>	<u>6,357,275</u>
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,357,275</u>	<u>-</u>	<u>6,357,275</u>
EXPENSES:			
Program	6,104,360	-	6,104,360
Supporting services:			
General and administrative	474,920	-	474,920
Fundraising	198,628	-	198,628
Total expenses	<u>6,777,908</u>	<u>-</u>	<u>6,777,908</u>
Change in net assets	(420,633)	-	(420,633)
NET ASSETS, beginning of year	<u>6,485,728</u>	<u>-</u>	<u>6,485,728</u>
NET ASSETS, end of year	<u>\$ 6,065,095</u>	<u>\$ -</u>	<u>\$ 6,065,095</u>

USENIX ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program	General and Administrative	Fundraising	Total
EXPENSES:				
Conferences and workshops	\$ 4,203,855	\$ -	\$ -	\$ 4,203,855
Personnel, taxes, and related benefits	1,440,365	193,058	186,585	1,820,008
Accounting	-	205,070	-	205,070
Grant awards	187,252	-	-	187,252
Information technology	137,150	16,025	6,864	160,039
Depreciation and amortization	39,475	4,612	1,975	46,062
Printing & publications	26,208	-	-	26,208
Outside services	1,258	24,701	63	26,022
Insurance	19,231	2,247	962	22,440
BOD meetings and expenses	-	20,405	-	20,405
Travel	16,178	1,890	810	18,878
Occupancy	12,065	1,409	604	14,078
Bank and merchant fees	9,032	1,055	452	10,539
In-kind services	6,039	-	-	6,039
Other	3,855	450	193	4,498
Legal	-	3,718	-	3,718
Office	2,094	245	105	2,444
Advertising and promotion	303	35	15	353
TOTAL EXPENSES	\$ 6,104,360	\$ 474,920	\$ 198,628	\$ 6,777,908

USENIX ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets \$ (420,633)

Adjustments to reconcile change in net assets to cash used by operating activities:

Depreciation and amortization 46,062
Realized and unrealized gain on investments (901,540)

CHANGES IN ASSETS AND LIABILITIES:

Accounts receivable 58,357
Prepaid expenses 195,773
Accounts payable and accrued expenses (120,418)
Accrued vacation payable (7,851)
Contract liability (52,900)

NET CASH USED BY OPERATING ACTIVITIES (1,203,150)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments (1,464,246)
Sale of investments 3,103,527
Increase in intangible assets (8,727)

NET CASH PROVIDED BY INVESTING ACTIVITIES 1,630,554

NET INCREASE IN CASH AND CASH EQUIVALENTS 427,404

CASH AND CASH EQUIVALENTS, beginning of year 577,744

CASH AND CASH EQUIVALENTS, end of year \$ 1,005,148

SUPPLEMENTAL INFORMATION:

Cash and cash equivalents \$ 581,035
Investment - cash equivalents 424,113

\$ 1,005,148

USENIX ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE A – NATURE OF ACTIVITIES

USENIX Association (USENIX, the Association) is a nonprofit public benefit 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 1,200 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 the USENIX Security Symposium, SREcon conferences, Symposium on Operating Systems Design and Implementation (OSDI), Symposium on Networked Systems Design and Implementation (NSDI), 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 events are held with some conferences.

Memberships – Membership in the Association provides benefits that include discounts on conference registration fees at all events. Members also have interactive access to USENIX's digital magazine, *login:*, with the ability to post comments to articles online and receive responses from authors and other members.

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 reimaged its longstanding members-only magazine, *login:*, as an open access digital publication with increased opportunities for interactivity among authors and readers.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Association to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Method and Basis of Presentation

The accounting records of the Association are maintained on the accrual basis of accounting. The financial statements of the Association have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Association to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. The Association did not have net assets with donor restrictions at December 31, 2023.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments, if any, with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Fair Value Measurements

The Association's financial instruments include cash, cash equivalents, and investments measured using Level 1 inputs. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Association groups assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

- **Level 1**— Quoted prices for identical assets in active markets.
- **Level 2**—Observable inputs other than Level 1, which include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- **Level 3**— Unobservable inputs that cannot be corroborated by observable market data.

Property and Equipment

Property and equipment additions, in excess of \$5,000, are recorded at cost, or if donated, at fair value on the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, generally five years. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

Intangible Assets

Intangible asset additions, in excess of \$5,000, are recorded at cost, or if donated, at fair value on the date of donation, less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the related assets.

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. 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, 2023.

Contributions and pledges

The Association recognizes contributions and pledges when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

USENIX ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year ended December 31, 2023, membership dues were \$129,696.

Conferences and workshops

The Association defers recognition of income and expenses for conferences and workshops until the related event occurs. Due to COVID-19, the Association transitioned from in-person events to virtual events which lasted through the end of 2022. In 2023, the Association resumed in-person events. For the year ended December 31, 2023, conference and workshop revenue was \$2,651,416.

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's start date. For the year ended December 31, 2023, sponsorship revenue was \$2,582,500.

Contract Liability

The Association's contract liability consists of conference registration and sponsorship payments made in advance of conferences to be held in the future.

In-kind Contributions

The Association receives services, which are donated for carrying out its mission. Donated professional services are recorded at the respective fair values of the services received. During the year ended December 31, 2023, the Association recognized \$6,039 in revenue from donated professional services, as estimated by the donor. The amounts are reflected in the accompanying statement of activities and functional expenses.

USENIX ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Association. Such expenses which are common to multiple functions have been allocated among the various functions benefited, using personnel time spent in the functional area.

Tax Exemption Status

The Association has received tax exempt status under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Revenue and Taxation Code. The Association is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Association has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

NOTE C – CONCENTRATIONS

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. At December 31, 2023, the Association has \$237,143 in funds on deposit in excess of insured limits.

NOTE D – INVESTMENTS

The composition and fair value of investments held in investment accounts at December 31, 2023 is as follows:

	<u>Level 1</u>
Fixed income – bonds	\$ 1,111,855
Common stock	1,765,358
Mutual funds	2,364,797
Cash equivalents	424,113
Accrued interest	10,783
Total investments	<u>\$ 5,676,906</u>

USENIX ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE D – INVESTMENTS (Continued)

Investment activity for the year ended December 31, 2023 is as follows:

Investments, beginning of year	\$5,990,534
Deposits	400,000
Withdrawals	(1,600,000)
Interest, dividend and realized gain	176,748
Unrealized gain	724,792
Less: fees	(15,168)
Investments, end of year	<u>\$ 5,676,906</u>

NOTE E – PROPERTY AND EQUIPMENT

Fixed assets at December 31, 2023 are comprised of the following:

Office equipment	\$ 40,876
Less: Accumulated depreciation	<u>(40,716)</u>
Total fixed assets, net	<u>\$ 160</u>

Depreciation expense is \$1,459 for the year ended December 31, 2023.

NOTE F – INTANGIBLE ASSETS

Intangible assets at December 31, 2023 are comprised of the following:

Website and upgrades	\$ 997,747
Less: Accumulated amortization	<u>(943,561)</u>
Total intangible assets, net	<u>\$ 54,186</u>

Amortization expense is \$44,603 for the year ended December 31, 2023.

NOTE G – CONTRACT LIABILITY

The change in contract liability during the year ended December 31, 2023, consists of the following activity:

	Beginning Balance	Revenue Recognized	Future Obligations	Ending Balance
Contract liability	<u>\$ 461,750</u>	<u>(\$ 461,750)</u>	<u>\$ 408,850</u>	<u>\$ 408,850</u>
Total	<u>\$ 461,750</u>	<u>(\$ 461,750)</u>	<u>\$ 408,850</u>	<u>\$ 408,850</u>

USENIX ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE H – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 581,035
Investments	5,676,906
Accounts receivable	<u>50,772</u>
Total financial assets	6,308,713
Less:	
Net assets with board designations	<u>(5,329,877)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 978,836</u></u>

As part of the Association's liquidity management, 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 board designated funds are \$5,329,877 at December 31, 2023. Although they do not intend to spend from this board designated fund these amounts could be made available if necessary.

NOTE I – IN-KIND DONATIONS

During the year ended December 31, 2023, the Organization received the following in-kind services:

<u>Services Received and Allocation</u>	<u>Basis for Valuation</u>	<u>Total</u>
Professional services – Program	FMV stated by donor	<u>\$ 6,039</u>

NOTE J – EMPLOYEE BENEFITS

The Association's employees are entitled to vacation pay based on length of service and other factors. The accrued vacation liability at December 31, 2023 is \$132,417 as reflected in the accompanying statement of financial position.

The Association offers participation in 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 year ended December 31, 2023 are \$62,805.

USENIX ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE K – COMMITMENTS

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. At December 31, 2023, the Association has approximately \$2,700,000 in signed agreements for future activities.

NOTE L – NET ASSETS WITH BOARD DESIGNATIONS

For the year ended December 31, 2023, net assets with board designations had the following activity:

<u>Nature of Designation</u>	<u>Beginning Balance</u>	<u>Income, net of fees</u>	<u>Withdrawals</u>	<u>Ending Balance</u>
Operating reserve	<u>\$ 5,179,295</u>	<u>\$ 850,582</u>	<u>(\$ 700,000)</u>	<u>\$ 5,329,877</u>
Total	<u>\$ 5,179,295</u>	<u>\$ 850,582</u>	<u>(\$ 700,000)</u>	<u>\$ 5,329,877</u>

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.

NOTE M – SUBSEQUENT EVENTS

The Association has evaluated subsequent events for recognition and disclosure through August 27, 2024, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2023, that required recognition or disclosure in the financial statements.